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New AHA Report Highlights how Medicare Advantage Plans Underpay and Add to the Workforce Burden of Rural Hospitals

Rural hospitals across the United States are experiencing significant financial challenges, exacerbated by Medicare Advantage plans, according to a new analysis released by the American Hospital Association (AHA).

The AHA's report, titled "The Growing Impact of Medicare Advantage on Rural Hospitals Across America," outlines three primary areas where the program affects rural hospitals: reimbursement, access to quality care, and growing administrative burden.

Relative to costs, the report found that on average Medicare Advantage plans reimburse rural providers 10% less than traditional Medicare plans. Rural hospitals with special designations, such as Medicare Dependent Hospitals (MDH) and Low-Volume Hospitals (LVH), receive 15% less. Even critical access hospitals (CAHs), which are supposed to receive essentially break-even rates, received only 95% of cost from Medicare Advantage plans according to benchmark data from Strata Decision Technology, LLC. This dynamic can undermine the very intent of the CAH, MDH, and LVH programs to preserve access to hospital care in rural communities. The AHA estimates rural hospitals lost more than \$1 billion in 2023 due to this lack of payment parity.

Regarding lengths of stay, the report found Medicare Advantage patients experience nearly 10% longer stays in rural hospitals before discharge to medically necessary post-acute care settings, compared to clinically similar traditional Medicare patients. This is due to policies or inadequate networks that delay appropriate discharge. Not only does this impact the patients that are awaiting discharge from the hospital, but it can also impact patients in need of a hospital bed who are waiting for a bed to open up.

Lastly, the report found that Medicare Advantage plans led to substantial increases in administrative tasks, such as prior authorizations, over the past five years, with 86% of rural hospitals seeing negative impacts on patients and 4 in 5 rural clinicians reporting higher administrative burden in the last five years.

The AHA report recommends several strategies to reverse this troubling trend, including:

- Streamlining the prior authorization processes.
- Ensuring cost-based reimbursement for CAHs at the same level of traditional Medicare.
- Ensuring prompt payment for medically necessary covered Medicare services.
- Reforming Medicare Advantage plan clinician review of coverage denials.
- More transparency on Medicare Advantage plan denials, appeals, and grievances.
- Better network adequacy for post-acute care.

Contact WHA Vice President of Federal and State Relations Jon Hoelter with questions.