
Dr. Gautam Gowrisankaran
Professor of Economics, Columbia University
Overview

Horizontal Harm

Vertical Harm

Efficiencies & Commitments

Conclusion
United’s acquisition of ClaimsXten is likely to substantially lessen competition due to both the **horizontal consolidation of first-pass claims editing solutions** and the **vertical concerns** of United controlling a key input for its rival health insurers.

With control of Change’s EDI clearinghouse, United would have the ability and incentive to **raise its health insurer rivals’ costs for innovations built on Change’s EDI connectivity**, which is likely to substantially lessen competition in the relevant health insurance markets relative to the but-for world.

United will gain access and the **rights to use rival health insurers’ competitively sensitive information**, which is likely to substantially reduce competition in the relevant health insurance markets relative to the but-for world.
Relevant Markets

Identify **product** and **geographic region** in which **competitive concern** may arise

**Analyze potential substitutes**
Hypothetical Monopolist Test:
Would a hypothetical monopolist likely find it profitable to impose at least a small but significant non-transitory increase in price ("SSNIP")?
The proposed merger is likely to substantially lessen competition in the market for the sale of first-pass claims editing solutions in the United States.
First-Pass Claims Editing Solutions Market Shares

CHANCE HEALTHCARE

67.3%

UNITEDHEALTH GROUP®

26.6%
First-Pass Claims Editing Solutions: HHI Before Merger

<table>
<thead>
<tr>
<th>Description</th>
<th>HHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Pass Excluding Self-Supply</td>
<td>5,254</td>
</tr>
<tr>
<td>First-Pass Including Self-Supply</td>
<td>4,545</td>
</tr>
<tr>
<td>First-Pass and Second-Pass Including Self-Supply</td>
<td>3,982</td>
</tr>
</tbody>
</table>

2019 Revenue

Pre-Merger

Highly Concentrated
United’s acquisition of ClaimsXten is likely to substantially lessen competition due to the horizontal consolidation of first-pass claims editing solutions.
First-Pass Claims Editing Solutions: HHI Before and After Merger

- **First-Pass Excluding Self-Supply**
  - Pre-Merger: 5,254
  - Post-Merger: 4,545

- **First-Pass Including Self-Supply**
  - Pre-Merger: 8,831
  - Post-Merger: 8,797

- **First-Pass and Second-Pass Including Self-Supply**
  - Pre-Merger: 3,982
  - Post-Merger: 4,660

Note: The graph indicates that the concentration of HHI is highly concentrated.
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Conclusion
Sale of **commercial health insurance to national accounts** in the United States

Sale of **commercial health insurance to large group employers** in Core Based Statistical Areas that are also Metropolitan Statistical Areas
Sale of commercial health insurance to national accounts in the United States

Sale of commercial health insurance to large group employers in Core Based Statistical Areas that are also Metropolitan Statistical Areas
United’s National Accounts Market Share

HHI: 2,519
Highly Concentrated

National Accounts*
Est. 54M total members

2021 NA Market Share

BCBS Total 42%

Other BCBS 20%

HCSC 9%

Anthem 13%

Cigna 15%

Aetna 15%

UHC 19%

Other 11%

United Healthcare Growth Deep Dive (2020)
Sale of **commercial health insurance to national accounts in the United States**

Sale of **commercial health insurance to large group employers in Core Based Statistical Areas that are also Metropolitan Statistical Areas**
Large Group Market Shares

SOUTH ATLANTIC

VA: Roanoke

GA: Atlanta, Sandy Springs, Roswell

VA-NC: Virginia Beach, Norfolk, Newport News

FL: Lakeland, Winter Haven

At least 42 MSAs Highly Concentrated
At least 45 MSAs Moderately Concentrated
Related Products

EDI Clearinghouses

EDI-Related Innovations

First-Pass Claims Editing Solutions
Transmission Paths of Claims

Provider → Clearinghouse A → Payer
Provider → Clearinghouse B → Payer
Provider → Clearinghouse C → Payer

Claim → Clearinghouse A

Remittance Advice
Vision for Denial-Free Lifecycle of a Claim

Provider

- Sends eligibility / prior authorization inquiry
- Treats patient
- Submits claim

EDI Clearinghouse

Claims with issues are flagged for revision

Integrated platform accesses and applies appropriate contracts and health insurer-specific claims edits, notifying providers of potential problems with claims and allowing for revision

Payer

Health insurer receives clean claim
With control of Change’s EDI clearinghouse, United would have the ability and incentive to \textbf{raise its health insurer rivals’ costs for innovations built on Change’s EDI connectivity}, which is likely to substantially lessen competition in the relevant health insurance markets relative to the but-for world.
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- With the elimination of Change, United will have a unique advantage in developing innovations associated with EDI clearinghouses.
- United will have an incentive to delay or limit sales of EDI-related innovations to rival health insurers.
- Competition in the health insurance markets is likely to be harmed if United, instead of Change, controls these EDI-related innovations.
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Core Building Blocks

Cambridge's capabilities are broadly complementary to OI's and could help bridge gaps. Further, it's recent investments in an integrated transaction platform with embedded intelligence and big data could help OI make a leap forward.

Core building blocks of a frictionless platform

- **RCM software platform spanning e2e functions**
  - Cambridge: Technology platform and solutions to support 90% of core RCM functions

- **Intelligent transaction network and clearinghouse**
  - Cambridge: Industry leading clearinghouse/EDI network with nearly 50% market share

- **Platform for value added data/analytics services**
  - Cambridge: Broad range of provider and Payer 'intelligence' offerings built off the clearing network

- **Payment integrity and Fraud Waste Abuse solutions**
  - Cambridge: ClaimsExten and InvestiClaim offerings span complete PI value chain

Collectively, Cambridge and OI could occupy a central place in the healthcare ecosystem with the ability to drive scale efficiencies in the near term and materially disrupt the current transaction model in the longer term i.e. from claims based to intelligent settle-and-clear to API/cloud-based peer-to-peer eventually.
## Core Building Blocks

<table>
<thead>
<tr>
<th></th>
<th>Revenue Cycle Management</th>
<th>EDI Clearinghouse</th>
<th>Claims Editing Solution</th>
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OptumInsight vs. UHC Commercial Health Insurance Revenue (2021)

- Revenue from Non-United Customers: $4.1 billion
- Total Revenue: $12.2 billion
- Total Revenue for United Healthcare: $60.0 billion
Vertical Harm: Raising United’s Rivals’ Costs

NO MERGER

Healthcare Technology

Commercial Health Insurance

CHANGE HEALTHCARE

Other Health Insurers

Employers
Vertical Harm: Raising United’s Rivals’ Costs

**NO MERGER**

- Healthcare Technology
- Commercial Health Insurance
- United Healthcare
- Employers
- Other Health Insurers

**MERGER**

- Reduced incentive to offer Change’s assets to UnitedHealthcare’s rivals
- Rival Health Insurers
- Employers
- Reduced competition in relevant health insurance markets
Two Fundamental Pieces of Vertical Math Calculation

**Foregone Upstream Profits**
The total profits on foregone upstream sales to rivals

- Specify that United delays or limits sales of EDI-related innovations to its four largest rivals

**Profits Gained Downstream**
The total profits that United would gain for every member its rivals lose

- The profits United would obtain from each member it gains
- The percentage of members leaving targeted rival plans that United can expect to capture
Two Fundamental Pieces of Vertical Math Calculation

**Foregone Upstream Profits**
The total profits on foregone upstream sales to rivals

- Specify that United delays or limits sales of EDI-related innovations to its four largest rivals
- **United’s expected TN EBITDA (2026): $**

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**Vertical Math**

**Two Fundamental Pieces of Vertical Math Calculation**

**Foregone Upstream Profits**
The total profits on foregone upstream sales to rivals

- Specify that United delays or limits sales of EDI-related innovations to its four largest rivals

- **United’s expected TN EBITDA (2026): $[Redacted]**

**Profits Gained Downstream**
The total profits that United would gain for every member its rivals lose

- The profits United would obtain from each member it gains: $[Redacted] per member per year*

- The percentage of members leaving targeted rival plans that United can expect to capture: [Redacted]%

* Based on margin for Key Accounts and National Accounts

Gowrisankaran Rpt., p. 130
Vertical Math

Assess the Tradeoff

How many new members does United need to gain at $[ ] profit per member per year to come out ahead?

Foregone upstream profits (Transparent Network) $[ ]
United Would Need to Gain **0.2% Market Share** to Make Up for Lost Profits
United Has Delayed Sales of Innovative Products

<table>
<thead>
<tr>
<th>Portfolio Optimization (PO)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Name</strong></td>
</tr>
<tr>
<td>Impact Intelligence</td>
</tr>
<tr>
<td>Impact Pro</td>
</tr>
<tr>
<td>Optum Performance Analytics (OPA)</td>
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<tr>
<td>Symmetry</td>
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<td>Lab Benefits Management</td>
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<td>Advisory Services - Payer Analytics</td>
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<td>Advisory Services - Payer Strategy</td>
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<td>Payer Advisory Services</td>
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<tr>
<td>Professional Staffing</td>
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<tr>
<td>Stepwise (Including UW Cost)</td>
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<tr>
<td>Auto-Rate/Decision Trees</td>
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<tr>
<td>Group Risk Analysis (GRO)</td>
</tr>
<tr>
<td>CES Second Pass</td>
</tr>
<tr>
<td>CES Services</td>
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<tr>
<td>CES Software</td>
</tr>
<tr>
<td>Claims Cost Management</td>
</tr>
<tr>
<td>Contract and Duplicates</td>
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<tr>
<td>Coordination of Benefits</td>
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- Rights to use rivals’ competitively sensitive information would likely cause a substantial lessening of competition in the relevant health insurance markets.
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Data: The Largest EDI Clearinghouse

Medical Claims Transmitted Through Top EDI Clearinghouses (2019)

- 1.94 Billion
- 1.19 Billion
- 730 Million
- 430 Million
Data: Change Transmits Tens of Millions of Claims Each Month

Average Monthly Claims for Non-United Health Insurers Transmitted by Optum and Change EDI Clearinghouses – 2021

<table>
<thead>
<tr>
<th>Average Monthly Claims</th>
<th>Bar Graph</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,826,994</td>
<td>CHANGE</td>
</tr>
<tr>
<td>10,687,951</td>
<td>Optum</td>
</tr>
<tr>
<td>1,120,189</td>
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<tr>
<td>1,782,429</td>
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<tr>
<td>6,100,660</td>
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<tr>
<td>752,382</td>
<td></td>
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<td>3,601,260</td>
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<tr>
<td>91,027</td>
<td></td>
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</table>
Data: Claims Data Transmitted by Change (Claim Counts)

Based on 2019 Commercial Claim Counts

- Transmitted by Change's EDI network: 51%
- Not Transmitted by Change's EDI network: 49%

Claims by Health Insurer:
- 36% of other claims
- 30% of other claims
- 46% of other claims
- 31% of other claims
- 18% of other claims
- 39% of other claims
- 76% of other claims
Data: Claims Data Transmitted by Change (Adjudicated Value)

Project Cambridge
Key Due Diligence Considerations

Enterprise Data Opportunities Due Diligence
Performed by: Paul Higday
12/13/2020

Estimated Cambridge data share as a percent of total market (Figure 1):
- Medical Claims: 50%
- Rx Claims/Scripts: 11%
- Dental Claims: 63%
- Consumer to Business Payments (e.g. copays): <1%
- Business 2 business Payments (e.g. insurance payments): 5%
United will gain access and the **rights to use rival health insurers’ competitively sensitive information**, which is likely to substantially reduce competition in the relevant health insurance markets.

- United would gain **secondary-use rights** to substantial data that include rival health insurers’ competitively sensitive information.

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- 45%
- 54%
- 39%
- 65%
**Secondary Use Rights**

**Q.** And you were writing to describe how Change should classify the secondary-use rights it receives in its new contracts?

**A.** Yes.

***

**Q.** And the first category you identified is _unfettered rights_; correct?

**A.** Yes, which is our _standard data rights language._
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- United would gain secondary-use rights to substantial data **that include rival health insurers’ competitively sensitive information**.
- Access and rights to use rivals’ competitively sensitive information would likely cause a substantial lessening of competition in the relevant health insurance markets.
United could gain insights about its health insurance rivals’ activities, including activities related to: (i) utilization management tools, (ii) negotiations of reimbursement rates with providers, (iii) provider network design, and (iv) claims edits.
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- **United would gain** secondary-use rights to substantial data that include rival health insurers’ competitively sensitive information.

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United Would Gain Substantial Secondary-Use Rights

Based on 2019 Commercial Claim Counts Transmitted through United or Change EDI Clearinghouses

Pre-Merger

- United Claims: 17.0%
- Non-United Claims Transmitted for Which United May Have Some Secondary-Use Rights: 4.2%
- Non-United Claims Transmitted Without Secondary-Use Rights: 4.2%

Post-Merger

- Non-United Claims Transmitted Without Secondary-Use Rights: 14.0%
- Non-United Claims Transmitted With Secondary-Use Rights: 27.2%

*Based on estimate that Change has secondary-use rights for 60% of claims. See PX027 ("Project Cambridge Key Due Diligence Considerations") at -9715.
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Q. In particular, some payers who competed directly in the market with UnitedHealthcare have objected to Optum based on the U-factor and, therefore, would have preferred to do business with another entity, correct?

A. Yes.
Transmission Paths of Claims: Anthem (2018)

Provider → Clearinghouse A → Change Healthcare → Clearinghouse B → Clearinghouse C → Remittance Advice → Provider

Change transmitted % of Anthem’s claims
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## Optum’s Firewall Policy

### Optum Policy Summary

**FOR INTERNAL USE ONLY**

<table>
<thead>
<tr>
<th>Policy Information</th>
<th></th>
<th>Current Version Publish Date</th>
<th>Original Effective Date</th>
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<tbody>
<tr>
<td>Policy Title</td>
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<td>05/12/2022</td>
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<td>Version</td>
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<td>Policy Identifier</td>
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</table>
Mistakes Happen

From: Josephson, Timothy G <tim.josephson@optum.com>
Sent: Thursday, January 28, 2021 6:43 PM
To: Dumont, Peter <peter.dumont@optum.com>
Subject: FW: ORx Data Access Request Form_DUR300147

Peter,
It looks like we might have a few UHC users. I was not aware of the restrictions on access to the non-UHC Optum Rx claims. Is this something that would warrant us to immediate cut off access or can we take our due diligence and work on restricting only the small group of UHC that might have access?

Thank You,
Tim Josephson

One year later, there were still employees with UHC e-mail addresses with permission to access the datasets in question
United’s acquisition of ClaimsXten is likely to substantially lessen competition due to both the horizontal consolidation of first-pass claims editing solutions and the vertical concerns of United controlling a key input for its rival health insurers.
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The proposed merger is likely to substantially lessen competition in the following ways:

United’s acquisition of ClaimsXten is likely to substantially lessen competition due to both the horizontal consolidation of first-pass claims editing solutions and the vertical concerns of United controlling a key input for its rival health insurers.

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