



Welcome to *Washington Update*, the weekly e-newsletter on the latest health care happenings in the nation's capital that affect APG's members.

Table of Contents

- **Rates For Medicare Advantage Plans To Rise By An Average Of 3.7 Percent For 2025, But May Still Squeeze Some Plans And Providers**
- **More Changes Ahead In The Medicare Advantage Market Through Additional CMS Rule Changes**
- **New Network Adequacy Standards Among Changes In Store For Qualified Health Plans And Enrollees**
- **No Way, CMS Tells Pharma Companies In Rejecting Their Counteroffers In Initial Drug Price Negotiations**
- **APG Announcements And Offerings**



Rates For Medicare Advantage Plans To Rise By An Average of 3.7 Percent for 2025, But May Still Squeeze Some Plans And Providers

Payments to Medicare Advantage (MA) plans will rise an average of 3.7 percent next year, according to the [final rate announcement](#) released this week by the Centers for Medicare & Medicaid Services (CMS). But that average projected rate increase could still mask worse results for some MA plans – a reality that could affect the premiums that they will charge enrollees, the supplemental benefits that they will offer, and how much they will pay their affiliated providers, including many APG member groups.

CMS had originally proposed the same 3.7 percent average increase when it unveiled its [Advance Notice](#) of MA rates back in January, and the fact that it landed on the same number in its final rate notice took many MA plans and their affiliated providers by surprise. Several major MA plans

had noted sharp increases in health care utilization and spending in the second half of 2023 and believed that CMS actuaries would see similar trends in the traditional Medicare program as they analyzed full results for the entire year. Had that happened, higher spending in the fee-for-service portion of the program would have translated into higher payments to MA plans. But CMS actuaries did not detect a similar rise in utilization in the traditional Medicare program, and the reason remains a mystery.

The episode raises important questions about the divergent trends between the two very different parts of Medicare – MA and the traditional program. APG plans to work with policymakers to urge more research into the source of these differences and to explore alternatives to basing MA plan payments on spending in traditional Medicare.

New Policy for Puerto Rico: CMS in its rate announcement also finalized a new approach for setting payment rates for MA plans in Puerto Rico that APG had commented favorably on in its March [comment letter](#) to the agency. MA payment rates in the territory have skewed low because of a local anomaly: Many Medicare beneficiaries there are only enrolled in Part A of Medicare, and many have zero claims in a given year. The result is artificially low Medicare spending estimates that translate low payments to MA plans. To account for these facts, CMS as of 2025 will base county spending on beneficiaries with both Part A and Part B and adjust per-county Medicare spending rates upward by 4.2 percent, so that payments to MA plans will be based on more generous estimates of Medicare spending trends.



More Changes Ahead In the Medicare Advantage Market Through Additional CMS Rule Changes

Medicare Advantage plans must take new steps as of 2025 to inform enrollees about their supplemental benefits – and demonstrate that the special supplemental benefits that they offer chronically ill enrollees have clinical value – under a separate Centers for Medicare & Medicaid Services (CMS) technical [rule also finalized](#) this week. The rule also takes aim at practices that could steer beneficiaries to enroll in plans that aren't the most appropriate for them by imposing new limits on how the plans can compensate agents and brokers. MA plans will also have to ensure that utilization tools such as prior authorization don't have a disproportionate impact on underserved populations, as well as expand their networks of behavioral health providers.

This slew of changes was advanced in proposed rules that CMS unveiled in 2022 and 2023. Additional provisions affect the Part D drug benefit program and the Program of All-Inclusive Care for the Elderly (PACE) and also bear on health information technology. APG is continuing to review

the details of the lengthy final rule and will offer an informational webinar for APG members later this month. Details will follow.



New Network Adequacy Standards Among Changes In Store For Qualified Health Plans And Enrollees

More consistent national standards on how far and how long consumers can travel to see various types of providers will apply to the Affordable Care Act's [Qualified Health Plans](#) under another final [rule](#) adopted by the Centers for Medicare & Medicaid Services this week. The new standards, which will take effect in 2026, will even up different requirements imposed previously on plans participating in state exchanges versus those available through the [Federally Facilitated Marketplace](#). The rule also makes low-income consumers eligible for special enrollment periods year-round and standardizes open enrollment periods across all marketplaces. The rule is available [here](#).



No Way, CMS Tells Pharma Companies In Rejecting Their Counteroffers In Initial Drug Price Negotiations

Given their controversial nature, the new Medicare drug price negotiations mandated under the Inflation Reduction Act were never expected to proceed smoothly. So there was little surprise when the Centers for Medicare & Medicaid Services (CMS) announced this week that it had rejected pharmaceutical manufacturers' latest counteroffers to prices that CMS had proposed to the companies in February.

The negotiations cover 10 of the costliest prescription drugs covered by Medicare. The two sides can continue talks through Aug. 1, and final prices will be announced Sept. 1.



APG Announcements And Offerings

- APG will host a members-only webinar on the Medicare Advantage and Part D Final Rule announcement on Tuesday, April 9, 2:00 - 3:00 pm ET. Register [here](#).
- APG will host two members-only focus groups on the Medicare Advantage Request for Information: the first on Wednesday, April 24, 12:00 - 1:00 pm ET (register [here](#)) and the second on Thursday, May 2, 12:00 - 1:00 pm ET (register [here](#)).

- APG will host an Emerging Trends in Health Care Webinar on May 16, 12:00 pm – 12:45 pm ET, with guest Rebekah Gee, MD, CEO of Nest Health. Register [here](#).
- Registration is open for the APG's Spring Conference in San Diego from May 29-31. Register [here](#).
- Want to get more involved in APG's Federal advocacy efforts? [Join APG Advocates today](#).

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