

# Republicans are proud of creating Medicare Advantage. Now some are urging reform amid runaway costs

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Republicans in Congress, long an unwavering source of support for privatized Medicare plans, are increasingly calling for reforms amid widespread evidence that health insurers are abusing the system to collect billions of dollars in unwarranted payments.

The rising discontent with Medicare Advantage is especially prevalent within the GOP's Doctors Caucus, a group of Republican congressmen who have firsthand experience treating patients covered by these plans and, in some cases, have seen how insurers manipulate the program's rules to increase profits. In Capitol Hill hearing rooms and interviews with STAT, some have sharply criticized insurers' efforts to make older patients appear as sick as possible to extract more money from Medicare, a practice known as upcoding.

The changing sentiment is also driven by growing frustration over Medicare Advantage plans denying coverage for care, a point Sen. Bill Cassidy (R-La.), chair of the Senate health committee, made during a confirmation hearing last month for Mehmet Oz, who now oversees the program as the administrator of the Centers for Medicare and Medicaid Services. Republicans' urgent need for budget savings to pay for massive tax cuts pushed by President Trump also could make Medicare Advantage a target — as its members cost the government billions more than if they were covered by traditional Medicare.

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The fact that Medicare Advantage incentivizes upcoding has been recognized for almost two decades, and Democrats in Congress have long [pressed for an overhaul of the \\$500 billion program](#). But the increasing buy-in from Republicans lends bipartisan support to those efforts and represents a major shift in the politics surrounding the program, which has been fiercely protected by GOP lawmakers since its initial creation in the late 1990s and a subsequent modernization passed under former President George W. Bush. Republicans argued that allowing private insurers to cover patients with the government's money would cut costs and produce better outcomes for patients.

Now, some are acknowledging that insurers are taking advantage of the program. “I thought Medicare Advantage was a good thing when it came out,” Sen. Roger Marshall (R-Kan.) said during a recent hearing. “But unfortunately, it's been manipulated.”

To be sure, Republicans still fervently support privatized Medicare plans and are unlikely to support the kind of sweeping overhaul favored by Democrats. That means any significant changes to root out abuses will be politically treacherous, especially given the need to get buy-in from the Trump administration, which brings its own set of views on how the program should be altered amid heavy lobbying by private insurers. On Monday, the administration [finalized a \\$30 billion pay increase](#) for Medicare Advantage insurers next year.

A [STAT investigation](#) last year uncovered widespread upcoding by UnitedHealth Group, which not only owns the nation's largest Medicare

Advantage insurer but also has been rapidly acquiring medical practices. The reporting showed that UnitedHealth uses its control over physicians to pressure them into diagnosing patients with a variety of conditions, including chronic kidney disease, diabetes with complications, and clogged arteries. Doctors told STAT that their patients were sometimes unaware of the conditions until they popped up in their medical charts, triggering panicked calls to physicians' offices.

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Two Republican congressmen told STAT about their own experiences with upcoding, including by UnitedHealth.

“When we create these Medicare Advantage programs, we incentivize insurance companies to tell doctors how to practice. It just doesn't help the health care process,” Rep. Mike Kennedy (R-Utah) told STAT in an interview. A family medicine physician for 25 years, Kennedy recounted insurers' attempts to induce him and colleagues in his medical group to diagnose patients with clinically insignificant or irrelevant chronic illnesses.

He said UnitedHealth was heavily involved in those efforts. The company's Optum subsidiary took Kennedy and other physicians out to dinners to train them to code patients with various illnesses, such as peripheral artery disease and hyperaldosteronism, a hormonal condition that affects a small percentage of patients with high blood pressure. Kennedy said the training, usually delivered by an Optum physician assistant, was focused on generating revenue.

“Here's a type of blood test where you find this, then you can put on the diagnosis hyperaldosteronism, which enhances the patients' severity score, driving up the payments,” he recalled being instructed, adding: “I just thought it was baloney.”

Kennedy said in a recent interview that Optum's HouseCalls program sent clinicians into the homes of his patients to test them for various conditions and frequently sent reports to his office with “redundant and un-useful” information about their health status.

“I just got to the point where I didn’t even open the envelope. I just shredded all those reports,” Kennedy said. “It’s a terrible waste of the taxpayer dollar.”

Another Republican congressman, Rep. Greg Murphy of North Carolina, said insurers have taken upcoding to “extreme” levels. A practicing urologist, Murphy recalled getting a letter recently at his practice from UnitedHealth seeking additional diagnoses through a data-mining effort that involved searching through patients’ files for evidence of undocumented illnesses.

“They’re going, after the fact, to try to upcode and get more money out of the government,” Murphy told STAT. “My job is to shine a spotlight on this. And you would hope that they would act better, but so far, they’ve not.”

UnitedHealth Group did not respond directly to Kennedy and Murphy’s concerns. A spokesperson for the company said in a statement that its HouseCalls program helps eliminate gaps in care for older patients and trains clinicians to use independent judgment during in-home assessments to ensure accurate documentation.

“We recognize our focus on value-based care directly challenges the status quo, which has relied on treating a constant influx of sick patients and is burdened with the wrong financial incentives,” the spokesperson said. “But we also see a different way forward — one that cares for patients before they are too sick for viable treatment and provides higher-quality outcomes at a lower cost.”

Upcoding exploits an incentive at the core of the Medicare Advantage program, which was designed to pay insurers more for patients with multiple health problems so that the companies would be willing to cover them. The higher payments extracted by UnitedHealth and other insurers for these diagnoses are a major contributor to rising costs, with the government this year expected to pay \$84 billion more for people enrolled in Medicare Advantage than if those people had been enrolled in traditional Medicare.

## Why Medicare Advantage hasn't lowered costs

Upcoding isn't the only reason Medicare Advantage is more expensive. An estimated \$44 billion of the \$84 billion in higher payments to Medicare Advantage plans in 2025 will come from what's known as [favorable selection](#), or the tendency of healthier people to enroll in the private plans over traditional Medicare, according to a [recent report](#) from the Medicare Payment Advisory Commission, a group of Medicare experts that advises Congress. The remaining \$40 billion will come from upcoding, according to MedPAC.

Medicare Advantage plans now cover the majority of people who are eligible for Medicare. The program has become extremely lucrative for private insurers, who have logged significantly higher profit margins per enrollee on Medicare Advantage plans than other kinds of policies.

Bill Hoagland, a senior vice president at the Bipartisan Policy Center, was working as a top budget director for former Republican Sen. Bill Frist in the 2000s when Congress changed the name of the program to Medicare Advantage. Hoagland was convinced that handing Medicare over to insurers was the way to lower costs and make sure people get the right care. But he acknowledges practices like upcoding have led to the exact opposite result.

“There was, clearly, the Republican free market argument that that would lower the cost of health care because there'd be more competition in those plans. That has not come to pass,” said Hoagland, who was a lobbyist for health insurance giant Cigna after leaving his Senate staff position. “I'm getting myself in trouble with the plans out there, but truly, it's not achieving what we thought would happen with some form of greater competition in the market. And so I think we have to come back and revisit either Medicare Advantage or some of the other aspects of the Medicare program.”

Backers of Medicare Advantage argue, however, that most consumers are satisfied with their plans and reap cost savings, including lower premiums and out-of-pocket costs.

In written responses to STAT's questions, Mary Beth Donahue, CEO of the Better Medicare Alliance, a lobbying group funded by major Medicare Advantage insurers, did not respond directly to lawmakers' criticisms of the program. But she pointed to [research the group sponsored](#) that found Medicare Advantage members report lower average out-of-pocket spending than people enrolled in traditional, fee-for-service Medicare plans. "Medicare Advantage encourages proactive, coordinated, and preventive care that keeps seniors healthier," Donahue said.

She added that her organization supports stepped-up oversight of Medicare Advantage, including annual audits and the creation of more detailed guardrails for health risk assessments, such as chart reviews and in-home visits, that critics have cited as a source of lucrative diagnostic codes for insurers.

Other groups that support Medicare Advantage acknowledged the need for reform. The Alliance of Community Health Plans, which represents nonprofit insurers, said in a statement that while the program remains highly popular, "some big players are gaming the system." The group called Medicare Advantage's risk-adjustment system "fundamentally flawed."

"MA should reward high-quality care delivery, not inappropriate risk adjustment documentation practices," the statement said.





Sen. Bill Cassidy (R-La.) asks questions during the confirmation hearing for Mehmet Oz in Washington, D.C. ANNA MONEYMAKER/GETTY IMAGES

## Search for cuts makes Medicare Advantage a target

The bloat within Medicare Advantage has made it a target for lawmakers looking to slash government spending. The House Republicans' budget proposal [requires \\$880 billion in cuts](#), a mammoth downsizing that cannot be achieved without reductions to Medicaid spending.

Democrats, hospitals, and advocacy groups have railed against potential Medicaid cuts, which is pressuring Republicans to look elsewhere for savings.

“They obviously got a lot of pushback on Medicaid,” said Richard Kronick, a professor in the University of California, San Diego’s Herbert Wertheim School of Public Health who studies Medicare Advantage. “I can imagine folks are saying, ‘Hmm, where are we going to get money from?’”

President Trump also faces several policy decisions that will impact the cost of Medicare Advantage — and insurers’ bottom lines. Insurers’ and

their lobbying groups [pressed the new president](#) to reverse changes during the Biden administration that made it harder for insurers to profit from Medicare Advantage.

But the Trump administration may have an open ear to certain Medicare Advantage reforms. Joe Albanese is a former analyst at the conservative Paragon Health Institute who has written a [policy paper](#) that proposes ways to cut \$250 billion from Medicare Advantage over the next decade, while also making it easier to shuttle older adults into those plans instead of traditional Medicare. He now works as a policy adviser within the Center for Medicare, the subagency within CMS that oversees Medicare Advantage.

“There’s ways to improve the program,” Albanese told STAT before he joined CMS.

What reforms Congress might pass remains murky. Republicans in Congress who have criticized Medicare Advantage still broadly support the program. But growing discomfort with its rising costs was evident during Oz’s [confirmation hearing](#). Multiple Republican senators urged him to crack down on payment abuses and excessive profiteering.

Cassidy said he had teamed up with Sen. Jeff Merkley (D-Ore.) to write legislation he called the “No UPCODE Act” to address the program’s rising costs and regulatory gaming by insurers, by, for example, excluding home visits as a way to capture patients’ health conditions.

Cassidy is among the GOP physicians who have pushed for reforms of the program in recent years. He told Oz he’s a fan of Medicare Advantage, but he also hears from doctors about their struggles getting services covered. Cassidy also said he’s concerned that the government pays more for Medicare Advantage members than it would if those patients were on traditional Medicare.

“As we look at the trust fund going insolvent and our budget deficit expanding, is this a place you would look?” Cassidy asked Oz during last month’s hearing. “And, if so, how would you look in terms of getting better value for the dollar?”



Oz expressed enthusiasm for tackling upcoding in Medicare Advantage as CMS administrator, taking many onlookers by surprise. The surgeon-turned-TV host previously [promoted the program](#) to his millions of viewers. But in his confirmation hearing, he said he'd find it "relatively enjoyable to go after" Medicare Advantage upcoding because it's an issue with bipartisan agreement.

Oz said upcoding is happening "systematically" in many plans. He gave the example of insurers sending people into members' homes to test for minor atherosclerotic plaques that would not require treatment, but would still result in higher payments to the company.

"That's just wrong," Oz said. "Part of this is just recognizing there is a new sheriff in town. We actually have to go after places and areas where we're not managing the American people's money well."

Groups that have succeeded in marshaling Republican support for the program in the past are now facing a mountain of evidence that insurers have abused the program. A [recent report](#) by the Office of the Inspector General for the Health and Human Services Department found that insurers collectively received \$7.5 billion in dubious payments from Medicare by using home health visits and chart reviews to diagnose patients with conditions for which they received no follow-up care.

The report found that UnitedHealth accounted for \$3.7 billion of the questionable payments, or almost half the total. Democrats and Republicans have increased scrutiny of the company's practices, as well as its impacts on federal programs and [access to care in local communities](#). Sen. Chuck Grassley (R-Iowa), chairman of the Senate Judiciary Committee, has [launched an investigation](#) into UnitedHealth's Medicare billing practices, citing its efforts to diagnose patients with obscure revenue-generating conditions that didn't require care.

Murphy, the North Carolina congressman, has called for a breakup of UnitedHealth, arguing the company's ownership of physician practices and the nation's largest insurance company has undermined fair competition and hurt consumers.

“They’ve just gotten too big,” Murphy said, adding that the company’s ability to stand on both sides of health care transactions has contributed to the abuses in Medicare Advantage. “So many diagnoses ... that they’re upcoding never have any type of clinical treatment.”

For Kennedy, the Utah Republican and family medicine physician, UnitedHealth’s behavior is part of a bigger problem that can only be addressed one way — by making it less profitable for insurance companies to micromanage health care decisions that should be made by doctors and patients. That kind of interference, he said, is ruining medicine.

“I’ve not just heard about it or read about it — I’ve lived through it,” Kennedy said. “We need to get out of the business of incentivizing insurance companies to get more money by creating a paper trail reflecting more seriously ill people than is useful for the patient’s health.”