EXCLUSIVE

UnitedHealth is on a buying spree of outpatient surgery centers

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Reprints

CHRISTINE KAO/STAT

UnitedHealth Group quietly acquired dozens of outpatient facilities in 2023, with a particular focus on surgery centers, according to a STAT review of company financial filings.

Those acquisitions — nearly all of which the company never announced — build on the network of some 90,000 physicians UnitedHealth Group has amassed in recent years.

Many of the new centers sit in geographic areas where UnitedHealth is the biggest Medicare Advantage player, based on the latest insurance market share data. That overlap reinforces how UnitedHealth, which is expected to register $400 billion in revenue this year, is looking to funnel more of its insurance members toward providers that it owns. That strategy, known as vertical integration, allows UnitedHealth to capture more profit, and UnitedHealth's pursuit of it has caught the attention of federal antitrust regulators.

One of the biggest transactions came this past December, when UnitedHealth bought National Cardiovascular Partners from Fresenius Medical Care. UnitedHealth never announced the deal, and the only mention of NCP is buried within the company's annual report for investors, where the company listed "NCP Investment Holdings, Inc." as a new subsidiary. Fresenius confirmed to its investors in January that it sold NCP, which operates 21 cardiac cath and vascular labs. But Fresenius never disclosed the buyer and erased NCP information from its website. Fresenius did not respond to questions.

UnitedHealth declined to answer STAT's detailed list of questions. The company sent a statement that said it is "working to align capabilities across the health system to improve outcomes, support the evidence-based practice of medicine, and close gaps in care and coordination for patients, care providers, and payers."

After comparing and contrasting UnitedHealth's 2023 financial documents with those from 2022, STAT found the company acquired or launched hundreds of new subsidiaries, most of which were tied to its buyout of home health and hospice giant LHC Group. After excluding those LHC subsidiaries, the analysis identified more than 50 companies UnitedHealth either purchased or created — and 35 of those were surgery centers and physician practices.

Those deals build on UnitedHealth's $2.3 billion purchase of Surgical Care Affiliates in 2017, when the insurance giant made its first big bet on operating outpatient facilities. Over the past two decades, more procedures have moved away from the hospital and into lower-cost settings where patients could go home the same day. Procedures in surgery centers, in particular, often are at least 40% cheaper than if they were provided in a hospital-owned facility.

But UnitedHealth isn't picking random facilities to add. Nearly all of its new outpatient centers are located in areas where its health insurance company is the dominant carrier of Medicare Advantage plans.

Chris Whaley, a health economist and professor at Brown University, and Michael Richards, a health policy professor at Cornell University, have each been studying surgery centers and UnitedHealth's acquisition patterns for the past few years. Buying a chain as large as SCA was a quick way to get into the surgery center market. They've also observed that UnitedHealth has deliberately chosen to buy or build surgery centers in places where it has a strong insurance footprint, in essence creating its own referral network for outpatient care.

"SCA has provided a platform for the territory United can claim in the ambulatory surgery center industry," Richards said. "And now they can be a little more strategic and particular about which surgery centers they want to acquire next."

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Owning medical care providers and an insurer provides a distinct advantage for companies like UnitedHealth. Insurers can make it more appealing for their members to go to the doctors and outpatient facilities they own, often by tying them to low or no out-of-pocket costs. Then when people eventually go to those providers, insurers are just paying a subsidiary within the same parent company — keeping those dollars in-house.

Patients could potentially benefit from this type of integration, if the parent company prioritizes coordinated care with lower prices. But patients and insurance enrollees could be harmed if the company prioritizes transferring profits within itself and raises the prices of its own newly acquired providers, Whaley and Richards said.

The shift also becomes problematic if UnitedHealth takes its surgery centers and physician clinics out of the networks of rival insurers, restricting care options for people who don't have UnitedHealth insurance.

"If these deals are designed to promote efficiencies and be a better payer, then that's great," Whaley said. "The flip side to that, and the concern of regulators: If we have higher prices, then we're essentially just paying ourselves higher prices."

UnitedHealth executives have said there is a firewall between the company's providers and insurers — in other words, the company's providers accept all insurers and don't favor UnitedHealth, and its insurers contract in good faith with all providers and don't favor its own, which operate under the Optum brand.

"But that's super porous," said Chas Roades, a longtime health care provider consultant. "And they definitely are taking advantage of the fact that they have the ambulatory surgery center capacity to redirect traffic to themselves. This is the whole payoff for them for creating this big vertical integration."

Most of the facilities operated by National Cardiovascular Partners are in Arizona and Texas. In Phoenix, where several NCP centers are, UnitedHealth is the biggest Medicare Advantage insurer, covering roughly half of the market, according to the American Medical Association's latest analysis of health insurer market concentration. NCP's facilities in Texas are located in Dallas, Houston, and other metropolitan areas where UnitedHealth, again, is the largest Medicare Advantage plan — controlling anywhere from a third to more than half of a given market.

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The company also heavily targeted facilities located in Florida, where roughly 60% of all Medicare beneficiaries are in a Medicare Advantage plan. Pivotal Healthcare Partners operates several heart surgery and vascular centers throughout the Jacksonville, Fla., and Ocala, Fla., markets. Up until last year, Pivotal had been owned by the private equity firm Ashlar Capital Management but is now part of UnitedHealth, the filings show. UnitedHealth is the top Medicare Advantage insurer in both of those metro markets, enrolling more than a third in each, according to the AMA's analysis.

Pivotal and Ashlar did not respond to questions.

UnitedHealth acquired at least five surgery centers and medical practices around the New York City and Newark, N.J., metro area, according to STAT's review. UnitedHealth also controls more than a quarter of the area's Medicare Advantage market, the highest of any insurer.

While outpatient centers were UnitedHealth's biggest target outside of its LHC deal, the company also found other niche firms that stand to boost its profitability, especially within Medicare Advantage, a program that has been criticized for wasting taxpayer money and denying care to older adults.

Filings show UnitedHealth acquired Episource, a technology company that helps insurers and physicians document the health conditions of patients — a process known as "risk adjustment." The government pays Medicare Advantage plans based on the risk scores of their patients, and insurers and some medical groups hire companies like Episource to mine medical charts and perform home visits to capture as many medical diagnoses as possible. Medicare Advantage companies have also abused this process over the years by exaggerating how sick their members are.

Episource, which works with all types of health plans and providers, did not announce it was acquired by UnitedHealth, nor was there any UnitedHealth branding on its website as of the date of publication. Episource CEO Harshith Ramesh did not respond to questions.

Whaley added that UnitedHealth is not keen to advertise these transactions, and intentionally makes them difficult to track. "These are not transparent and potentially designed to obfuscate who the actual owner is," Whaley said. "The fact that so many of these transactions are so opaque certainly raises red flags."

About the AuthorReprints

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Bob Herman covers health insurance, government programs, hospitals, physicians, and other providers — reporting on how money influences those businesses and shapes what we all pay for care. He is also the author of the Health Care Inc. newsletter.