

UnitedHealth Settles Conflict of Interest Allegations

On January 13, 2009, UnitedHealth, the largest commercial insurer in the US, settled a year-long probe with the New York State Attorney Generals office. Attorney General Andrew M. Cuomo launched his industry-wide investigation in February 2008 due to “allegations that health insurers unfairly saddle consumers with too much of the cost of out-of-network healthcare.”¹ Cuomo focused his attention on UnitedHealth because of the insurer’s potential conflict of interest in its use of a subsidiary company, Ingenix, in setting out-of-network reimbursement rates.

Currently, out-of-network care is subsidized in part by a patient’s health insurance company. The insurance company will reimburse around eighty percent [80%] of the “usual and customary rate” and the patient is responsible for paying the remainder of the bill. To help establish the “usual and customary rates,” UnitedHealth, utilized its own subsidiary, database company, Ingenix. Ingenix calculates rates by accounting for a number of factors, including geographic location, type of service, and typical cost for services.² Cuomo purported that the database rates were not entirely objective because Ingenix was owned by UnitedHealth and accordingly, Ingenix had an incentive to provide lower than normal reimbursement rates. The lower rates not only allegedly saved UnitedHealth money, they passed more costs onto the consumer. Investigations indicated that underpayment from insurers was anywhere from 10-28%.³ While UnitedHealth owned Ingenix, Ingenix is the “nation’s largest provider of healthcare billing information,”⁴ and other insurers who used the database included Cigna, Aetna, and Blue Cross/Blue Shield. These companies were also issued subpoenas by the Attorney General under the ongoing industry-wide investigation.⁵

Under the terms of the settlement, UnitedHealth will provide \$50 million dollars to create a new, independent database that will help establish out-of-network reimbursement rates. Other major health insurers are also expected to contribute to the creation of the new database. The database will be run by a non-profit entity, most likely a university, although no university has yet been chosen.⁶ One major aspect of the database its online feature which, for the first time, will provide consumers with the ability to see how much they will be reimbursed for many, routine out-of-network services

prior to receiving these services.⁷ Cuomo states that he expects the database to up and running in six months. Ingenix will continue to maintain its operation until the database is fully functional, at which point Ingenix will be closed.

It is expected that the settlement with UnitedHealth will affect about 100 million consumers. While, UnitedHealth will not have to pay restitution,⁸ a separate class-action lawsuit ordered UnitedHealth to pay \$350 million to members for its flawed reimbursement method.⁹

While United Health did not admit any wrongdoing, it did state that it was “committed to increasing the amount of useful information available in the healthcare marketplace so that people can make informed decisions and this agreement is consistent with that approach and philosophy.”¹⁰ According to Cuomo, patients have been “manipulated” by the health insurance carriers who have schemed to keep reimbursement for out-of-network costs at a minimum level.¹¹ Both parties appear to agree that this settlement is the first step towards a more transparent healthcare marketplace.

¹ “Attorney General Cuomo Announces History Nationwide Health Insurance Reform; Ends Practice of Manipulating Rates of Overcharge Patients by Hundreds of Millions of Dollars,” New York State Office of the Attorney General, Press Release, January 14, 2009, http://www.oag.state.ny.us/media_center/2009/jan/jan13a_09.html (Accessed 1/14/09)

² “Big Health Insurer Agrees to Update its Fee Data,” By Danny Hakim and Reed Abelson, New York Times, January 13, 2009, http://www.nytimes.com/2009/01/13/health/policy/13care.html?_r=1&sq=&st=se&%2334;united%20health=%2334;=&scp=1&pagewanted=all (Accessed 1/14/09)

³ “United Health Settles Probe Over Fee Database,” By Vanessa Fuhrmans and Chad Bray, Wall Street Journal, January 13, 2009, <http://online.wsj.com/article/SB123189750362779829.html> (Accessed 1/14/09)

⁴ “Attorney General Cuomo Announces History Nationwide Health Insurance Reform; Ends Practice of Manipulating Rates of Overcharge Patients by Hundreds of Millions of Dollars,” New York State Office of the Attorney General, Press Release, January 14, 2009, http://www.oag.state.ny.us/media_center/2009/jan/jan13a_09.html (Accessed 1/14/09)

⁵ “Attorney General Cuomo Announces History Nationwide Health Insurance Reform; Ends Practice of Manipulating Rates of Overcharge Patients by Hundreds of Millions of Dollars,” New York State Office of the Attorney General, Press Release, January 14, 2009, http://www.oag.state.ny.us/media_center/2009/jan/jan13a_09.html (Accessed 1/14/09)

⁶ “Attorney General Cuomo Announces History Nationwide Health Insurance Reform; Ends Practice of Manipulating Rates of Overcharge Patients by Hundreds of Millions of Dollars,” New York State Office of the Attorney General, Press Release, January 14, 2009, http://www.oag.state.ny.us/media_center/2009/jan/jan13a_09.html (Accessed 1/14/09)

⁷ “Reform of the Out-Of-Network Reimbursement System,” New York State

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Office of the Attorney General, January 13, 2009,

http://www.oag.state.ny.us/bureaus/health_care/HIT2/reimbursement_rates.html
(Accessed 1/14/09)

⁸ “United Health, New York in \$50 million Payment Accord,” Bloomberg News, January 13, 2009,

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a13QfOKQMTQs>
(Accessed 1/14/09)

⁹ “UnitedHealth to pay \$350 million to Settle Class Action Concerning Out-of-Network Claims Reimbursement, Agrees to Establish Independent Database,” American Health Lawyers Association, Health Lawyers Weekly, January 16, 2009,

[http://www.healthlawyers.org/News/Health%20Lawyers%20Weekly/Pages/2009/January%202009/January%2016%202009/UnitedHealthToPay\\$350MillionToS](http://www.healthlawyers.org/News/Health%20Lawyers%20Weekly/Pages/2009/January%202009/January%2016%202009/UnitedHealthToPay$350MillionToS)

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[NetworkClaimsReimbursement,AgreesToEstablishIndependentData.aspx](#)
(Accessed 1/16/09)

¹⁰ “United Health Group Reaches Garremtn with New York Attorney General,” United Health, Newsroom, January 13, 2009,

<http://www.unitedhealthgroup.com/newsroom/news.aspx?id=81594e91-fbf8-4772-b23e-b1e3be1aa102> (Accessed 1/14/09)

¹¹ “Attorney General Cuomo Announces History Nationwide Health Insurance Reform; Ends Practice of Manipulating Rates of Overcharge Patients by Hundreds of Millions of Dollars,” New York State Office of the Attorney General, Press Release, January 14, 2009,

http://www.oag.state.ny.us/media_center/2009/jan/jan13a_09.html (Accessed 1/14/09)



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