



California Public Employees' Retirement System

Executive Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3829 | Fax: (916) 795-3410

888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

Dr. Mehmet Oz, Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
7500 Security Boulevard
Baltimore, MD 21244

Attention: CMS-2026-0034

February 17, 2026

Subject: Advance Notice of Methodological Changes for Calendar Year (CY) 2027 for Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies [CMS-2026-0034]

Dear Administrator Oz,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing in response to the Centers for Medicare and Medicaid Services (CMS) Advance Notice of Methodological Changes for Calendar Year (CY) 2027 for Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies.

With more than 1.5 million members, CalPERS is the largest purchaser of public employee health benefits in California and the second largest public purchaser in the nation after the federal government. Our high-quality, comprehensive health plans include health maintenance, preferred provider, and exclusive provider organization plans. To provide these offerings, CalPERS relies on MA plans, particularly Employer Group Waiver Plans (EGWPs). EGWPs enable the delivery of enhanced value-based benefits at a lower premium than traditional Medicare. In 2024, we spent over \$12.4 billion to purchase health benefits for active and retired members and their families on behalf of the State of California (including the California State University system) and nearly 1,200 public agencies and schools. Of that amount, CalPERS spent approximately \$728 million to provide benefits for our MA and Medicare Supplement enrollees.¹ We believe Medicare is the backbone of CalPERS' retiree health benefits, and we appreciate your ongoing efforts to protect the long-term health of the Medicare Trust Fund.

¹ See CalPERS' Health Benefits Program, 2024 Annual Report, November 2025, available at <https://www.calpers.ca.gov/documents/health-benefits-program-annual-report-2025/download?inline>

We commend the agency's efforts to improve program integrity through the proposed changes to the MA and Part D risk adjustment models. By using more recent data years in the methodology CMS is taking an important step toward ensuring that MA and Part D payments more accurately reflect enrollees' true health status. Excluding audio-only and unlinked chart review diagnoses further promotes fairness across plans and discourages potentially inappropriate coding practices.

CMS is also proposing a 0.09% rate increase, significantly lower than the 5.06% increase in 2026 and the 3.7% increase in 2025. Given such a nominal increase, we fear that our ability to provide affordable benefits to our members will be adversely impacted or hindered. Given this concern, CalPERS asks CMS to consider how this and the proposed changes to the risk adjustment models could impact EGWPs serving public sector employees and retirees.

CalPERS serves 178,576 MA members, many of whom are retirees on fixed incomes and rely on consistently affordable health insurance premiums and out-of-pocket costs.² It has been our experience that when payment rates fail to keep pace with actual healthcare cost growth, purchasers and plans shift the burden of increased costs to members through increased premiums, which is not sustainable for our members. Hence, accurate growth estimates are critical in preventing this cost shift to vulnerable retirees. We urge CMS to ensure that the growth percentage estimates reflect actual costs and utilization trends. These figures directly impact payment rates, benefit design, and the financial stability of MA plans.

Thank you for the opportunity to respond to this important notice and we look forward to working with the administration to secure the best possible options and benefits for public sector retirees. Please do not hesitate to contact Donald Moulds, Chief Health Director, at (916) 795-0404, or Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565, if we can be of any assistance.

Sincerely,

Marcie Frost
Chief Executive Officer

² *Ibid.*