

Cyberattack could cost UnitedHealth Group up to \$1.6B this year

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UnitedHealth Group spent about \$872 million during the first quarter responding to the cyberattack at its Change Healthcare division and expects that full-year costs could reach \$1.6 billion.

The numbers, released Tuesday in the health care giant's [first quarter financial results](#), provide the fullest accounting so far of financial impacts from the hack, which forced UnitedHealth Group to shut down a widely used claims processing system to contain the threat.

The majority of cyberattack expenses were excluded from the company's calculation of first quarter adjusted earnings, which came in significantly better than expected. Following the earnings release, the Minnetonka-based company's stock price rose more than 5% in early trading.

"This was an unprecedented attack, by a malicious actor, on the U.S. health system," chief executive Andrew Witty said during a call with investors. "The attack disrupted the ability of care providers to file claims and be paid for their work. We've moved quickly to fill this gap."

UnitedHealth Group says it has now provided more than \$6 billion in advance funding and interest-free loans to health care providers that have struggled to bill for their services due to the system outage. Health care providers are among those who have filed about two dozen lawsuits against UnitedHealth Group over effects from the cyberattack.

During the first quarter, UnitedHealth Group incurred about \$593 million in direct-response costs, including spending to start restoring the Change Healthcare system as well as temporary suspension of some care management rules, such as prior authorizations, to provide financial relief for [health care providers](#).

The company also posted about \$279 million in expenses from business disruptions, meaning lost revenue plus the expense of maintaining operations at Change Healthcare so they eventually can be re-launched, said John Rex, the company's chief financial officer.

Expenses for the direct response as well as the disruption to ongoing business are extending beyond the first quarter, as UnitedHealth Group continues to report progress on restoring IT systems.

Witty told investors he thought it was "important for the country" that UnitedHealth Group acquired Change Healthcare in 2022.

"Without UnitedHealth Group owning Change Healthcare, this attack would likely still have happened and it would have left Change Healthcare, I think, extremely challenged to come back," Witty said. "Because it was part of UnitedHealth Group, we've been able to bring it back—we're going to bring it back much stronger than it was before."

Adjusted earnings for the first quarter came in at \$6.91 per share, better than the \$6.62 per share analysts expected. The company maintained its adjusted net earnings outlook for the year of \$27.50 to \$28 per share.

Adjusted earnings exclude the cost of direct-response measures related to the cyberattack, but the figures include business disruption expenses.

The cost of direct responses for the full year could range from \$1 billion to \$1.15 billion, the company said, while business disruption costs could range from \$350 million to \$450 million.

For the three-month period between January and March, UnitedHealth Group posted a loss of \$1.4 billion on \$99.8 billion of revenue, due primarily to the previously announced divestiture of its large hospital and clinic business in Brazil. The company said in December it expected to lose about \$7 billion on the sale due in part to foreign currency translation losses.

At the outset of Tuesday's call with investors, Witty said the company now employs about 400,000 people—a figure that's down roughly 10%

from the 440,000 listed as the 2023 year-end headcount in a recent regulatory filing. A company spokesman said the Brazil divestiture was part of the decline, but not the only factor.

UnitedHealth Group runs UnitedHealthcare, which is one of the nation's largest health insurers. At the end of March, just over 49 million people in the U.S. had coverage through the insurance division.

Across the country, there have been signs this year of an uptick in health care costs for insurers due to higher medical service use by patients. In November, UnitedHealthcare projected higher [medical costs](#) this year and the first quarter numbers on care spending fell within those expectations, the company said.

Seasonal costs related to respiratory illnesses at the end of last year subsided in the first quarter, Kevin Fischbeck, an analyst with BofA Securities, wrote in a note to investors.

"(UnitedHealth Group) expects to continue to be prudent on this for the next few quarters but largely believes that it is back to close to normal on claims submission and payment," Fischbeck wrote. "Finally, in response to the increase in trend last year, (UnitedHealth) has heightened its vigilance on any indications that utilization is starting to change, so it has confidence in its current view on trend."

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