

Health Insurer Stocks Soar on Medicare Rate Boost

Medicare Advantage plans will get a 5.06% rate increase, well above the 2.23% bump that the Biden administration proposed

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Mehmet Oz is the new head of the Medicare agency. PHOTO: ANNABELLE GORDON/REUTERS

Health insurer stocks soared on Tuesday because the Trump administration said it would substantially increase payment rates for Medicare insurers next year, generating more than \$25 billion in additional revenue for the industry and doubling the boost proposed in January.

The news led to a rally in the shares of big Medicare insurers such as [UnitedHealth Group](#), [Humana](#) and [CVS Health](#), parent of Aetna. Shares in UnitedHealth rose 8% in morning trading, while [Humana](#) was up more than 11% and CVS increased 9.5%.

The rate increase of 5.06%, compared with 2.23% in the earlier proposal from the Biden administration, overshot even optimistic expectations from many Wall Street analysts.

The Centers for Medicare and Medicaid Services announced the increase for 2026 payment rates on Monday. The Wall Street Journal first reported the news.

Investors likely viewed the bump as a sign of the Trump administration's support for Medicare Advantage, the program under which private insurers administer the benefits of the federal program for older and disabled Americans.

The Medicare agency said the increase in the planned payment rate reflected rising medical costs, and that more recent data had led to the steeper final rise compared with the January proposal.

The agency said it is "ensuring that Medicare Advantage continues to offer access to critical services in an efficient, accountable manner, further strengthening the program's ability to serve beneficiaries."

The Trump administration did stick with a Biden administration policy change that limits certain billing practices that have boosted payments to Medicare Advantage insurers. The change was being phased in over three years, to be completed in 2026, and the agency rejected suggestions from some insurers to pause the process.

The rate increase, combined with a rule issued last week that withdrew a Biden administration proposal to cover drugs for obesity, provides a turnaround for big insurers after a [difficult year](#) when the long-profitable Medicare business [became a drag on margins](#) and [share prices](#).

Mehmet Oz, the new head of the Medicare agency who was confirmed last week, had [long been a strong supporter](#) of private insurers' role in Medicare.

More recently, though, [he publicly criticized](#) Medicare Advantage industry practices that can increase insurers' payments by documenting more diagnoses in their patients. Medicare Advantage insurers get higher payouts when patients have certain conditions. During his Senate confirmation hearing, he criticized "upcoding" in Medicare Advantage and said, "I pledge if confirmed I will go after it."

The Wall Street Journal reported in a [series of articles](#) last year that the federal government paid Medicare Advantage companies more than \$50 billion [for payment-boosting diseases](#) that weren't identified by any treating doctors or hospitals from 2019 to 2021. Findings from the stories were referenced in senators' questions to Oz.