UnitedHealth pays its own physician groups 17% more than outside ones, study shows

Finding suggests UnitedHealth may be skirting a rule to curb insurers' profits

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UnitedHealth Group pays its own physician practices much more than it pays competing practices, a new study finds, reinforcing STAT's own analysis on the subject and presenting fresh evidence that the conglomerate may be skirting a rule designed to curb health insurer profits.

UnitedHealth's insurance arm, UnitedHealthcare, pays practices under its UnitedHealth-owned Optum umbrella 17% more on average for common services than it pays non-Optum practices in the same region, according to the study, published today in Health Affairs. In areas where its insurance arm has a large market share, it pays Optum practices 61% more.

The study's lead author, Daniel Arnold, said his research was inspired in part by STAT's reporting from last year, which found that UnitedHealthcare paid 13 of 16 Optum practices more than others in the same market, ranging from as little as 3% more to 111% more. UnitedHealth paid the other 3 practices less than the market average. UnitedHealth paid roughly two times the market average for some common services, STAT found.

The Affordable Care Act upended the health insurance business model by forcing companies to spend a certain amount of premium revenue on their members' care or pay it back to them, a rule known as the medical loss ratio. In response, health insurers rushed to acquire companies in other lines of business so they could shift profit from their insurance arms to other areas where profit is not capped.

"It's a fairly big penalty that a lot of insurers don't want to have to face, and this is a way to avoid that," said Arnold, a senior research scientist at Brown University. "We criticize them for doing this, but this is the way the rules are set up and it almost makes sense."

In a statement, UnitedHealth called the study "flat-out wrong" and said it cherry-picks data. The company said UnitedHealthcare pays Optum Health consistently with other providers in the market, "which is essential for staying competitive." UnitedHealth also said the study's funders, Arnold Ventures and the Commonwealth Fund, are biased.

The study states that the funders had no role designing or conducting the research or presenting the results.

Another reason UnitedHealth may be paying its doctors more is so that it can use some of that money to add resources to its Optum practices so they can attract more patients and take business from competing physician groups, Arnold said. Independent doctors STAT interviewed last year said that dynamic was threatening their practices' viability.

For years, UnitedHealth's vertical integration strategy was a success that others tried to emulate. The company, the country's largest health insurer, now has some 90,000 doctors under its umbrella, a pharmacy benefit manager, and hundreds of surgery centers. But more recently, it's become something of a liability as UnitedHealth faces a Department of Justice antitrust investigation over how its physician and insurance divisions interact.

The authors of the new study found that in areas where UnitedHealthcare has a greater than 25% market share, the payment gulf increased to 61%.
Interestingly, UnitedHealthcare paid all physician practices — both those it owns and those it doesn't own — more than other insurers did. It paid Optum doctors 62% more than other insurers, and non-Optum doctors 38% more than other insurers did. The 17% headline number represents the relative difference between those numbers. That's surprising in part because it suggests UnitedHealth isn't using its size to push down prices and secure better deals for its health insurance customers.

The new study used federal "Transparency in Coverage" data, where health insurers publish the negotiated prices they paid to in-network providers starting in 2022. It analyzed the prices employer-sponsored and individual plans paid for 12 high-cost, high-volume procedures across several specialties, plus two codes for office visits. The sample included about 385,000 prices across roughly 21,000 physician practices in 28 regions. The other insurers included were Aetna, Cigna, and Blue Cross Blue Shield.

One limitation of the study was that it only included 705 instances where UnitedHealthcare paid Optum providers, which is less than 1% of the total sample.

While no one can say with certainty that UnitedHealth is gaming the medical loss ratio without looking into their books, some researchers feel confident that's what's happening. Matthew Fiedler, a senior fellow at Brookings who was not involved in the new study, said it's unlikely that UnitedHealth's doctors are making more money than doctors at independent practices. Instead, he said he suspects those higher payments go to UnitedHealth's bottom line.

"United is not paying the Optum practices more because it wants to increase the compensation of the physicians that work at those practices, United is paying these practices more because it is a way to hide money from the medical loss ratio regulations without actually parting with those dollars," Fiedler said.

Martin Gaynor, an economics professor emeritus at Carnegie Mellon University, said there's no publicly available data that shows how UnitedHealth is actually using those higher payments to its own practices, but research like this adds weight to the theory that it's done to game the medical loss ratio rules.

"When United, and they're not the only insurer who has done this, owns all kinds of firms, doctor practices prominent among them, then they're in a position to simply shift money over to these practices," said Gaynor, who wasn't involved in the new study. "On paper, they're complying with the medical loss ratio. It makes it look like they're not earning a lot of profit. But of course that's just a shell game."

Gaynor, who until last year served as a special advisor to the DOJ's antitrust division, said there's more work to be done with respect to studying health insurers' vertical integration tactics.

"I don't think the authors claim, and I would agree with them, that this is the be-all end-all of studies and empirical evidence on this," he said.