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Jessica L. Bailey-Wheaton, Esq., Editor
Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, Publisher

UnitedHealth Group's Physician Acquisition Efforts Accelerate

On February 22, 2023, UnitedHealth Group's (UHG's) Optum division, the health insurance giant's care delivery arm, acquired Crystal Run Healthcare, a New York based physician group of almost 400 physicians, nurse practitioners, and other providers.[1] This significant move is just the latest in UHG's concerted effort over the past few years to acquire outpatient providers, surgery centers, and physician groups.[2] This Health Capital Topics article will briefly survey some of the insurer's recent acquisitions and initiatives to expand their physician services network.

UHG is the largest health insurance company in the U.S., offering benefit programs for individuals, employers, and beneficiaries with Medicare and Medicaid.[3] The company has partnerships with over 1.3 million medical providers and 6,500 healthcare facilities across the U.S.[4] Optum, a subsidiary of UHG, provides data analytics, infrastructure, a pharmacy benefit manager, OptumRX, and a bank providing loans to patients, OptumBank.[5] Additionally, Optum is now the largest employer of physicians in the U.S., with over 70,000 physicians in 2,200 locations.[6]

In 2022 alone, UHG and Optum made five major acquisitions:

Texas Medicare insurer KS Plans Administrator;

- Kelsey Seybold (a KS Plans Administrator affiliate), a group practice employing 500 physicians and allied health professionals offering treatments across 55 specialties in 24 locations throughout Houston;
- LHC Group, a Louisiana-based home health company, was acquired for $5.4 billion;
- Atrius Health, a Massachusetts-based health system employing over 645 physicians and primary care providers across 30 locations, was acquired for $236 million; and
- Refresh Mental Health, a Florida-based mental healthcare provider with more than 1,500 employees spanning 300 outpatient sites across 37 states, was acquired for an undisclosed amount.[7]

This transactional activity follows a 2021 buying spree wherein the company acquired 10,000 physician practices.[8] The care delivery arm of UHG reported total revenue of $71.2 billion in 2022 – five times the total revenue the company reported in 2015.[9] Optum's services include primary, specialty, urgent, and surgical care, with the company aiming to integrate more home health and behavioral services into their strategy for the delivery of care.[10]

UHG is able to keep more of the premiums that they collect when the medical providers a patient visits belongs to their company.[11] By steering their members toward their own providers, profits will grow.[12] While the corporate takeover of physician practices could pose a threat to healthcare costs and the autonomy of clinicians, it could also boost access for those who are insured, and provide better work-life balance for physicians.[13] Working for a corporate-owned physician practice could potentially relieve a physician's burden of managing the administrative duties of a practice, reduce their patient loads, provide better compensation, and allow for flexible schedules or hours that are reduced.[14] Physicians may be flocking to companies like Optum due to burnout from being overworked, time pressures, a demanding pace, and the emotional intensity that comes with being a medical provider.[15]

Stakeholders have expressed concern regarding Optum's moves in the physician services sector. Chip Kahn, President and CEO of the Federation of American Hospitals, stated that "efforts by Optum to dominate physician markets is a concern generally with consolidation of the insurance market. The two go hand-in-hand and it's got to be of some concern to consumers and patients."[16] After a $7.84 billion deal was announced in March of 2021 between Optum and Change Health, a health technology company, the American Hospital Association (AHA) sent a letter to the Department of Justice (DOJ) requesting an investigation into possible antitrust concerns.[17] In the letter, the AHA stated that proposed transaction "threatens to reduce competition for the sale of health care information technology (IT) services to hospitals and other health care providers, which could negatively impact consumers and health care providers."[18] AHA also expressed concerns related to the market power held by UHG, stating that such an acquisition could likely result in patients having lower quality outcomes, and providers having to pay more.

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UHG is not the only insurer seeking to employ providers. In fact, Anthem invested so heavily in care delivery and health tech that it recently changed its organization's name to Elevance Health to reflect the wide breadth of services offered by the company.[19] In addition to UHG and Anthem, insurers Humana and Aetna have been similarly active in healthcare services space, blurring the line between payor and provider.[20] These actions are indicative of a growing "payvider" trend, where organizations are streamlining their supply chain by acquiring both care delivery assets and plan assets.[21]

In response to changes enacted by the Patient Protection and Affordable Care Act (ACA), such as caps on the amount of profits providers can keep (due to medical loss ratio limits) and the significant growth in Medicare Advantage, insurers have shifted their business models.[22] These insurers have pivoted to bringing providers and health plans under their umbrella in order to give them control over not just where patients seek care, but how that care is delivered, by aligning providers' financial and care delivery incentives with that of the insurer.[23]

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Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, is the President of **HEALTH CAPITAL CONSULTANTS** (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "*The Adviser's Guide to Healthcare - 2nd Edition*" [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements* (BVR/AHLA); *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the America Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).

Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: The Health Lawyer; Physician Leadership Journal; The Journal of Vascular Surgery; St. Louis Metropolitan Medicine; Chicago Medicine; The Value Examiner; and QuickRead. She has previously presented before the ABA, the NACVA, and the NSCHBC. She serves on the editorial boards of NACVA's QuickRead and AHLA's Journal of Health & Life Sciences Law.

Janvi R. Shah, MBA, MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.

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