

Honorable Mehmet Oz, MD, MBA
Administrator, Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
7500 Security Boulevard
Baltimore, MD 21244-1850

RE: Aetna Medicare Advantage Level of Severity Inpatient Admission Policy

Dear Administrator Oz:

The undersigned organizations write to urge CMS to address Aetna's proposed 2025–2026 changes to its Medicare Advantage (MA) inpatient claims process, which threaten Medicare beneficiaries' coverage protections and financial security. While Aetna presents this policy as reducing administrative burden, it effectively redefines inpatient and observation, undermining statutory protections and Medicare's own coverage rules

Under this policy, inpatient admissions that do not meet proprietary MCG criteria will be reimbursed only at a "lower level of severity" rate comparable to observation, even when a physician has ordered inpatient admission and Medicare's own coverage standards—such as the Two-Midnight Rule (42 C.F.R. § 412.3(c)) or the inpatient-only list (42 C.F.R. § 410.42)—are met.

This substitution of commercial screening tools for Medicare law and regulation undermines statutory protections.

Most concerning, the policy is structured to sidestep medical necessity denials and appeals, stripping MA enrollees of their rights under 42 C.F.R. § 422.566–422.578. By labeling denials as "lower severity" payment rather than adverse determinations, Aetna seeks to avoid providing required beneficiary notice and access to reconsideration and appeal processes. This is a direct violation of CMS regulations and the intent of the 4201-F Final Rule (2024) and the 4208-F Final Rule (2026), which requires alignment of MA coverage with Traditional Medicare.

If implemented, this policy will:

1. Reduce transparency by masking adverse determinations under "payment adjustments."
2. Undermine CMS hospital quality metrics, which depend on accurate inpatient claims.
3. Incentivize other MA plans to adopt similar tactics, further eroding beneficiary protections.

We urge CMS to issue clear guidance prohibiting MA plans from substituting “severity” or commercial screening criteria for Medicare’s own rules, and to enforce appeal and notice requirements when coverage is denied or reduced. Protecting MA beneficiaries requires ensuring that their access to inpatient coverage, appeal rights, and financial protections remain aligned with Traditional Medicare. Should you have any questions or concerns, please don’t hesitate to contact Josh Boswell at that Society of Hospital Medicine at jboswell@hospitalmedicine.org.

Sincerely,

American College of Physician Advisors

Society of Hospital Medicine