

UnitedHealth Ongoing Criminal Probe Is Broader Than Medicare

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The US Justice Department's criminal division is digging into UnitedHealth Group Inc.'s prescription management services as well as how it reimburses its own doctors under an ongoing probe into the firm's operations, according to people familiar with the matter.

The previously unreported areas of the probe show the scrutiny is broader than was known and goes beyond an inquiry into possible Medicare fraud. Investigators are looking into business practices at the company's pharmacy benefit manager Optum Rx, in addition to the physician payments, said the people, who asked not to be identified discussing a confidential matter.

The Justice Department hasn't accused UnitedHealth or its executives of wrongdoing and the existence of a probe doesn't mean that charges will be filed.

But the broader scrutiny of UnitedHealth's operations in prescription benefits management and doctor reimbursements could complicate the matter for the company.

UnitedHealth rose as much as 1.8% at the start of regular trading in New York Wednesday. The stock dropped 1.5% Tuesday following news of the wider probe, reversing earlier gains.

'Full Confidence'

UnitedHealth referred Bloomberg to a July filing in which the company said it was responding to civil and criminal Justice Department probes and has "full confidence in its practices." The Justice Department declined to comment.

The Wall Street Journal reported in May that the department's criminal fraud unit has been investigating UnitedHealth's Medicare Advantage billing practices since at least last summer. UnitedHealth is the largest seller of those private health plans for seniors, which have driven much of the health insurance industry's growth in recent years.

The health care conglomerate has also been under investigation by the department over potential civil antitrust issues, while the US Federal Trade Commission has filed a lawsuit accusing the company and two rival pharmacy benefits managers of driving up insulin prices. The companies have disputed the FTC's allegations and Optum Rx called the suit "baseless."

The Justice Department also has a civil fraud investigation into the company's Medicare billing practices that's separate from the criminal inquiry and was first reported in February.

"The company has a long record of responsible conduct and effective compliance," UnitedHealth said in the July filing. The company also said it's been vindicated by audits by the Centers for Medicare and Medicaid Services, and has pointed to a favorable development in a long-running civil Medicare fraud case.

A court-appointed special master in that litigation said in March the Justice Department didn't have evidence to support claims the company overbilled Medicare by \$2 billion.

Top Three

Optum Rx is one of the top three pharmacy benefit managers in the US and also dispenses drugs through mail-order and specialty pharmacies. It serves patients on UnitedHealthcare insurance plans as well as external customers. The segment had \$133 billion in revenue last year.

The company's Optum Health care delivery division includes clinics, surgery centers and home care. The company has about 135,000 "aligned" physicians and advanced practice clinicians, including thousands that are employed directly. Until recently, Optum Health had been the company's fastest growing source of profit.

UnitedHealth shares have lost about 40% this year through Monday's close. In April, the company missed its earnings targets for the first time in more than a decade and slashed its forecast. Its chief executive officer, Andrew Witty, resigned abruptly in May, and the company brought back board chair and former CEO Stephen Hemsley to take over.

Hemsley is trying to restore the confidence of investors, regulators, and the public. He's led a management shakeup, including naming new leadership at the Optum Rx pharmacy unit and the Optum Health division.

As part of that effort, UnitedHealth announced a new committee of its board in August to increase oversight. The "public responsibility committee" will oversee regulatory and reputational risks, among other functions. The committee's charter, posted on UnitedHealth's website, highlights the company's pharmacy benefits management practices among the key reputational risks the company faces.

The company's shares got a boost this month when Warren Buffett's Berkshire Hathaway Inc. disclosed that it had purchased 5 million shares in the second quarter.