Medicare Advantage Upcoding

How fradulent practices drive excess Medicare spending

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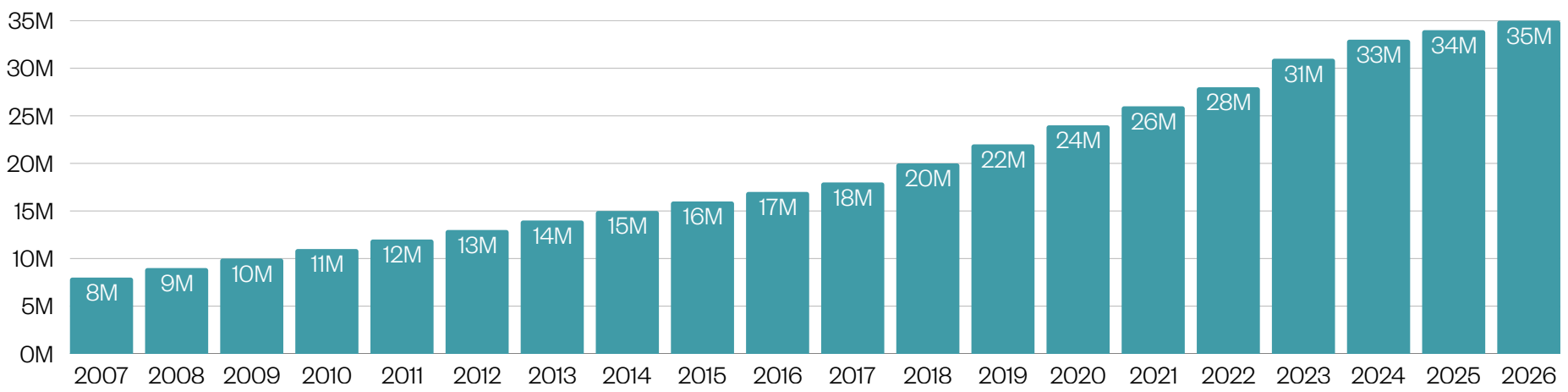
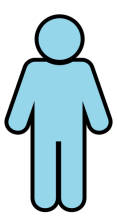
What is Medicare Advantage?

Medicare is a federal health insurance program that provides affordable healthcare for seniors above 65 years of age, as well as eligible younger individuals with disabilities. In contrast with traditional Medicare, Medicare Advantage (MA) is an alternative coverage option in which the government pays private insurers to administer Medicare benefits for enrollees. Under MA, patients often receive additional benefits with lower cost-sharing. As of 2026, MA provides healthcare coverage for 35 million enrollees in the U.S., accounting for more than half of all Medicare beneficiaries.

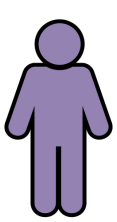
Total Medicare Advantage Enrollment, 2007-2026





Patient A

- Age 78
- Prediabetic
- HIV-positive



Patient B

- Age 65
- No diagnoses

Risk Scores, Explained

MA relies on a risk score model to estimate the expected healthcare cost for each enrollee. The model calculates an individual's risk score using a combination of demographic and health factors. In general, older and sicker patients receive higher risk scores. For example, a prediabetic, HIV-positive individual (Patient A) would likely have a higher risk score than a younger individual with no diagnosed conditions (Patient B).

Risk scores help determine how much CMS pays plan sponsors monthly for each enrollee. Higher risk scores mean higher payments, as CMS expects plans to spend more on sicker patients.

Sources: CMS; KFF

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What is Medicare Advantage Upcoding?

Upcoding refers to when private MA plan sponsors artificially inflate patients' risk scores by reporting additional or more severe diagnoses than their actual conditions. Because payments to MA plans increase with enrollees' risk scores, plans are often incentivized to make enrollees appear sicker on paper than they actually are.

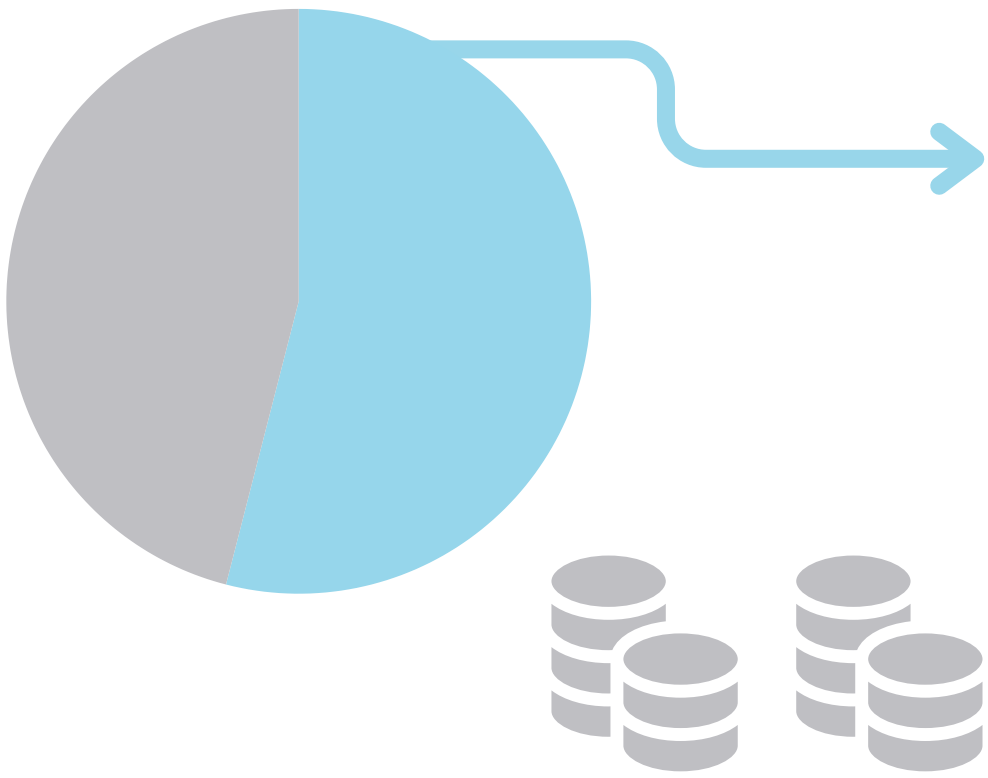
Examples of Upcoding Tactics

Adding outdated diagnoses from a patient's past medical records

Adding self-reported diagnoses during in-home health risk assessments

Assigning a patient a diagnosis without supporting treatment records

Magnitude and Impact of Upcoding



Last year in 2025,

54%

of eligible Medicare beneficiaries were enrolled in Medicare Advantage.

Upcoding led to roughly

$170 billion

in excess MA spending from 2015 to 2024.

In 2025, upcoding contributed to

$13.4 billion

in additional Medicare Part B premiums.

To learn more about the mechanisms behind MA upcoding and RTW Institute's recommended reforms, stay tuned for our upcoming research report.

Sources: GAO; MedPAC; OMB; OIG

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