

# Trump gives major lift to 2026 Medicare Advantage payments

An important new 'risk adjustment' system also will be fully phased in, against insurers' wishes



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Health insurers that sell Medicare Advantage plans are going to get about \$30 billion more in taxpayer money next year.

President Trump's Medicare agency finalized a rule Monday that would raise benchmark payment rates to privatized Medicare plans by 5.1% for 2026. That was higher than the Biden administration's proposed payment increase of 2.2% — and well above what Wall Street investors had expected.

The increase is greater because Medicare's actuaries used more updated federal data on the spending patterns of people who are enrolled in the traditional Medicare program, which is used to calculate how much Medicare Advantage plans should be paid to cover their members.

The stock prices of the country's largest Medicare Advantage insurers all soared in after-hours trading. UnitedHealth Group, which owns the biggest plan with almost 10 million Medicare Advantage enrollees, was up 6%. Humana and CVS Health climbed more than 10% and 6%, respectively.

Just as important, the Trump administration decided to keep Biden's plan of fully phasing in the newest version of risk adjustment even though several insurers lobbied for a delay. Medicare Advantage plans get paid more money if their members have more health problems, and risk adjustment is the system that scores each person and their conditions.

The Biden administration originally proposed this new risk adjustment model going fully into effect in 2024, but after health insurers' vociferous lobbying, the government eased up and decided to phase in the changes over three years. By 2026, the new risk adjustment system would be the default.

That will remain the plan. "We think that finalizing this model at 100% will improve payment accuracy and reduce burden for" the Centers for Medicare and Medicaid Services and Medicare Advantage insurers, Medicare officials wrote in the final rule. "We do not think it is necessary to further delay the full implementation of the updated model for the purpose of stakeholders gaining more experience."

Trump administration officials, including the newly confirmed CMS head Mehmet Oz, have broadly supported the Medicare Advantage program, which is expected to cost taxpayers almost \$600 billion next year. However, the industry-friendly payment rates in this rule likely would not have differed much, if at all, under the Biden administration.

That's because the higher rates reflect higher medical costs and use of care among older adults and people with disabilities in the traditional Medicare program. The costs in this final rule were based on Medicare data through the fourth quarter of 2024, while the proposed rule factored in older data.

On a call with Wall Street analysts and people who work in the insurance industry, Medicare officials attributed the higher costs to more people getting inpatient hospital care and outpatient drugs that are administered in physicians' offices. One official specifically called out "synthetic skin products" within the higher spending of outpatient drugs.

The spending data contradict recent projections from the Congressional Budget Office, which estimated that the finances of Medicare's main trust fund will improve because the amount of care people are using is less than expected.

CMS did not hold a call with the media.