

DEPARTMENT OF HEALTH & HUMAN
SERVICES
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CENTER FOR MEDICARE

DATE: October 08, 2024

TO: Medicare Advantage Prescription Drug Plans, Prescription Drug Plans, Cost Plans, PACE Organizations, and Demonstrations

FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group

SUBJECT: Information on the Implementation of the 2025 RxHCC Risk Adjustment Models and Normalization Factors, and Updates to the Monthly Membership Report (MMR) and Model Output Reports (MORs)

I. 2025 RxHCC Risk Adjustment Models

As described in the CY 2025 Advance Notice and finalized in the CY 2025 Rate Announcement, CMS revised the RxHCC (Part D) models (referred to as the 2025 RxHCC models) used to pay for beneficiaries enrolled in Medicare Advantage Prescription Drug (MA-PD) plans, stand-alone Prescription Drug Plans (PDPs), National PACE organizations, Cost plans, and certain demonstrations (including the Medicare-Medicaid Plans (MMPs)).¹ CMS is currently working to make system changes for payments beginning with the January 2025 payment.

For CY 2025, CMS is implementing updated RxHCC models for payment to organizations offering Medicare Part D coverage. The updated RxHCC models for CY 2025 are calibrated using more recent data and reflect the redesign of the Part D benefit as required by the IRA, including the increase in plan liability given changes such as the \$2,000 cap on annual out-of-pocket spending for CY 2025 and the new Manufacturer Discount Program.

Specifically, the 2025 RxHCC models that will be implemented for CY 2025 are as follows:

- Non-PACE organizations: A model calibrated on 2021 diagnoses and 2022 expenditure data using encounter data-based filtering logic.
- For PACE organizations: A model calibrated on 2018 diagnoses and 2019 expenditure data using specialty-based filtering logic. This model incorporates a clinical update that

¹ For a discussion of the updates to the RxHCC models for CY 2025, please refer to the [CY 2025 Advance Notice, Attachment III, Section G RxHCC Risk Adjustment Model](#), and the [CY 2025 Rate Announcement, Attachment IV, Section G RxHCC Risk Adjustment Model](#).

aligns the clinical version of the model used for PACE organizations with the clinical version of the model used for non-PACE organizations.

II. 2025 RxHCC Risk Adjustment Model Normalization Factors

For CY 2025, CMS will apply separate normalization factors to adjust beneficiary risk scores for MA-PD plans and PDPs.² MA-PD normalization factors will be used to adjust risk scores of beneficiaries enrolled in MA-PDs, Cost plans, demonstrations, and PACE organizations. The normalization factor for the 2025 RxHCC model that will be used for non-PACE organizations was calculated using average risk scores from 2018 to 2022, excluding 2021. The normalization factor for the 2025 RxHCC model that will be used for PACE organizations was calculated using average risk scores from 2016 to 2020.

- 2025 RxHCC model for non-PACE organizations:
 - MA-PD: 1.073
 - PDP: 0.955
- 2025 RxHCC model for PACE organizations:
 - MA-PD: 1.163

III. Updates to Reports Related to the 2025 RxHCC Models and Normalization Factors

a. Monthly Membership Report Detail data file (MMR) Updates:

On the MMR report, the following fields will be modified for use with the 2025 RxHCC models, starting with January 2025 payment. Fields 86 (Part D Risk Adjustment Factor Type) and 87 (Part D Default Risk Factor Code) will be updated to display new codes for the new Part D risk factor types that will be used for payment calculation beginning 01/01/2025. Yellow highlights indicate new risk factor types that will be added in the November 2024 Plan Communications User Guide (PCUG).

² For a discussion of the CY 2025 RxHCC normalization factors, refer to the [CY 2025 Advance Notice, Attachment III. Section H. Normalization Factors for the RxHCC Models, and the CY 2025 Rate Announcement, Attachment IV. Section H. Normalization for the RxHCC Risk Adjustment Model.](#)

Monthly Membership Detail Report				
Item	Field	Size	Position	Description
86	Part D Risk Adjustment Factor Type	2	456-457	<p>The type of Part D Risk Adjustment Factor used to calculate this payment or adjustment.</p> <p><u>Factor types used for January 2011 through December 2024 payments</u> D1 = Community Non-Low Income Continuing Enrollee, D2 = Community Low Income Continuing Enrollee, D3 = Institutional Continuing Enrollee, D4 = New Enrollee Community Non-Low Income Non-ESRD, D5 = New Enrollee Community Non-Low Income ESRD, D6 = New Enrollee Community Low Income Non-ESRD, D7 = New Enrollee Community Low Income ESRD, D8 = New Enrollee Institutional Non-ESRD, D9 = New Enrollee Institutional ESRD,</p> <p><u>Existing factor types that will continue to be used for 2025 payments</u> P1 = PACE New Enrollee Community Low Income Non-ESRD P2 = PACE New Enrollee Community Non- Low Income Non-ESRD P3 = PACE New Enrollee Institutional Non-ESRD P4 = PACE New Enrollee Institutional ESRD P5 = PACE New Enrollee Community Low Income ESRD P6 = PACE New Enrollee Community Non- Low Income ESRD P7 = PACE Community Non- Low Income Continuing Enrollee P8 = PACE Community Low Income Continuing Enrollee P9 = PACE Institutional Continuing Enrollee</p> <p><u>New factor types used for 2025 payments</u> R1 = Community Non-Low Income Continuing Enrollee MAPD R2 = Community Non-Low Income Continuing Enrollee PDP R3 = Community Low Income Continuing Enrollee MAPD, R4 = Community Low Income Continuing Enrollee PDP, I1 = Institutional Continuing Enrollee MAPD, I2= Institutional Continuing Enrollee PDP, N1 = New Enrollee Community Non-Low Income Non-ESRD MAPD, N2 = New Enrollee Community Non-Low Income Non-ESRD PDP, N3 = New Enrollee Community Non-Low Income ESRD MAPD, N4 = New Enrollee Community Non-Low Income ESRD PDP, N5= New Enrollee Community Low Income Non- ESRD MAPD,</p>

Monthly Membership Detail Report				
Item	Field	Size	Position	Description
				<p>N6= New Enrollee Community Low Income Non- ESRD PDP, N7 = New Enrollee Community Low Income ESRD MAPD, N8 = New Enrollee Community Low Income ESRD PDP, I3 = New Enrollee Institutional Non-ESRD MAPD, I4 = New Enrollee Institutional Non-ESRD PDP, I5 = New Enrollee Institutional ESRD MAPD, I6 = New Enrollee Institutional ESRD PDP,</p> <p>Spaces = Not applicable. Note: The value of the Part D RAF is found in field 67.</p>
87	Part D Default Risk Factor Code	1	458	<p>The code that indicates the type of Part D Default Risk Factor for beneficiaries with less than 12 months of Medicare Part A entitlement.</p> <p><u>Factor types used for January 2011 through December 2024 payments</u></p> <p>1 = Not ESRD, Not Low Income, Not Originally Disabled 2 = Not ESRD, Not Low Income, Originally Disabled 3 = Not ESRD, Low Income, Not Originally Disabled 4 = Not ESRD, Low Income, Originally Disabled 5 = ESRD, Not Low Income, Not Originally Disabled 6 = ESRD, Low Income, Not Originally Disabled 7 = ESRD, Not Low Income, Originally Disabled 8 = ESRD, Low Income, Originally Disabled</p> <p><u>Factor types used for 2025 payments</u></p> <p>A = Not ESRD, Not Low Income, Not Originally Disabled MAPD B = Not ESRD, Not Low Income, Not Originally Disabled PDP C = Not ESRD, Not Low Income, Originally Disabled MAPD D = Not ESRD, Not Low Income, Originally Disabled PDP E = Not ESRD, Low Income, Not Originally Disabled MAPD F = Not ESRD, Low Income, Not Originally Disabled PDP G = Not ESRD, Low Income, Originally Disabled MAPD H = Not ESRD, Low Income, Originally Disabled, PDP I = ESRD, Not Low Income, Not Originally Disabled, MAPD</p>

Monthly Membership Detail Report				
Item	Field	Size	Position	Description
				J = ESRD, Not Low Income, Not Originally Disabled, PDP K = ESRD, Not Low Income, Originally Disabled, MAPD L = ESRD, Not Low Income, Originally Disabled, PDP M = ESRD, Low Income, Not Originally Disabled, MAPD N = ESRD, Low Income, Not Originally, Disabled, PDP O = ESRD, Low Income, Originally Disabled, MAPD P = ESRD, Low Income, Originally Disabled, PDP Spaces = Not applicable

b. PY 2025 Model Output Reports

CMS distributes two Model Output Data Files – one for Part C and one for Part D. Within the data files, there are Model Output Reports (MORs) with unique record types that correspond to each model being run for payment. We distribute these MORs to plans to identify the HCCs/RxHCCs used to calculate risk scores for each of their enrolled beneficiaries. The following table provides information regarding changes to the MORs that will be generated for the PY 2025 initial, midyear, and final reconciliation payments.

The record types for PY 2025 will include new MOR Record Type 7, which is used to report RxHCCs used to calculate risk scores for PACE participants.

There will be no changes to the MOR record types for non-PACE organizations in PY 2025.

The record types for PY 2025 are outlined as follows:

2025 Model Run Data Source	Model	Model Version	MOR Record Type
Non-PACE Organizations MOR Record types (Encounter Data and FFS Based HCCs)	2023 ESRD (Dialysis and Functioning Graft)	V24	L
	2020 CMS-HCC	V24	J
	2024 CMS-HCC	V28	M
	2025 RxHCC	V08	6

2025 Model Run Data Source	Model	Model Version	MOR Record Type
PACE Organizations MOR Record Types (RAPS, Encounter Data, and FFS Based HCCs)	2019 ESRD (Dialysis and Functioning Graft)	V21	B
	2017 CMS-HCC	V22	K
	2025 RxHCC	V08	7

The Plan Communications User Guide (PCUG), <https://www.cms.gov/data-research/cms-information-technology/access-cms-data-application/mapd-plan-communication-user-guide> will be updated to reflect the MOR record layouts that will be used in PY 2025.

Policy questions related to the 2025 RxHCC risk adjustment models should be submitted to the risk adjustment policy mailbox (riskadjustmentpolicy@cms.hhs.gov).

Operational questions related to the MORs should be submitted to the risk adjustment operations mailbox (riskadjustmentoperations@cms.hhs.gov).

Questions related to the MMR and MARx should be submitted to the MAPD Helpdesk (mapdhelp@cms.hhs.gov).

Please use “Information on the 2025 RxHCC Risk Adjustment Models and Normalization Factors, and Updates to the Monthly Membership Report (MMR) and Model Output Reports (MORs)” as the subject in all communications regarding this memo.

IV. Addendum: Risk score changes that can occur for Payment Year 2025

Below is a summary of how risk scores are updated throughout the year.

<p>January 2025</p>	<ul style="list-style-type: none"> • Initial risk scores are applied in payment • Community versus LTI status is based on the August 2024 LTI status. • Low income status is based on the January 2025 LIS status
<p>On or about July 2025</p>	<ul style="list-style-type: none"> • Mid-year risk scores are applied in payment. • Community versus LTI status is updated, based on the February 2025 LTI status. • Low income status is determined on a month-by-month basis using the LIS status of each payment month. • A beneficiary’s factor type used after the mid-year risk score may be different from their initial risk score because of changes in community/LTI status and/or low income status. • If a beneficiary’s mid-year risk score differs from their initial risk score, the mid-year risk score is used from July through the end of the year, and payments for January – June are adjusted.
<p>On or about June 2026</p>	<ul style="list-style-type: none"> • Final risk scores are applied in payment. • Community versus LTI status is determined on a month-by-month basis. • Low income status is determined on a month-by-month basis using the LIS status of each payment month. • A beneficiary’s final risk score may be different from their mid-year risk score because of changes in community/LTI status and/or low income status.