Health Insurers' Lucrative, Little-Known Alliance: 5 Takeaways

A private-equity-backed firm has helped drive down payments to medical providers, drive up patients' bills and earn billions for insurers.

MultiPlan, a data firm that markets "cost-containment" tools to insurance companies.Credit...José A. Alvarado Jr. for The New York Times

By Chris Hamby
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Large health insurers are working with a little-known data company to boost their profits, often at the expense of patients and doctors, a New York Times investigation found. A private-equity-backed firm called MultiPlan has helped drive down payments to medical providers and drive up patients' bills, while earning billions of dollars in fees for itself and insurers.

To investigate this largely hidden facet of the health care industry, The Times interviewed more than 100 patients, doctors, billing specialists, health plan advisers and former MultiPlan employees, and reviewed more than 50,000 pages of documents, including confidential records made public by two federal judges after petitions from The Times.

Here are five takeaways.

The smaller the payout to doctors, the bigger the fees for insurers and MultiPlan

When patients see medical providers outside their plans' networks, UnitedHealthcare, Cigna, Aetna and other insurers often send the bills to MultiPlan to recommend a payment amount.

MultiPlan and the insurers have a powerful incentive to keep the payments low because their fees get bigger as the payments get smaller.

Here's how it works.

The most common way Americans get health coverage is through an employer that pays for workers' medical care itself and uses an insurance company to administer the plan. Providers in the plan's network have agreed-upon rates, but out-of-network providers often must negotiate payments.

By using MultiPlan's frugal recommendations, insurers say they are saving employers money. But insurers and MultiPlan also benefit because their fees are typically based on the size of the declared "savings" or "discount" — the difference between the original bill and the amount actually paid.

In some instances, insurers and MultiPlan have collected more for processing a claim than the provider received for treating the patient.

UnitedHealthcare, the largest U.S. insurer by revenue, has reaped about $1 billion in fees annually in recent years from out-of-network savings programs, including its work with MultiPlan, according to legal testimony.

Patients could be on the hook for the unpaid bills

Patients have seen their bills rise after their insurers began routing claims to MultiPlan, as providers charge them for the unpaid balance.

Some patients said they have scaled back or ceased long-term treatment as a result. The predicament can be especially punishing for people who depend on out-of-network specialists, including for mental health or substance abuse treatment.

Patients have limited recourse. If they want to sue, they usually must first complete an administrative appeals process, and even if the case goes forward, they stand to collect relatively modest amounts.

Self-funded plans are mostly exempt from state regulation, and the responsible federal agency says it has just one investigator for every 8,800 health plans.

Some medical providers face big pay cuts

MultiPlan and insurers say they are combating rampant overbilling by some doctors and hospitals, a chronic problem that research has linked to rising health care costs and regulators are examining. But low payments also squeeze small medical practices.

Kelsey Toney, who provides behavioral therapy for children with autism in rural Virginia, saw her pay cut in half for two patients. She has not billed the parents of those children, but said she would not accept new patients with similar insurance.

Other providers said they have begun requiring patients to pay upfront because appealing for higher insurance payments can be time-consuming, infuriating and futile.

Former MultiPlan employees said they had an incentive to lock in unreasonably low amounts: Their bonuses were tied to the size of the reductions.

Employers are charged hefty fees

Insurance companies pitch MultiPlan as a way to keep costs down, but some employers have complained about large and unanticipated fees.

For a New Jersey trucking company called New England Motor Freight, UnitedHealthcare used MultiPlan to reduce a hospital bill from $152,594 to $7,879, then charged the company a $50,650 processing fee.

In the Phoenix area, trustees managing an electricians' union health plan were surprised to learn that the fees charged by Cigna had risen from around $550,000 in 2016 to $2.6 million in 2019, according to a lawsuit the trustees later filed.

Employers trying to verify the accuracy of insurers' charges have sometimes faced challenges getting access to their own employees' data.

Private equity is playing both sides

For years, insurance companies have blamed private-equity-backed hospitals and physician groups for hiking bills and making health care more expensive. But MultiPlan is also backed by private equity.

MultiPlan's annual revenues have climbed to about $1 billion thanks to its embrace of more aggressive approaches to reducing costs. Its premier offering is an algorithm-driven tool called Data iSight, which consistently recommends the lowest payments to doctors — typically resulting in the highest processing fees.

MultiPlan became publicly traded in 2020, and its largest shareholders include the private equity firm Hellman & Friedman and the Saudi Arabian government's sovereign wealth fund, regulatory documents show.

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