# Insurers Warn of Risks as Rural Hospitals Drop Medicare Plans

By Ganny Belloni | October 2, 2025 5:05AM ET

Rural hospitals facing financial headwinds and frustrated with prior authorization demands are withdrawing from contracts with Medicare Advantage plans, prompting concerns from insurers that the cancellations could have consequences for patients.

Over 25 hospitals across the country have decided to pull out of some or all of their Medicare Advantage contracts since Jan. 1. Industry groups such as the American Hospital Association cite MA's lower reimbursement, more aggressive prior authorization, and increased administrative demands when compared with traditional Medicare as reasons behind the contract closures.

The cancellations follow a marked expansion by Medicare Advantage insurers into rural communities after a 2020 final rule by the Centers for Medicare & Medicaid Services relaxed MA provider network standards to account for access needs in underserved counties.

So far, most of the contract cancellations have come from Medicare Advantage plans from large national insurance firms such as Anthem Blue Cross Blue Shield, Aetna, Humana, and UnitedHealthcare. Two hospital systems in Nebraska—North Platte-based Great Plains Health and Kimball Health Services—pulled out of Medicare Advantage altogether.

The Better Medicare Alliance, whose members include Medicare Advantage insurers, said the cancellations come at a time when demand for MA is growing and could impact access to care for patients.

"In rural areas or high need areas, the loss of even one plan can meaningfully affect access and choice," said Susan Reilly, the alliance's vice president of communications.

"Our research shows that rural MA and enrollees are more likely to say it's easy to get to the doctor compared to their fee-for-service peers, and that's often because Medicare Advantage can include transportation support, which, for a senior who no longer drives, can be the difference between managing diabetes and ending up in the ER," she said.

**Hospital Grievances**

Unlike urban facilities, rural hospitals deal with a confluence of economic factors that make treating patients more expensive. These hospitals take on much lower volumes of patients who are often sicker overall. They also have greater reliance on Medicaid and fee-for-service Medicare, which often reimburse at rates much lower than private insurance.

Over 150 rural hospitals have either closed or been converted to scaled-back facilities since 2010, according to the University of North Carolina Sheps Center for Health Services Research. Those that remain have had to make tough decisions to survive, including eliminating inpatient units, cutting back on services, and in some cases, dropping contracts with Medicare Advantage altogether.

“I think the challenge that we have with a lot of these plans, particularly these big national plans which are all for-profit, is that as utilization increases—which it steadily has done so ever since the pandemic ended—they need to find ways to restrict how much they spend on care,” said Molly Smith, vice president of coverage and state issues at the American Hospital Association.

One of the ways MA plans have managed to do this is by aggressively managing utilization, said Smith. According to KFF, MA plans made nearly 50 million prior authorization determinations in 2023 compared with just under 400,000 by traditional fee-for-service Medicare.

The AHA said that in some cases, plans have even gone a step further by delaying payments to hospitals.

“We had a hospital reach out to us that expressed deep concern about the fact that one large national payer basically had not made any payments on any claims for the six-month period,” said Noah Isserman, AHA’s director of health insurance and coverage policy. “The reason why they weren’t making payments was due to an IT issue, but then they continued not to make the payments.”

**A Potential Solution**

The AHA estimates that Medicare Advantage firms pay rural providers around 10% less than traditional Medicare. Other research from the Medicare Payment Advisory Commission, an independent legislative branch agency that advises Congress on Medicare, estimates the impact of Medicare Advantage on hospitals’ finances to be much more muted.

Martie Ross, a health-care consultant and director at the Center for Rural Health Advancement at the professional services firm PYA, said a solution could be to mandate that Medicare Advantage payments to rural providers be set at parity with traditional Medicare.

The idea has gained momentum in Congress with Reps. Lloyd Doggett (D-Texas) and Greg Murphy (R-N.C.) introducing the Prompt and Fair Pay Act (H.R.4559), which would require

MA plans to reimburse health-care providers, including hospitals, at rates comparable to what would have been paid for services under Medicare Parts A and B.

However, AHIP, a trade organization that represents the interests of health insurers, said instituting changes that would require plans to pay hospitals more overall could ultimately hurt beneficiaries in the long run.

“Basically, MA plans determine their costs for the coming year, and those costs affect the bid that they submit to CMS. The higher the bid is, the fewer dollars that the MA plan has available to offer to beneficiaries,” the trade group said.

“Our perspective is that requirements for MA plans to pay more to hospitals ultimately end up in the pockets of beneficiaries who are going to see reduced benefits or higher premium costs.”