

Change Healthcare \$2B sale could accelerate UnitedHealth Group's M&A plans

Article

The news: Change Healthcare is in advanced talks to sell its payment integrity business (ClaimsXten) for more than \$2 billion, per Bloomberg.

- ClaimsXten automates claim reviews and medical code auditing to help insurers provide accurate reimbursement to physicians.
- The sale will only occur if **UnitedHealth Group's (UHG)** analytics arm, **Optum**, completes its acquisition of Change Healthcare this year.

How we got here: The DOJ has blocked the UHG-Change Healthcare deal over anti-competitive concerns.

In January 2021, UHG's Optum revealed plans to buy health IT company Change Healthcare in a megadeal valued at **\$8 billion**.

- Shortly after, the **American Hospital Association (AHA)** **urged** the DOJ to investigate the agreement due to competition and reimbursement concerns.
- The AHA said Optum would have “strong financial incentives to use competitive payers’ data to inform its reimbursement rates.” That would harm hospitals and providers.
- In February of this year, the DOJ responded to the AHA's concerns by filing a civil lawsuit to block the merger.
- UHG agreed to postpone the Change Healthcare deal to the end of 2022.

The problem: The DOJ says the Change-Optum deal would give UHG a monopoly over healthcare data and stifle innovation in the health IT market.

If combined, Optum and Change Healthcare could become a healthcare analytics giant.

- Change Healthcare processes **over \$1.5 trillion in healthcare claims annually**.
- That's **over 33% of all US patient records**.
- Optum's footprint already includes **250 health plans** and **100,000 US providers**, per UHG. For comparison, insurer and provider network **Kaiser Permanente** only employs **9,000 physicians**, per its website.

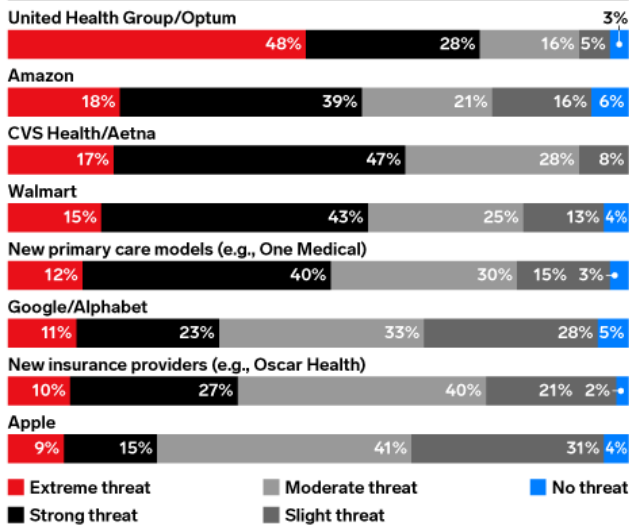
The big takeaway: The DOJ could back off if UHG agrees to sell Change's payment business post-merger, though.

- ClaimsXten is a large revenue driver for Change, and integrating it into UHG's business would make it an even bigger competitive threat to rivals like Cigna and Humana.
- In fact, ClaimsXten brings in **\$150 million in revenues annually** for Change Healthcare.

- So, selling off the payments business could help convince the DOJ to halt its probe and let UHG complete its Optum-Change deal before the end of this year.

Degree of Competitive Threat Posed by Select Companies to US Hospitals and Health Systems According to US Health Executives, Summer 2021

% of respondents



Note: over the next five years
 Source: Kaufman Hall, "State of Consumerism in Healthcare 2021: Regaining Momentum," Sep 8, 2021

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