

January 16, 2025

UNH: Though Confident, Public Policy Questions Remain

UnitedHealth's (UNH) comments during its 4Q and full year 2024 earnings call about changes its taking to head off certain public policy concerns (PBMs, prior authorization/claim denials) seem like the company is in catch-up mode, and its efforts may prove insufficient to quell the ongoing headline risk. Meanwhile, we did not hear anything on the call to revise our expectations for a sizable improvement in the final CY26 Medicare Advantage rates in the spring.

We will be on the lookout for how UNH's **managed care** and **PBM** peers [**CVS, ELV, HUM, CI, CNC, ALHC**] comment on similar concerns during their own earnings calls in the coming weeks.

- UNH unexpectedly announced a commitment to fully phase out certain arrangements with commercial customers in which, by 2028, it will convert **all** commercial contracts to include a mandatory pass-through of 100% manufacturer rebates, compared to 98% of contracts today. The company appears to be trying to get out ahead of one of Congress's key legislative proposals for PBM reforms, which we expect to see codified this year, but it did not make clear whether the change would apply to the drug-related discounts / fees UNH receives or merely to manufacturer rebates or whether its policies apply to its group purchasing organization and rebate aggregator affiliates. Recall that such requirements were included in Congress's abandoned continuing resolution (CR) in December, though we expect resurrection of a mandatory pass-through of 100% of the drug-related rebates / discounts / non-bona fide service fees. The other legislative policy changes that have been on the agenda for some time strike us as manageable.
- UNH also took time to address perennial complaints about the industry writ large as it relates to claim denials, a lack of meaningful patient engagement, and prior authorization hurdles, the latter of which remains a focal point for Congress. While the company highlighted investments to address each of these, likely in an effort to stymie a more direct policy response, we doubt this will be sufficient to shift lawmaker attention away from the space, with prior authorization in particular an ongoing focal point.
- UNH did not provide much commentary about the CY26 MA Advance Notice, which called for a 2.23% net MA benchmark increase, but still fell short of reflecting medical cost growth, and did not speculate about where the final rates may come in. It did emphasize the need for a rational basis for the rates to reflect these trends, and its plans to engage with the Trump administration on the matter. We therefore continue to expect the final rates to be solidly higher than what was initially proposed and – as we have [written](#) previously – see various levers that can be pulled for that purpose.

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UnitedHealth Group Incorporated (UNH)

Price: \$511.12

52-Week High: \$630.73

52-Week Low: \$436.38

CVS Health Corp (CVS)

Price: \$51.84

52-Week High: \$80.75

52-Week Low: \$43.56

Elevance Health Inc (ELV)

Price: \$382.46

52-Week High: \$567.26

52-Week Low: \$362.21

Humana Inc (HUM)

Price: \$275.26

52-Week High: \$455.53

52-Week Low: \$213.31

Cigna Corp (CI)

Price: \$281.13

52-Week High: \$370.83

52-Week Low: \$262.03

Centene Corp (CNC)

Price: \$62.63

52-Week High: \$81.42

52-Week Low: \$55.03

Alignment Healthcare LLC (ALHC)

Price: \$14.41

52-Week High: \$14.25

52-Week Low: \$4.46

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