

# Analysis of regional benchmarks and benchmark-plan availability in the PDP market

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# Presentation roadmap

1

**Background**

2

**Recent trends and impact on beneficiary choice**

3

**Key factors affecting benchmark-plan availability**

4

**Factors affecting premiums**

5

**Discussion**

# In June 2025, the Commission discussed four concerning trends in the Part D program

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Sufficient competition is needed to promote lower costs and ensure access to clinically appropriate medicines, but:

- Number of PDPs—and benchmark plans—is declining
- Average PDP basic premiums are exceeding those of MA-PDs
- Average PDP gross costs are higher—but risk scores are lower—than MA-PDs
- PDPs were more likely to incur losses than MA-PDs

**Note:** PDP (prescription drug plan), MA-PD (Medicare Advantage prescription drug [plan]).  
**Source:** MedPAC's June 2025 report to the Congress.

# Key terms

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- **Low-income subsidy (LIS):** Additional premium and cost-sharing subsidy provided for individuals with low-income and limited assets
- **Benchmark plans:** Stand-alone basic PDPs with premiums at or below the LIPSA
- **Low-income premium subsidy amount (LIPSA):** Equal to the greater of:
  - The regional benchmark: The LIS-weighted average premium for basic coverage for *all* Part D plans in a region, *or*
  - The lowest premium for a basic PDP in the region

**Note:** PDP (prescription drug plan).

# Part D subsidizes low premium plans: An illustrative example

## Region A

Plan	Premium	LIS member count	Weighted average premium (benchmark)
MA-PD 1	\$50	50	\$42
PDP 2	\$45	35	
PDP 3	\$40	40	
PDP 4	\$25	25	



**Benchmark and LIPSA = \$42**  
**Region A has two benchmark plans:** Premiums for PDP 3 and PDP 4 are lower than the benchmark

## Region B

Plan	Premium	LIS member count	Weighted average premium (benchmark)
MA-PD 1	\$25	50	\$35
PDP 2	\$45	35	
PDP 3	\$40	40	



**Benchmark = \$35**  
**LIPSA = \$40**  
**Region B has one benchmark plan:** No PDPs have premiums less than the weighted average premium. PDP 3 has the lowest PDP premium.

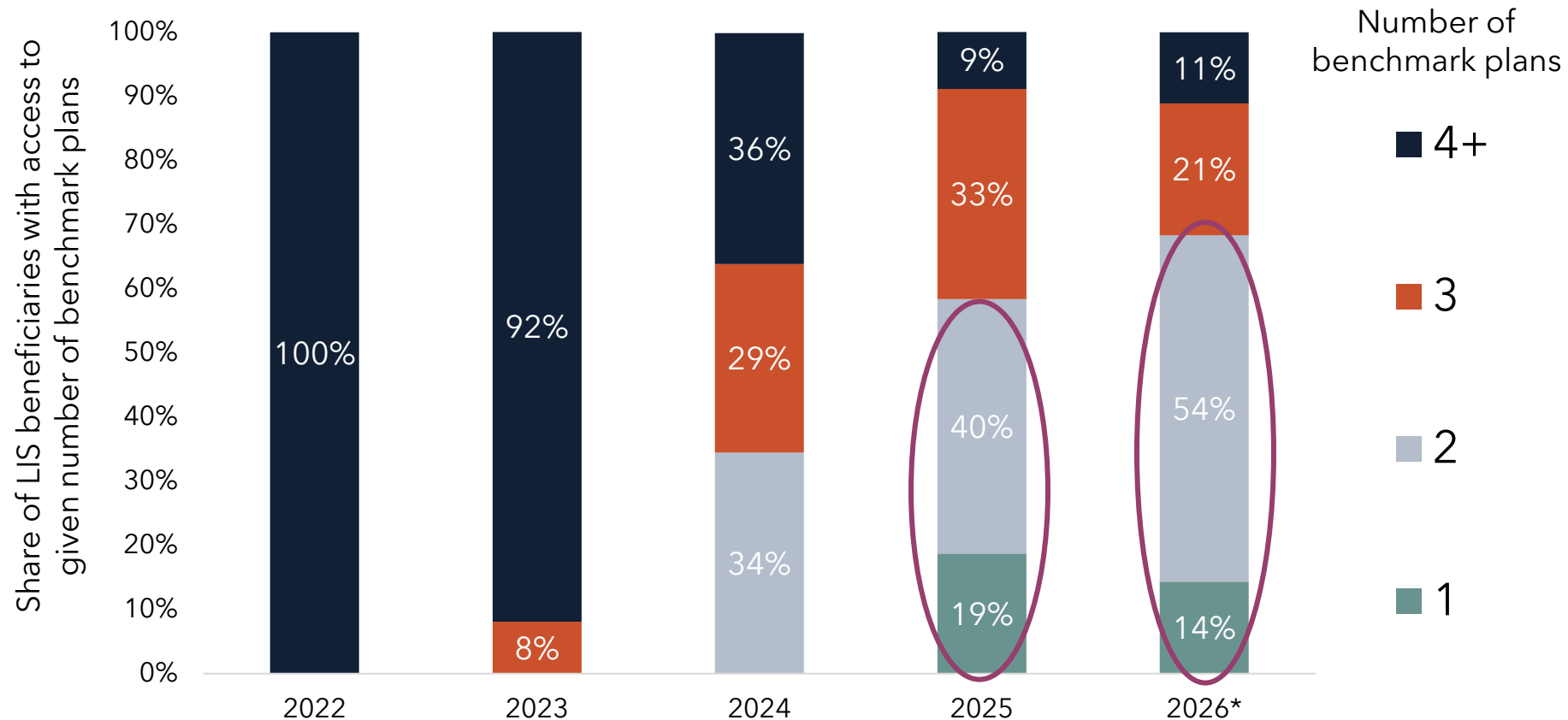
**Note:** LIS (low-income subsidy), MA-PD (Medicare Advantage prescription drug [plan]), PDP (prescription drug plan), LIPSA (low-income premium subsidy amount). We assume each of these plans is a basic plan.

**Source:** MedPAC illustrative example.



# Recent trends and impact on beneficiary choice

# LIS beneficiaries have fewer benchmark-plan options than before 2024



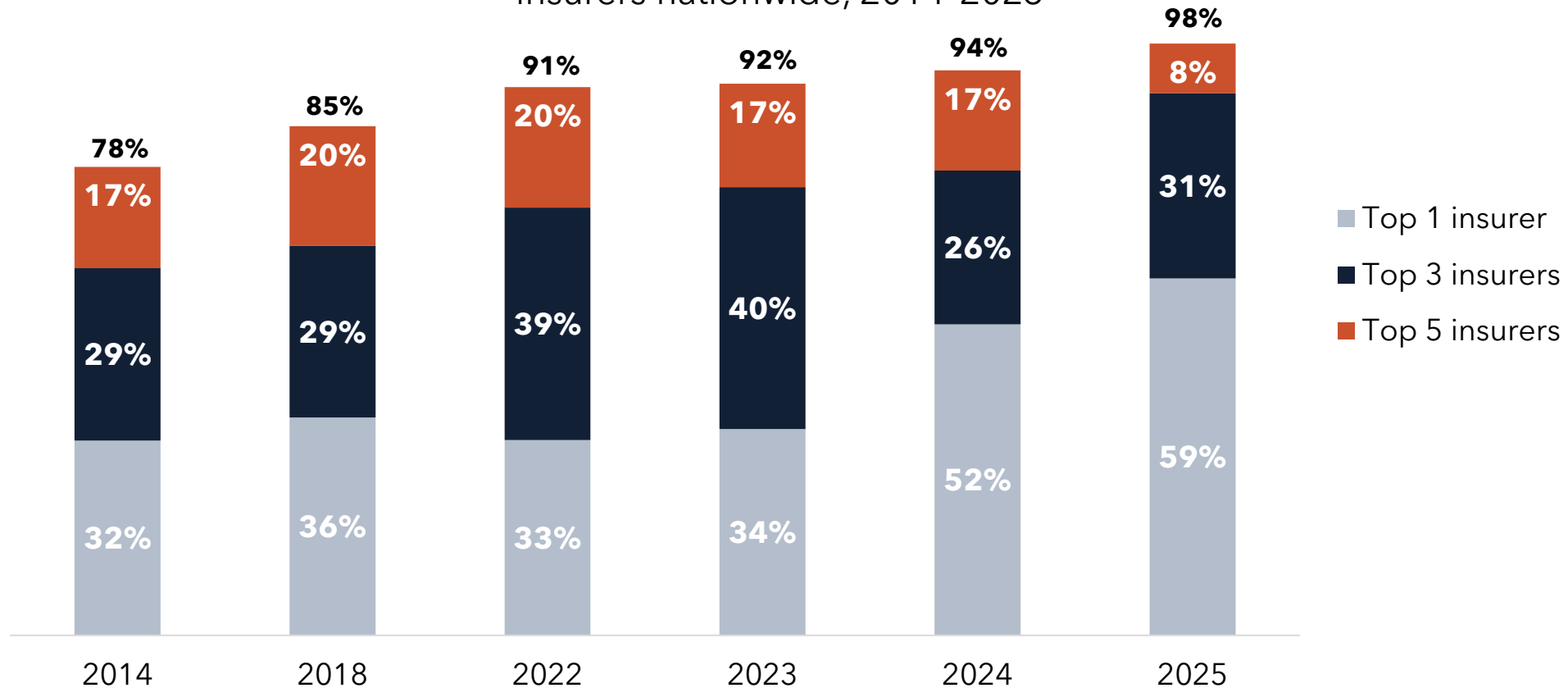
**Note:** LIS (low-income subsidy). These shares are based on all Part D-enrolled LIS beneficiaries in a region, including those enrolled in stand-alone prescription drug plans and those in Medicare Advantage prescription drug plans. Numbers may not sum to 100% due to rounding.

\* 2026 data assume equal number of LIS enrollees per region as in 2025 since LIS enrollment data for 2026 is not yet available.

**Source:** MedPAC analysis of CMS landscape and enrollment files.

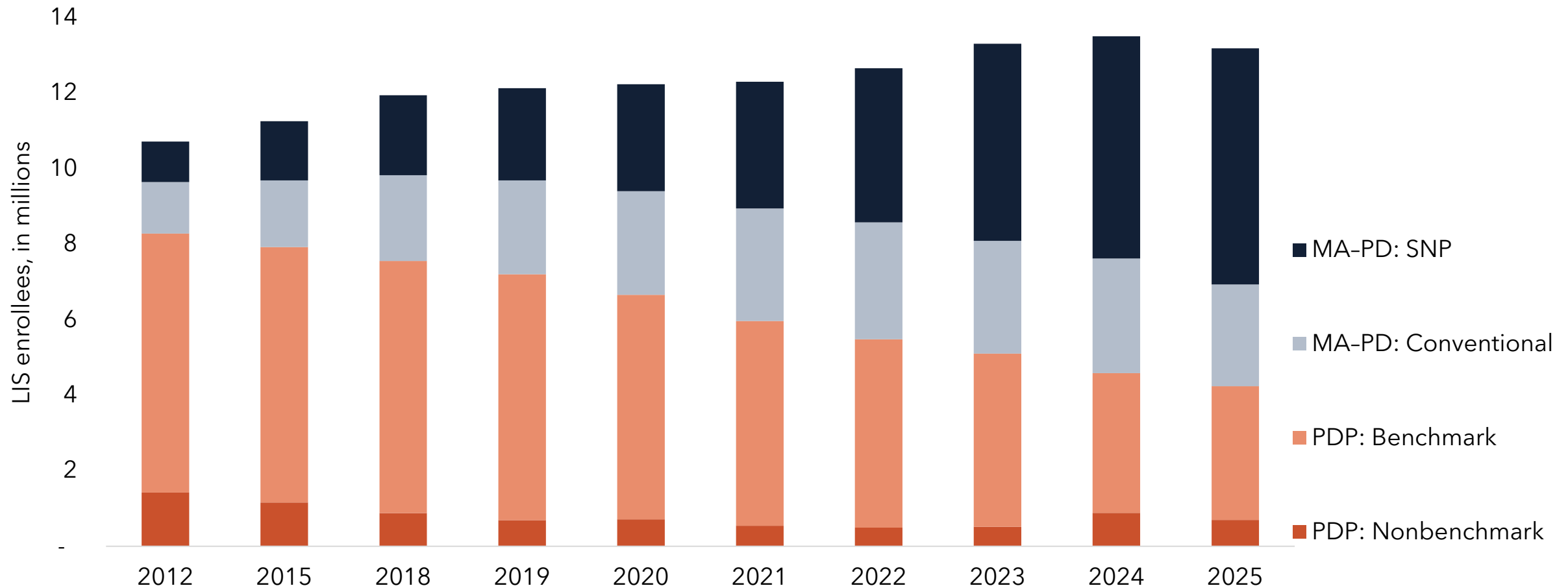
# LIS enrollment is increasingly concentrated in a small number of plans

Concentration of LIS beneficiaries enrolled in benchmark PDPs by top 5 PDP insurers nationwide, 2014-2025



**Note:** LIS (low-income subsidy), PDP (prescription drug plan).  
**Source:** MedPAC analysis of CMS landscape and enrollment files.

# LIS enrollees have shifted from PDPs to MA-PDs



**Note:** LIS (low-income subsidy), PDP (prescription drug plan), MA-PD (Medicare Advantage prescription drug [plan]), SNP (special-needs plan).  
**Source:** CMS monthly enrollment files.

# Program safeguards mitigate concerns regarding beneficiary impact of fewer benchmark plans

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- Program safeguards
  - Formulary coverage requirements
  - Pharmacy access requirements
  - Low-income subsidy provides financial protections
  - Fallback plan option
- Still, beneficiary choice is important in the Part D program
- Benchmark-plan trends may provide insight into broader Part D market dynamics

**Source:** Centers for Medicare and Medicaid Services; MedPAC June 2025 report to the Congress; Health and Human Services Office of Inspector General “Part D Plans Generally Include Drugs Commonly Used by Dual-Eligible Enrollees: 2025.”



# Key factors affecting benchmark plan availability

# Key factors that could affect benchmark-plan availability

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## Number of basic PDPs offered in a region

Basic PDP offerings determine the maximum number of benchmark plans a region may have since only basic PDPs may be benchmark plans

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## LIS plan-enrollment distribution

The distribution of LIS enrollees across MA-PDs and PDPs affects the weighting of plan premiums used to determine a region's benchmark

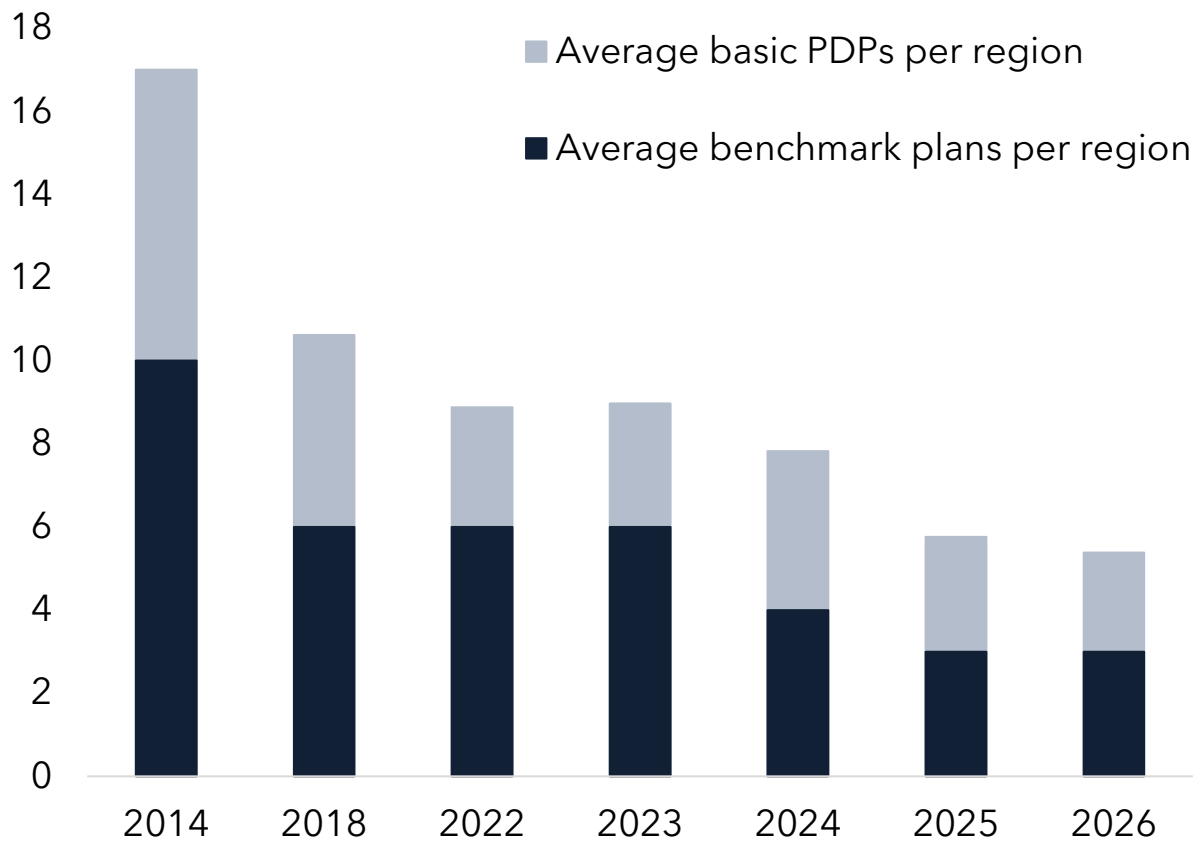
3

## Premiums for basic benefits among PDPs and MA-PDs

As the premiums for MA-PDs fall further below those of PDPs, the regional benchmark will decline

**Note:** PDP (prescription drug plan), LIS (low-income subsidy), MA-PD (Medicare Advantage prescription drug [plan]).

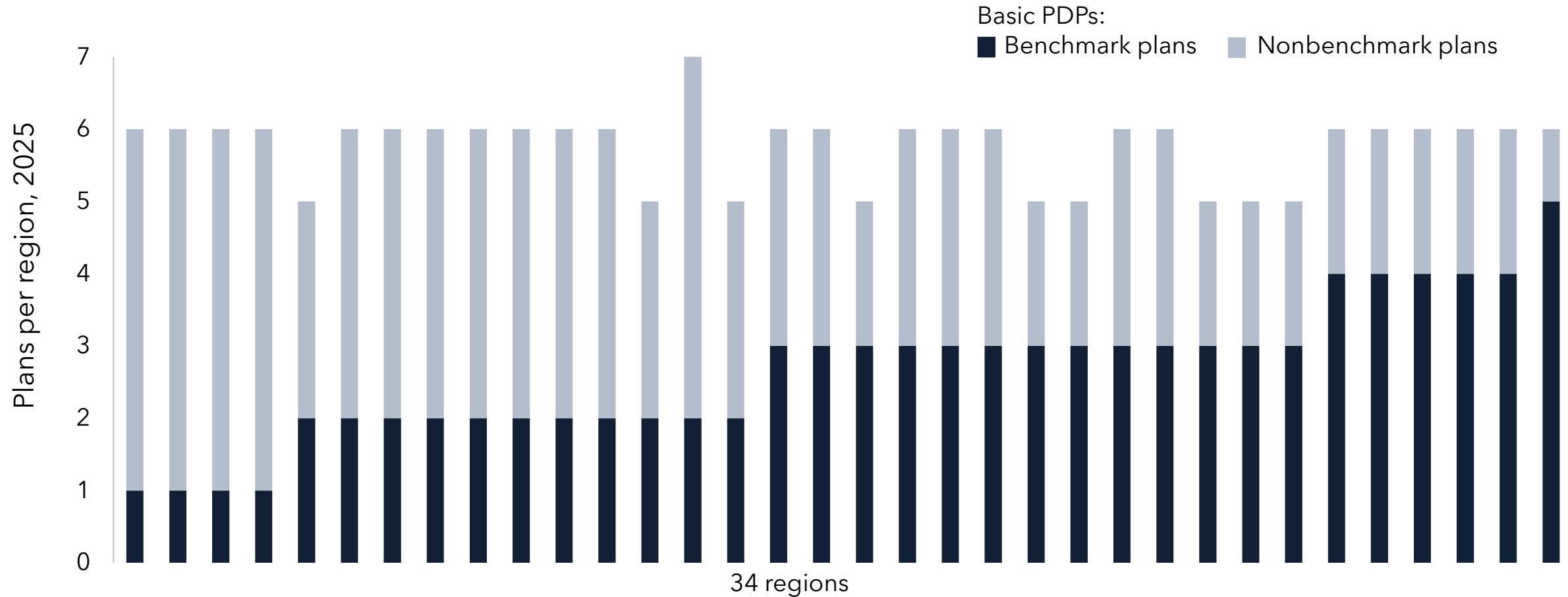
# Factor 1: Number of basic PDPs offered in a region



- Declining number of basic PDPs and benchmark plans
- Only basic PDPs can be benchmark plans
- Declining number of insurers in the PDP market
- Insurers can only offer 1 basic plan per region

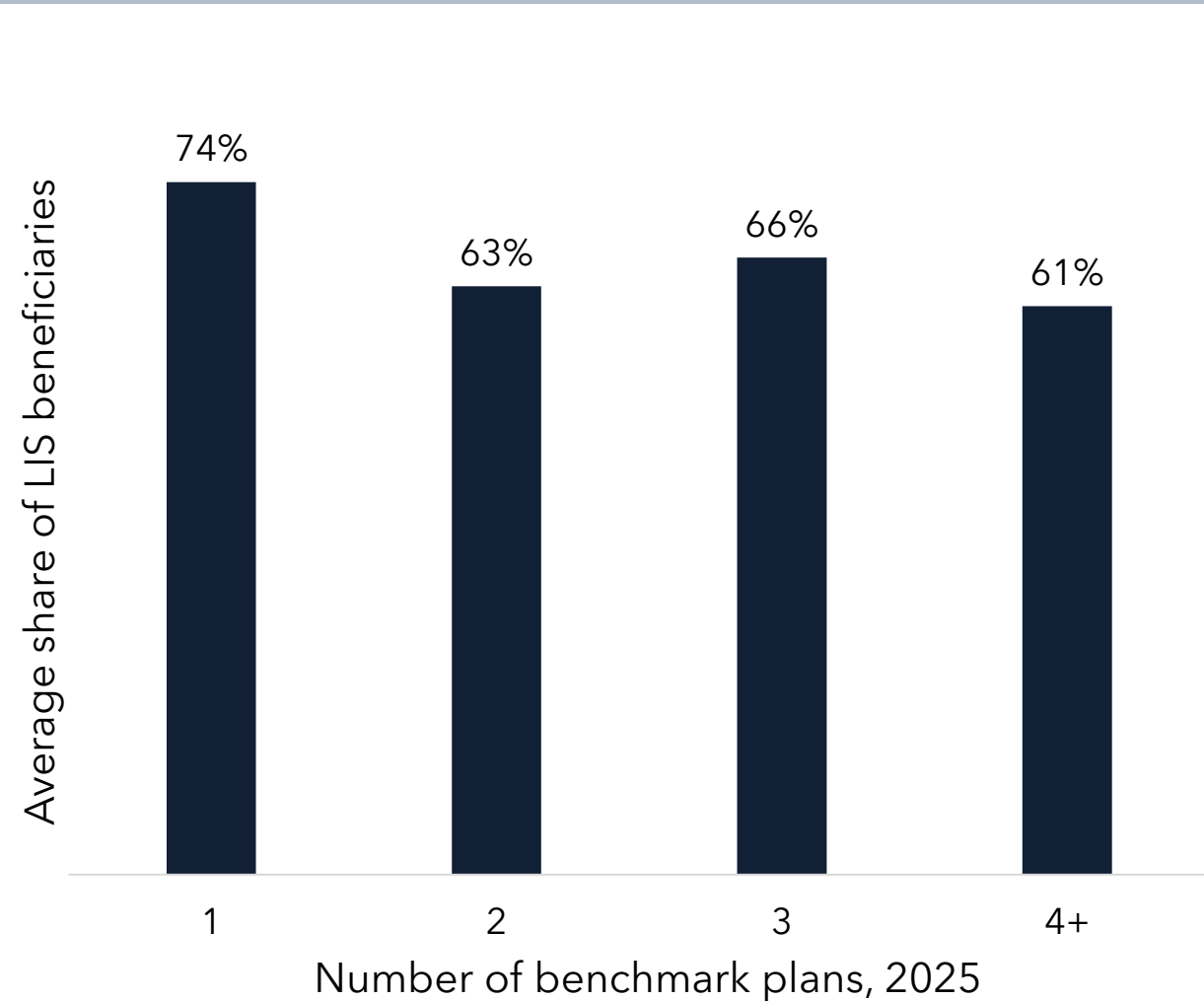
**Note:** PDP (prescription drug plan).  
**Source:** Annual CMS landscape files.

# Number of benchmark plans varies more than basic PDPs, failing to explain regional differences



**Note:** PDP (prescription drug plan).  
**Source:** Annual CMS landscape file.

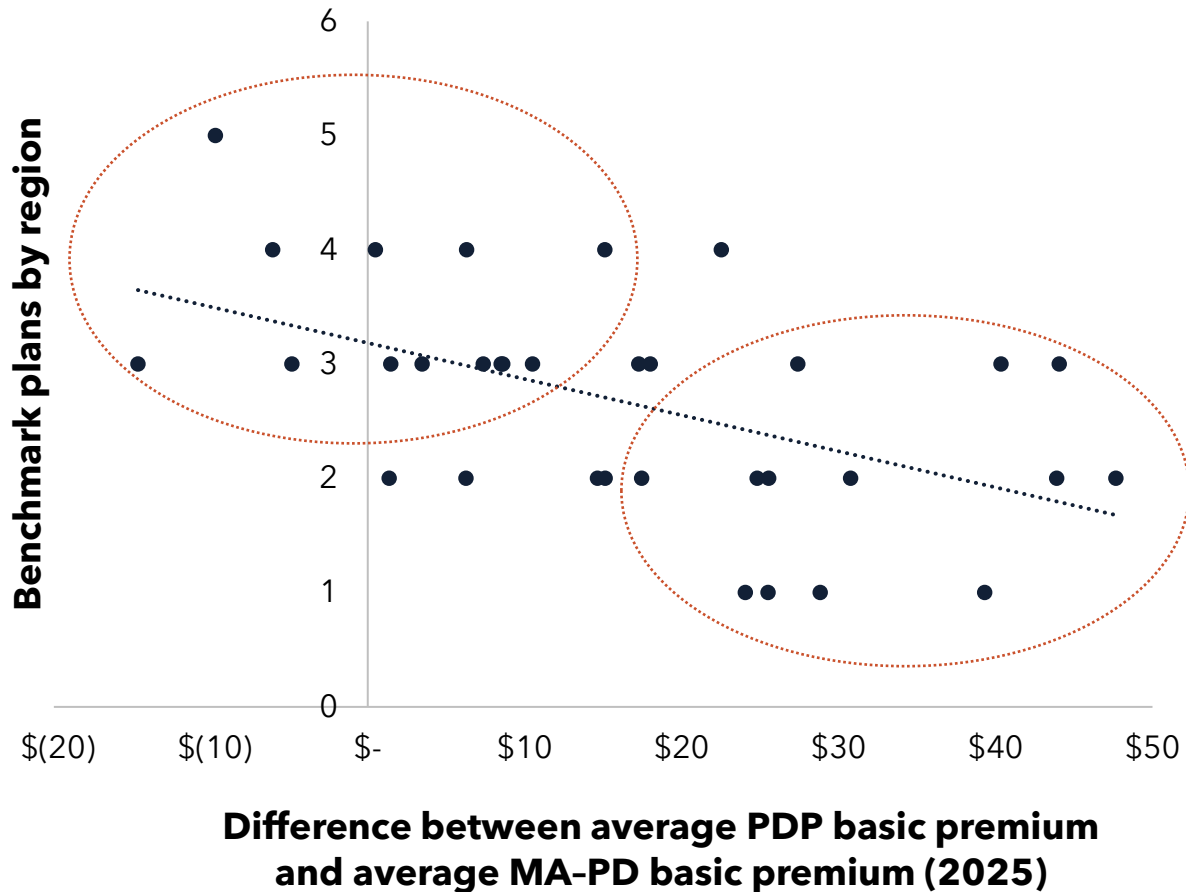
## Factor 2: Share of LIS beneficiaries enrolled in MA



- In 2025, regions with a single benchmark plan had a higher share of LIS enrollees in MA than other regions, on average
- However, there are regions with higher shares of LIS enrollment in MA and numerous benchmark plans
- This factor was somewhat influential in determining the number of benchmark plans

**Note:** LIS (low-income subsidy), Medicare Advantage (MA).

# Factor 3: Average difference in basic premiums between PDPs and MA-PDs



- As basic premiums for PDPs increase relative to those of MA-PDs, the number of benchmark plans tends to decline
- This factor was most influential in determining number of benchmark plans

**Note:** PDP (prescription drug plan), MA-PD (Medicare Advantage prescription drug [plan]). The premiums used in these calculations are from plans' bid submissions and before the application of MA rebates to buy down premiums for MA-PDs or any applicable premium reductions under the PDP Premium Stabilization Demonstration for PDPs, the same as was used by CMS to calculate the regional benchmarks.

**Source:** Annual CMS landscape files.

# As average premiums for MA-PDs fall further below those of PDPs, fewer plans qualify as benchmark plans

Number of benchmark plans, 2025	Number of regions	LIS-weighted average premium		Difference (PDP - MA-PD)
		PDP	MA-PD	
1	4	\$34	\$7	\$27
2	11	53	31	22
3	13	57	48	10
4+	6	44	38	6

**Note:** MA-PD (MA prescription drug [plan]), PDP (prescription drug plan), LIS (low-income subsidy). The LIS-weighted average premium is the average beneficiary premium, weighted by LIS enrollment, for basic coverage in each group. The premiums used in these calculations are from plans' bid submissions and before the application of MA rebates to buy down premiums for MA-PDs or any applicable premium reductions under the PDP Premium Stabilization Demonstration for PDPs, the same as was used by CMS to calculate the regional benchmarks.

**Source:** MedPAC analysis of CMS annual landscape file, bid data, and enrollment data.



# Factors affecting premiums

# Differences in premiums may be related to concerning trends in PDP and MA-PD markets (June 2025)

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- Premiums are based on plan bids that reflect plans' expected benefit costs after standardizing for enrollees' risk scores
- Between 2019 and 2023, MA-PDs had lower risk-standardized costs than PDPs, on average
  - Difference in coding intensity explained some but not all of the difference
  - Suggests inaccuracies in risk adjustment could distort plan bids and premium competition between the two markets
- Changes in risk adjustment, beginning in 2025, could affect differences in average premiums between MA-PDs and PDPs

**Note:** PDP (prescription drug plan), MA-PD (Medicare Advantage prescription drug [plan]).  
**Source:** MedPAC June 2025 report to the Congress, CMS 2027 Medicare Advantage and Part D Advance Notice.

# The PDP Premium Stabilization Demonstration increased the number of benchmark plans

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- CMS implemented a voluntary demonstration for PDPs to lower the premiums beneficiaries would pay, at a cost of \$6 billion in 2025
- Benchmark amounts set based on premiums *before* any reductions from the demonstration; but whether a plan qualified as a benchmark plan was based on its premium *after* the demonstration's premium reductions.
- If plans were selected based on premiums prior to the demonstration's reductions, fewer plans would have qualified:
  - 2025: 22 of 90 benchmark plans
  - 2026: 8 of 88 benchmark plans

**Note:** PDP (prescription drug plan).

# Summary

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- The biggest factor affecting the number of benchmark plans appears to be the magnitude of the difference between PDP and MA-PD basic-benefit premiums
- Premium differences reflect differences in risk-standardized bids, which may not accurately reflect average expected costs
- Safeguards in place to mitigate access and coverage concerns for LIS beneficiaries
- The Part D program continues to evolve

**Note:** PDP (prescription drug plan), MA-PD (Medicare Advantage prescription drug [plan]), LIS (low-income subsidy).



# Discussion

# Discussion

- We will continue to monitor the status of the benchmark market and the effects of changes to the Part D risk-adjustment model
- Questions or comments?



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