

CHARTIS TOP READS

Oz confirmed as Trump Administration finalizes major Medicare Advantage boost

Week of April 13 - April 19, 2025

| **APR 18, 2025**

<https://www.chartis.com/insights/oz-confirmed-trump-administration-finalizes-major-medicare-advantage-boost>

The Buzz This Week

On April 3, Mehmet Oz, MD, was confirmed by the Senate in a 53–45 vote to lead the Centers for Medicare & Medicaid Services (CMS). Just days later on April 7, the Trump Administration released the 2026 final rate notice that increases the expected average revenue for health plans by 5.06% from 2025 rates, nearly double the 2.23% increase proposed in January.

The rate increase translates to more than \$30 billion in additional funding to Medicare Advantage plans. This increase was received favorably by insurers and Wall Street, with shares of major Medicare insurers rallying following the announcement: UnitedHealth rose 8% in morning trading, Humana jumped more than 11%, and CVS Health, parent of Aetna, gained 9.5%.

The revised rate was primarily driven by an increase in the effective growth rate, which reflects increased Medicare fee-for-service utilization in 2024, especially hospitalizations and expanded use of outpatient prescription drugs.

While Medicare Advantage insurers and their investors welcomed the news, many in the medical community voiced frustration. American Medical Association (AMA) President Bruce Scott, MD, criticized the move, stating, “It’s unbelievable they’re giving insurance companies that had record profits an increase while at the same time cutting payment to physician practices that are struggling to survive.” Physicians have endured 5 consecutive years of Medicare payment cuts, and recent efforts in Congress to reverse them have repeatedly failed.

The Trump Administration also confirmed full implementation of a revised risk adjustment model. The updated model recalibrates payments from the previous model by re-classifying certain diagnosis codes, adding new hierarchical condition categories (HCC), and adjusting the weighting applied to certain conditions. The goal of the new model is to ensure that the risk score and subsequent payment made to health plans reflects the true illness burden of the beneficiary.

Why It Matters

Over the course of 2024, 34.5 million people enrolled in Medicare Advantage plans, accounting for more than half (51%) of the eligible Medicare population. This makes the program central to the future of Medicare spending and delivery reform. As the newly confirmed head of CMS, Oz now oversees an agency with a \$1.7 trillion budget that affects more than 160 million Americans. His ability to navigate the complexities of Medicare policy will be crucial in determining the direction of Medicare, especially for the rapidly expanding Medicare Advantage program.

The finalized rate announcement gives Medicare Advantage plans welcomed breathing room, but health plans still face significant financial headwinds in 2025. While the increase provides additional funding to cover rising healthcare costs, critics argue that it further benefits large insurance companies at the expense of other stakeholders in the system, particularly physicians who continue to face declining reimbursement rates under traditional Medicare. The full effects on the broader healthcare ecosystem remain to be seen, particularly regarding overall healthcare access and quality.

Additionally, the new risk adjustment model is set to fully phase in by 2026. While some insurers have pushed back against the change, the model is designed to address criticism that some health plans' risk scores do not reflect the health status or illness burden of their membership. It is also designed to address ongoing concerns about the financial solvency of the Medicare program.

With an increasing focus on healthcare costs and outcomes, CMS decisions in the coming months could have lasting implications not only for insurers and healthcare providers but also for beneficiaries navigating plan options and access to care.

RELATED LINKS

Fierce Healthcare:

Fierce Healthcare:

Modern Healthcare:

Stat News:

Chartis Top Reads

[View All](#)

Our services

[STRATEGIC TRANSFORMATION](#)

[PERFORMANCE TRANSFORMATION](#)

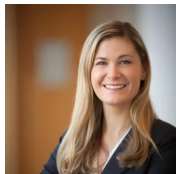
[DIGITAL & TECHNOLOGY TRANSFORMATION](#)

[CHARTIS CENTERS FOR AI & STRATEGIC INTELLIGENCE](#)

[PAYER TRANSFORMATION](#)

[STRATEGIC COMMUNICATIONS & CHANGE MANAGEMENT](#)

LEARN MORE ABOUT THE AUTHOR



Emily Nevarez

Research Manager