

Revenues Down and Stock Battered as Data Firm Faces Scrutiny

MultiPlan has helped big health insurers make billions by reducing reimbursements for medical bills, but its business model is now being questioned.

MultiPlan, based in New York, estimates that its reach extends to more than 100,000 health plans covering more than 60 million people. Credit... Bryan Anselm for The New York Times



By [Chris Hamby](#)

Chris Hamby has been investigating the lucrative business of out-of-network medical claims.

Aug. 16, 2024, 5:03 a.m. ET

Already under investigation in Congress, a data analytics firm that has helped major health insurers make billions of dollars by reducing reimbursements for medical bills is facing growing scrutiny from Wall Street and in the courts.

The firm, MultiPlan, and the insurance companies it serves often collect larger fees when payments to medical providers are far lower than the amount billed. [A recent investigation](#) by The New York Times found the approach left some patients with unexpectedly high bills as they were asked to pick up what their plans did not cover.

MultiPlan has seen its stock price drop by more than 70 percent since April, when The Times published its investigation, and its general counsel and chief financial officer have left their jobs. It disclosed quarterly financial results this month that its chief executive called “disappointing and unacceptable,” and it warned of a future hit to revenues as well.

The chief executive, Travis Dalton, acknowledged during a call with analysts that “media scrutiny has been an ongoing challenge.” The firm attributed slumping

revenues largely to changes by major clients, though it declined to provide more detail.

In a note to investors, the research firm CreditSights, which regularly follows the company, said it suspected some clients were responding to “increased scrutiny on MultiPlan’s business model” and had “gravitated away from using MultiPlan in light of The New York Times article.”

Insurers who manage so-called self-funded health plans for employers — the most common way Americans get health coverage — often turn to MultiPlan for payment recommendations when patients receive care outside their plan’s network. The Times investigation found that MultiPlan had encouraged some insurers to use [its most aggressive pricing tools](#), leaving medical providers with slashed compensation and employers with high fees — in some instances higher than the medical care payment itself.

MultiPlan’s biggest revenue generator in recent years has been an algorithm-based tool called Data iSight. Some insurers have used the tool, which typically produces the firm’s lowest payment recommendations, as part of a strategy called “target pricing” or “meet-or-beat.” Insurers set a maximum price they will pay, and MultiPlan collects a fee only if its recommendation is lower.

MultiPlan and the insurers have defended the arrangement, saying they are combating rampant overbilling by some doctors and hospitals. Last year alone, MultiPlan told investors, it identified nearly \$23 billion in bills from various insurers that it recommended not be paid.

In a statement, MultiPlan said that The Times had “failed to fully explain to readers the important role that companies like MultiPlan play in our health care system by helping lower out-of-pocket costs and reducing or eliminating medical bills for millions of patients.”

Mr. Dalton, in the call with investors, said the firm was addressing its problems “head on” and had “established a corporate and government affairs team, inclusive of world-class public relations and lobbying representation.”

MultiPlan has hired [a half-dozen lobbyists](#) from the firm Forbes Tate Partners, [paying them \\$40,000](#) since June, according to disclosures. Most of the lobbyists are former congressional employees, including a former legislative

assistant for Senator Mike Crapo, a Republican from Idaho who is the ranking member of a committee investigating MultiPlan.

The chairman of that committee, Senator Ron Wyden, a Democrat from Oregon, and Senator Bernie Sanders, an independent from Vermont, raised concerns about high patient costs [in a letter](#) to Mr. Dalton in May. They also demanded information about MultiPlan's business model.

Since then, the committee's staff members "have discussed these concerns with MultiPlan and continue to seek answers about how and why these expenses are occurring," a spokesman for Mr. Wyden said in a statement. Mr. Wyden "is committed to identifying and addressing the root cause of these tactics," the spokesman said.

Separately, Senator Amy Klobuchar, a Democrat from Minnesota, in April [asked](#) the heads of the Federal Trade Commission and the Justice Department's antitrust division to investigate whether MultiPlan was colluding with insurers to fix prices. Both agencies declined to comment.

In its statement, MultiPlan said it was "committed to engaging with all stakeholders to address their questions and explain the cost and complexity patients can face," including sky-high charges by some medical providers.

Hospital systems, chiropractors, addiction treatment centers and other medical providers across the country have sued MultiPlan, accusing the firm of conspiring with insurers, including Aetna, Cigna and UnitedHealthcare, to drive down payments. Some of them asked a panel of federal judges to consolidate the lawsuits, and the panel recently agreed to do so, sending more than two dozen cases to a court in Illinois.

The consolidated proceeding, called a multidistrict litigation, is similar to those faced by companies accused of driving up rents and fueling the opioid crisis. The consolidation, which was opposed by MultiPlan, could make it easier for additional plaintiffs to join.

MultiPlan said in its statement that the "lawsuits are without merit and would ultimately increase prices for patients and employers." The firm, which makes nearly all its revenue from fees based on its payment recommendations, has marketed its calculations as "defensible, repeatable and completely transparent."

MultiPlan, based in New York, estimates that its reach extends to more than 100,000 health plans covering more than 60 million people