

WHITE PAPER

Final 2027 HHS-HCC Risk Adjustment Model Impact Estimates

Chia Yi Chin, ASA, MAAA

Maris Hayes, ASA, MAAA

Matt McClintick, ASA MAAA

JUNE 2026

EXECUTIVE SUMMARY

Since 2014, Wakely has provided participating issuers with risk adjustment estimates for the Affordable Care Act's (ACA) individual and small group markets as part of the Wakely National Risk Adjustment Reporting (WNRAR) project. In this white paper, we explore the impact of the final 2027 Department of Health and Human Services Hierarchical Condition Category (HHS-HCC) Risk Adjustment model, based on benefit year 2025 data.

We estimate a decrease of 2.0% and an increase of 0.1% in absolute risk transfer dollars for the individual and small group markets, respectively, when comparing final 2025 to final 2027 risk adjustment models.

Through the WNRAR project, we collected¹ participants' 2025 data incurred and paid through December 31, 2025, scored with the 2025, 2026, and 2027 HHS-HCC models.

We compared results between the final 2025 and final 2027 risk adjustment models and found the following:

- We estimate a decrease of 2.0% in absolute transfer dollars for the individual market and a 0.1% increase for the small group market. Issuers' relative risk² in the individual market is generally moving toward 1.0 (or the market average). That is, many issuers estimated³ to be payers under the 2025 model are estimated to pay less under the 2027 final model. Likewise, many issuers estimated to be receivers under the 2025 model are estimated to receive less in the 2027 final model.
- For many small group markets, we observed a decrease in absolute transfer dollars, although the overall total shows a slight increase due to a few markets with an increase in absolute transfer dollars. When we review issuer specific movements, most issuers' relative risk is moving toward 1.0. Like the individual market, many issuers estimated to be payers under the 2025 model are estimated to pay less under the 2027 final

¹ We employ a distributed data approach to collect summarized information.

² Relative Risk is used as a re-statement of the risk transfer. More information can be found in footnote 8 of the "Observations" section below.

³ As estimated through our WNRAR 202512 reporting run, with enrollment and claims data through December 31, 2025, paid through December 31, 2025.

model, and vice versa. The increase in estimated transfer magnitude is driven by specific large market share issuers driving the overall average. These results indicate the new model impacts vary, potentially significantly, across issuers.

- Based on our analysis of risk score components, we observed that, compared to the 2025 final model, the 2027 final risk adjustment model increases the percentage of total risk score attributable to the demographic component. Consequently, the combined percentage of total risk score from imputed condition categories decreased in both markets. Imputed condition variables include medical condition categories (HCC), prescription drug condition categories (RXC), and affiliated cost condition categories (ACF).⁴ Enrollment duration factors (EDF) decreased slightly in both the individual market and small group markets.

While there are significant changes observed when comparing the 2025 final model to the 2027 final model, we observed that the movements are partially due to the changes observed between the 2025 final and 2026 final models. This white paper focuses on risk score and transfer impacts from the 2025 model to the final 2027 model since issuer results for 2026 are not available at the time of our writing. Appendix B includes exhibits on the 2026 final to the 2027 final HHS-HCC model impact. Wakely has previously released a paper⁵ on the impact estimates of the final 2026 HHS-HCC Risk Adjustment Model, which was based on WNRAR 2024 benefit year data paid and incurred through December 31, 2024. In general, observations of the final 2026 model impact were consistent between analyses performed with 2024 benefit year and 2025 benefit year data.

⁴ CMS finalized the addition of ACFs in the 2026 final model, and they will continue to be present in the 2027 final model.

⁵ Wakely (an HMA Company). Final 2026 HHS HCC Risk Adjustment Model Impact Estimates. Available at: <https://www.wakely.com/blog/final-2026-hhs-hcc-risk-adjustment-model-impact-estimates/>

BACKGROUND AND METHODOLOGY

Each year, changes to the HHS-HCC risk adjustment model are provided by the Centers for Medicare & Medicaid Services (CMS) in their annual Notice of Benefit and Payment Parameters (NBPP). In the final 2027 NBPP released on May 15, 2026, CMS finalized changes to the 2027 HHS-HCC risk adjustment model relative to the 2025 model, including but not limited to:

- Recalibrating HCC risk coefficients based on 2021, 2022, and 2023 EDGE server data.

These updates largely build upon changes finalized in the 2026 HHS-HCC risk adjustment model (relative to the 2025 model), which included:

- Implementing a multi-year phase out of adjustment to Hepatitis C drugs' treatment cost trend
- Introducing ACFs to the risk adjustment model
 - ACFs are a new group of coefficients that are not indicative of an active medical condition yet represent significant cost to issuers
 - ACF01 is added to the adult and child models starting with the 2026 benefit year
 - ACF01 will indicate a member receiving the HIV pre-exposure prophylaxis (PrEP) treatment
 - CMS also outlined criteria for additional ACFs to be added to the risk adjustment model in future years (more information can be found in the 2026 Payment Notice)
- Relative to the final 2026 model, the final 2027 model does not include any new HCCs, RXCs, ACFs, or other variables

More information on the final 2027 HHS-HCC risk adjustment model can be found in the final 2027 NBPP.⁶

As a result of these changes, direct comparison of year-over-year total risk scores is not appropriate because the risk coefficients, HCCs, and ACFs differ significantly between the 2025 and 2027 models. To estimate the impact of the 2027 final risk adjustment model, Wakely collected information in the distributed project codes based on the model changes and summarized results from WNRAR participants. It is important to note that Wakely did not apply any adjustments to the results collected, so the analysis and its accompanying estimates did

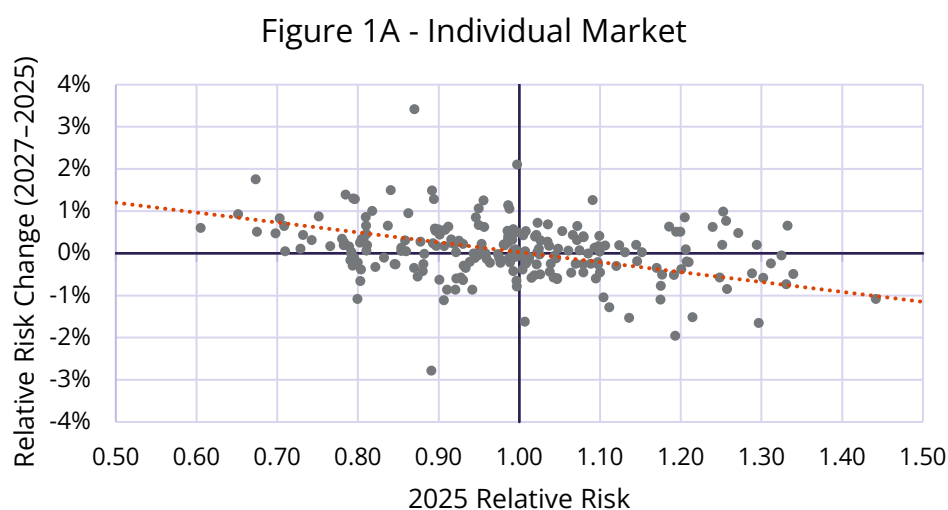
⁶ Department of Health and Human Services. Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2027; and Basic Health Program. Available at: [2027 Final NBPP](#)

not consider year-over-year changes in demographics, morbidity, coding improvement, or regulatory changes after 2025. In addition, we did not adjust the data to reflect any enrollment differences due to the expiration of the enhanced tax premium credits (ePTCs) after 2025, the finalized changes in the Marketplace Integrity and Affordability rule,⁷ or any other emerging regulatory changes that may significantly impact ACA market enrollment. In this analysis, the 2025 membership distribution and diagnosed conditions were held constant year-over-year.

OBSERVATIONS

First, we examined the relative risk⁸ change for issuers nationally from the 2025 final model to the 2027 final model. **Figures 1A** and **1B** below show the relative risk change for issuers in the individual and small group markets, respectively. Each observation (dot) in the figures below represents a unique HIOS ID in our WNRAR data.

Figure 1A. Issuer Relative Risk Change (2027 Final–2025) Based on 2025 Relative Risk, Individual Market

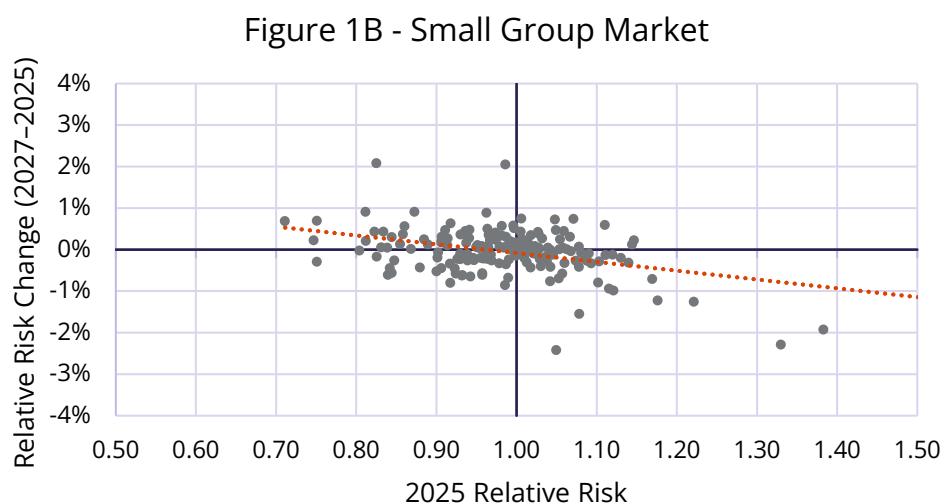


⁷ Department of Health and Human Services. Patient Protection and Affordable Care Act; Marketplace Integrity and Affordability. Available At: <https://public-inspection.federalregister.gov/2025-11606.pdf?1750709712>

⁸ Since the risk adjustment program ultimately transfers premiums from issuers with higher risk to issuers with lower risk within a given market, we are using “relative risk” to determine the impact of these model changes. Market average relative risk is always 1.0 for each specific state-market combination. To elaborate, an issuer with a relative risk that is higher than 1.0 is considered riskier than market average, and will receive risk transfer payments, and vice versa. Relative risk includes other risk adjustment factors such as allowable rating factors, induced demand factors and geographic cost factors.

As shown in **Figure 1A** above, the relative risk of individual issuers in the 2025 final risk adjustment model moves closer to 1.0 when data is rescored on the 2027 final risk adjustment model. We also observed that issuers with higher than market average relative risk (i.e., risk transfer receivers based on the 2025 final risk adjustment model) tend to have a decrease in relative risk, while issuers with lower than market average relative risk (i.e., risk transfer payers) tend to have an increase in relative risk when we rescored issuers using the 2027 final risk adjustment model. In other words, the 2027 final model appears to move most individual issuers closer to the market average.

Figure 1B. Issuer Relative Risk Change (2027 Final-2025) Based on 2025 Relative Risk, Small Group Market



In **Figure 1B**, small group market results do not appear to follow the trend as strongly as the individual market in **Figure 1A**. Most issuers captured in our small group market appear to be concentrated close to the market relative risk (high concentration of observations between 0.9 and 1.1 relative risk) with mixed results on the impact of the final model changes. Issuers with very high and low 2025 relative risks (i.e., those with significant estimated payables or receivables) appear to be more affected by the model change than issuers with a relative risk close to 1.0.

We further summarize the estimated impact of the 2027 final changes in **Tables 1A** and **1B** below.

Table 1A. Individual Market Payer and Receiver Improve/Deteriorate Transfer Status and Average Impact

Issuers	% of Issuers		Average Change in Relative Risk		
	Improve	Deteriorate	Improve	Deteriorate	Average
Payer	64.1%	35.9%	0.6%	-0.4%	0.2%
Receiver	40.6%	59.4%	0.4%	-0.8%	-0.3%

Table 1B. Small Group Market Payer and Receiver Improve/Deteriorate Transfer Status and Average Impact

Issuers	% of Issuers		Average Change in Relative Risk		
	Improve	Deteriorate	Improve	Deteriorate	Average
Payer	56.4%	43.6%	0.4%	-0.3%	0.1%
Receiver	38.8%	61.3%	0.2%	-0.5%	-0.2%

We observe the following changes in payer and receiver transfer status:

1. As shown in **Table 1A**, of all issuers estimated to be payers in the individual market in the 2025 final model (below 1.0 relative risk), 64.1% are estimated to pay less under the 2027 final model. On average, all payers had a 0.2% increase in relative risk between the 2025 and 2027 final models. Of all issuers estimated to be receivers in the individual market in the 2025 final model (above 1.0 relative risk), 59.4% are estimated to receive less under the 2027 final model. On average, all receivers had a 0.3% decrease in relative risk between the 2025 and 2027 final models.
2. As shown in **Table 1B**, of all issuers estimated to be payers in the small group market in the 2025 final model (below 1.0 relative risk), 56.4% are estimated to pay less under the 2027 final model. On average, all payers had a 0.1% increase in relative risk between the 2025 and 2027 final models. Of all issuers estimated to be receivers in the small group market in the 2025 final model (above 1.0 relative risk), 61.3% are estimated to receive less under the 2026 final model. On average, all receivers had a 0.2% decrease in relative risk between the 2025 and 2027 final models. It appears that the small group market is impacted differently than the individual market.

While there are some key patterns in the figures and tables above, relative risk changes may vary significantly from one issuer to another (regardless of relative risk status, payer/receiver status, or market). Therefore, each issuer's risk transfer changes due to model changes may vary significantly. In **Table 2**, we show issuer absolute risk transfer changes as a percentage of statewide market average premium to illustrate the financial impact when comparing the 2025 final risk adjustment model to the 2027 final risk adjustment model. On average, the 2027 final risk adjustment model would impact issuer risk transfers by 0.45% and 0.15% of market average premium for individual and small group markets, respectively.

Table 2. Issuer Absolute Transfer Change from 2025 Final to 2027 Final Model as a Percentage of Statewide Market Average Premium

Absolute Transfer Change as % of Statewide Market Average Premium		
Metric	Individual	Small Group
Average	0.45%	0.15%
10 th Percentile	0.09%	0.00%
25 th Percentile	0.21%	0.03%
50 th Percentile	0.30%	0.10%
75 th Percentile	0.53%	0.21%
90 th Percentile	0.95%	0.35%

To further understand the risk score changes due to the 2027 final risk adjustment model, we compared how the different components of risk score as a percentage of total risk score changed between the 2025 and 2027 final models. **Table 3** shows changes in the components of risk scores.

Table 3. Percentage of Total Risk Score by Component (2025 Final v 2027 Final Model)

	Individual			Small Group		
	2025 Final Risk Score ¹	2027 Final Risk Score ¹	Change in Percentage (2027–2025)	2025 Final Risk Score ¹	2027 Final Risk Score ¹	Change in Percentage (2027–2025)
Demo	16.2%	17.4%	1.2%	21.4%	22.3%	0.9%
HCC	68.3%	66.7%	–1.6%	62.6%	61.9%	–0.7%
RXC	13.4%	13.3%	–0.1%	14.4%	13.8%	–0.6%
ACF	0.0%	0.7%	0.7%	0.0%	0.5%	0.5%
EDF	2.0%	1.9%	–0.1%	1.6%	1.5%	–0.1%

¹ Risk values presented exclude cost-sharing reduction (CSR) and billable member month adjustments.

As shown in **Table 3**, the change in model weights appears to increase the proportion of demographic risk scores. In the individual and small group markets, demographic risk scores represent 17.4% and 22.3% of total risk scores, respectively, in the final 2027 model (as compared to 16.2% and 21.4% in 2025, respectively). This observation is consistent with the increase in relative risk for most payers as they may have a higher proportion of members with demographic risk scores only (i.e., a smaller number of members with at least one HCC coded). On the other hand, the combined percentage of HCC, RXC, and ACF⁹ risk scores as a proportion of total risk scores decrease due to model changes. Issuers with higher HCC, RXC, and ACF prevalence rates (typically risk transfer receivers) will likely see their relative risks and risk transfer receipts decrease, while the opposite scenario will hold true for payers.

⁹ CMS has yet to release a list of NDCs or Procedure codes that will map to ACF01. To capture the potential impact of the new ACF, Wakely created proxy NDC to ACF and HCPCS to ACF mappings. These may differ from the actual ACF mappings used by CMS for Benefit Years 2026 and 2027.

Along with changes to the distribution of risk score by component, we observed that on average, the risk score decreased between the 2025 and 2027 final models. While market average risk scores decreased from 2025 to 2027 by 4.2% and 2.7% for the individual and small group markets, respectively, an issuer's risk score change can vary widely. The spread in change of risk scores from issuer to issuer can be quite significant. As shown in **Table 4**, the spread in risk score change from 2025 to 2027 between the 90th percentile value and the 10th percentile value are 2.8% and 1.2% for individual and small group markets, respectively. Information on the distribution of average PLRS changes by market can be found in **Appendix A**.

Table 4. Issuer Risk Score Change from 2025 Final to 2027 Final Risk Adjustment Model

Risk Score Change (2027 Final/2025)		
Metric	Individual	Small Group
Average	-4.2%	-2.7%
10 th Percentile	-5.6%	-3.3%
25 th Percentile	-5.0%	-3.0%
50 th Percentile	-4.4%	-2.7%
75 th Percentile	-3.7%	-2.5%
90 th Percentile	-2.8%	-2.1%

Issuers who are current WNRAR participants have received their estimated 2025 final, 2026 final, and 2027 final risk transfer impact in the 202512 WNRAR deliverables. If you are not a current participant and you are interested in participating in this important project, please contact us at WNRARSupport@Wakely.com.

DISCLOSURES AND LIMITATIONS

This analysis applied the final 2025, final 2026, and 2027 final risk adjustment model to WNRAR participants' 2025 data with claims incurred and paid through December of 2025. Wakely did not make any adjustments or changes to collected data. The underlying market population, data, coding, morbidity, and renewal patterns (EDFs) may change, potentially materially, from the time of this analysis through 2027. Furthermore, no adjustments were made for improved risk score optimization efforts such as coding and supplemental claims efforts. We also did not make any adjustments to enrollment or utilization due to the end the enhanced tax premium credits (ePTCs) in 2026, or any change in enrollment due to Medicaid eligibility redetermination activities in periods not covered in our study (post December 2025).

This paper and the analysis contained herein are based on our interpretation and understanding of CMS's published guidance. Our interpretation of the model may not be perfect. Final implementation by CMS may be different than we have assumed.

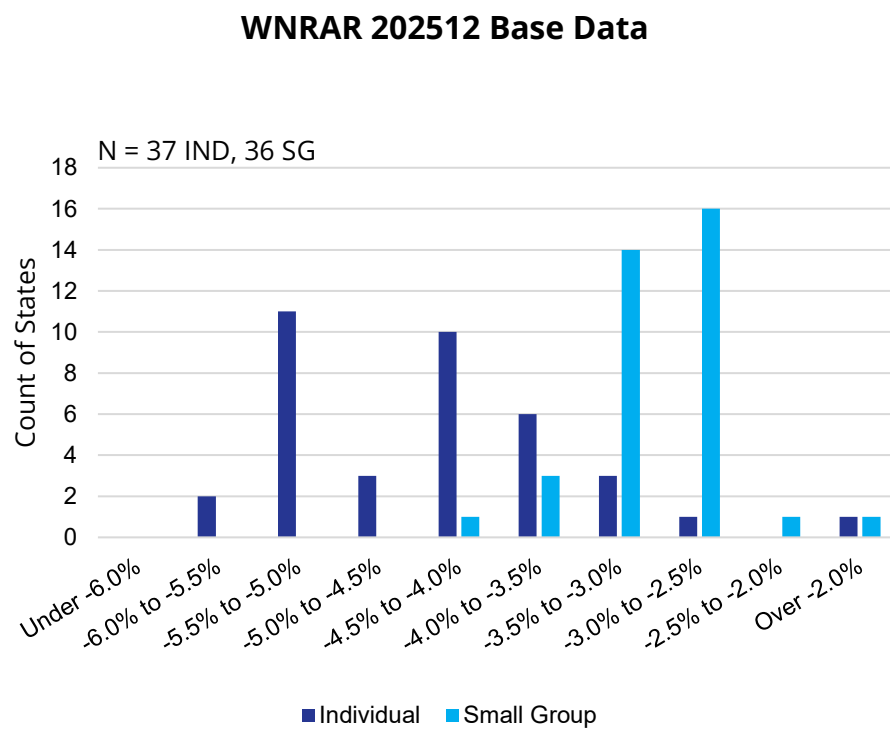
The PLRS changes provided above are inherently uncertain and rely upon data provided by WNRAR participants. We extensively review the data and work with issuers to correct any observed issues but cannot guarantee the accuracy of any single issuer's data submission. Results may vary significantly by issuer and market.

Users of this analysis should be qualified to use it and understand the results and its inherent uncertainty. We advise all WNRAR participants to discuss the analysis and appropriateness of application with Wakely before using these estimates.

APPENDIX A. MARKET RISK SCORE CHANGE

Figure A.1 shows the distribution of average PLRS changes by market from the current 2025 risk adjustment model to the final 2027 risk adjustment model. All observed changes in risk scores between years are due to changes in HCC classification, risk score coefficients, and CSR adjustment factors. Because we did not make any demographic or morbidity adjustments to the underlying 2025 data, these risk score changes do not indicate that there is a change in overall morbidity.

Figure A.1. Market Risk Score Change from 2025 Final to 2027 Final Risk Adjustment Model



APPENDIX B. 2026 FINAL TO 2027 FINAL HHS-HCC MODEL IMPACT EXHIBITS

The figures presented below are based on WNRAR participants' 2025 data incurred and paid through December 31, 2025. The exhibits and observations represent result changes from the 2026 final model to the 2027 final model.

In the individual market, we estimate a decrease of 0.88% in absolute transfer dollars. Issuer's relative risk generally moved toward 1.0 (or the market average). Many issuers estimated to be payers in the 2026 model are estimated to pay less in the 2027 final model. Likewise, many issuers estimated to be receivers in the 2026 model are estimated to receive less in the 2027 final model.

In the small group market, we estimate a decrease of 1.18% in absolute transfer dollars. Similar to the individual market, most issuers' relative risk is moving toward 1.0. Consistent with this, most issuers estimated¹⁰ to be payers in the 2026 model are expected to pay less in the 2027 final model, and most receivers are expected to receive less. Overall, this suggests transfers are generally moving closer to the market average across issuers.

Results were different in the individual market compared to small group market.

- Individual market observations:
 - Of all issuers estimated to be payers in the individual market in the 2026 final model, 58.3% are estimated to pay less under the 2027 final model. On average, payers had a 0.1% increase in relative risk between the 2026 and 2027 final models.
 - Of all issuers estimated to be receivers in the individual market in the 2026 final model, 61.7% are estimated to receive less under the 2027 final model. On average, receivers had a 0.2% decrease in relative risk between the 2026 and 2027 final models.
- Small group market observations:
 - Of all issuers estimated to be payers in the small group market in the 2026 final model, 58.0% are estimated to pay less under the 2027 final model. On average, payers had a 0.0% change in relative risk between the 2026 and 2027 final models.
 - Of all issuers estimated to be receivers in the small group market in the 2026 final model, 60.5% are estimated to receive less under the 2027 final model. On average, receivers had a 0.1% decrease in relative risk between the 2026 and 2027 final models.

¹⁰ As estimated through our WNRAR 202512 reporting run, with enrollment and claims data through December 31, 2025, paid through December 31, 2025

Figures B.1A, B.1B. Issuer Relative Risk Change (2027 Final-2026 Final) Based on 2026 Relative Risk

Figure B.1A - Individual Market

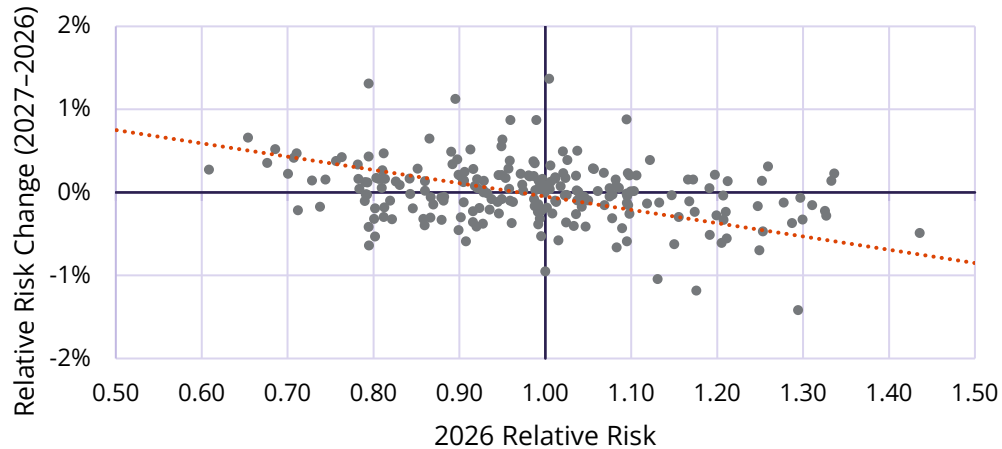


Figure B.1B - Small Group Market

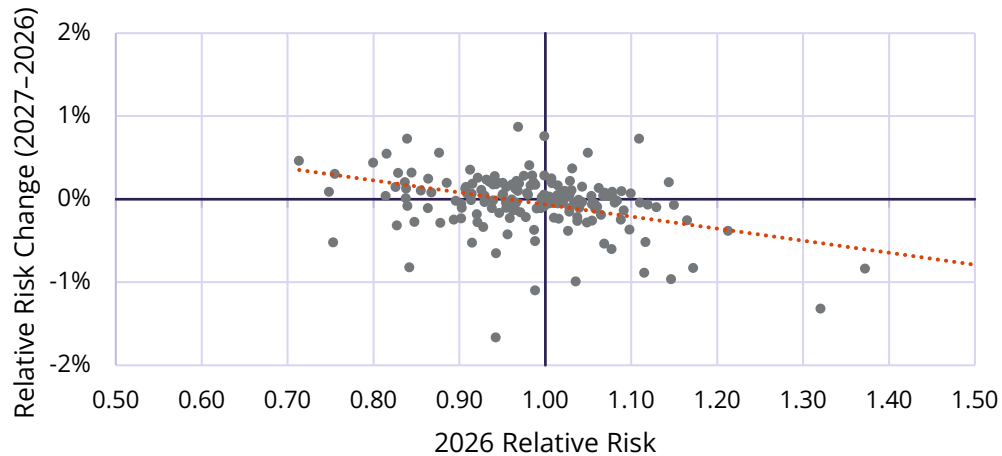


Table B.1A. Individual Market Payer and Receiver Improve/Deteriorate Transfer Status and Average Impact, 2026 Final to 2027 Final

Issuers	% of Issuers		Average Change in Relative Risk		
	Improve	Deteriorate	Improve	Deteriorate	Average
Payer	58.3%	41.7%	0.3%	-0.2%	0.1%
Receiver	38.3%	61.7%	0.2%	-0.5%	-0.2%

Table B.1B. Small Group Market Payer and Receiver Improve/Deteriorate Transfer Status and Average Impact, 2026 Final to 2027 Final

Issuers	% of Issuers		Average Change in Relative Risk		
	Improve	Deteriorate	Improve	Deteriorate	Average
Payer	58.0%	42.0%	0.2%	-0.3%	0.0%
Receiver	39.5%	60.5%	0.1%	-0.3%	-0.1%

Table B.2. Issuer Absolute Transfer Change from 2026 Final to 2027 Final Model as a Percent of Statewide Market Average Premium

Metric	Absolute Transfer Change as % of Statewide Market Average Premium	
	Individual	Small Group
Average	0.21%	0.10%
10 th Percentile	0.02%	0.02%
25 th Percentile	0.08%	0.03%
50 th Percentile	0.15%	0.05%
75 th Percentile	0.29%	0.16%
90 th Percentile	0.37%	0.22%

Table B.3. Percentage of Total Risk Score by Component (2026 Final vs. 2027 Final Model)

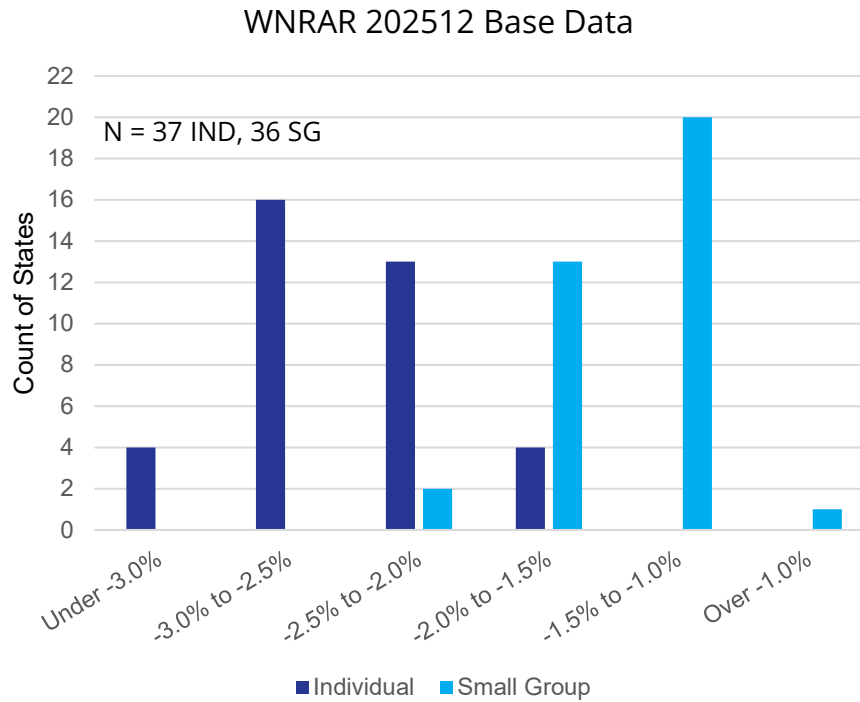
	Individual			Small Group		
	2026 Final Risk Score ¹	2027 Final Risk Score ¹	Change in Percentage (2027-2026)	2026 Final Risk Score ¹	2027 Final Risk Score ¹	Change in Percentage (2027-2026)
Demo	16.6%	17.4%	0.8%	21.6%	22.3%	0.7%
HCC	67.1%	66.7%	-0.4%	62.0%	61.9%	-0.1%
RXC	13.5%	13.3%	-0.2%	14.2%	13.8%	-0.5%
ACF	0.7%	0.7%	0.0%	0.5%	0.5%	0.0%
EDF	2.1%	1.9%	-0.2%	1.6%	1.5%	-0.1%

¹Risk values presented exclude CSR and billable member month adjustments.

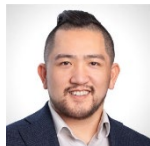
Table B.4. Issuer Risk Score Change from 2026 Final to 2027 Final Risk Adjustment Model

	Risk Score Change (2027 Final/2026)	
Metric	Individual	Small Group
Average	-2.5%	-1.3%
10 th Percentile	-3.1%	-1.6%
25 th Percentile	-2.9%	-1.5%
50 th Percentile	-2.5%	-1.3%
75 th Percentile	-2.2%	-1.1%
90 th Percentile	-2.0%	-1.0%

Figure B.2. Market Risk Score Change from 2026 Final to 2027 Final RA Model



ABOUT THE AUTHORS



Chia Yi Chin, ASA, MAAA

Director

chiayi.chin@wakely.com



Maris Hayes, ASA, MAAA

Senior Consulting Actuary I

maris.hayes@wakely.com



Matt McClintick, ASA, MAAA

Associate Actuary

matt.mcclintick@wakely.com

ABOUT WAKELY

Founded in 1999, Wakely Consulting Group, an HMA Company, is well known for its top-tier healthcare actuarial consulting services. With nine locations nationwide, Wakely boasts deep expertise in Medicare Advantage, Medicaid managed care, risk adjustment and rate setting, market analyses, forecasting, and strategy development. The firm's actuaries bring extensive experience across all sectors of the healthcare industry, collaborating with payers, providers, and government agencies.

© 2026 Wakely Consulting Group. All Rights Reserved.