

003 UnitedHealth-LHC: One-Year Follow-Up Report

February 20, 2025

Introduction

The Oregon Health Authority's [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals, like mergers and acquisitions, to make sure they support statewide goals related to health care costs, health equity, access to care, and care quality. After completing a review, OHA issues a decision about whether a business deal, or transaction, involving a health care company should proceed as planned. For all approved transactions, OHA is required by law to assess any changes in Oregon one, two, and five years after the transaction closed and to publish its findings.

This report summarizes analyses and findings from OHA's one-year follow-up review of the acquisition by UnitedHealth Group, Inc. (UHG) of LHC Group, Inc. (LHC). OHA approved this transaction on September 1, 2022, following a preliminary review. The transaction closed on February 22, 2023.

OHA's follow-up reviews aim to analyze health care cost trends, cost growth and cost of care, and assess the impact of the approved transaction on access to care, quality of care, and health equity for people in Oregon. If applicable, OHA also checks whether the entities have complied with any approval conditions and kept to any commitments made in the notice and subsequent HCMO filings.

You can get this document in other languages, large print, braille or a format you prefer free of charge. Contact us by email at hcmo.info@oha.oregon.gov or by phone at 503-945-6161. We accept all relay calls. You can also contact hcmo.info@oha.oregon.gov with any questions about this report.

Background

About the Transaction

On August 2, 2022, OHA received a complete Notice of Material Change Transaction "(notice)" from UHG outlining UHG's plans to acquire all LHC's assets and locations for \$5.4 billion.¹

UHG is a for-profit, publicly traded company that offers health insurance plans and provides health care services nationwide. It is the largest health care company and the largest employer of

physicians in the country.² UHG is organized into two main businesses: UnitedHealthcare (“UHC”), which provides health insurance plans, and Optum, which provides health care and related services. UHC is the largest Medicare Advantage insurer in Oregon based on enrollment in the second quarter of 2024.³ Optum providers, including several physician groups acquired since 2020, operate from more than 60 locations in Oregon and delivered primary and specialty care to approximately 140,600 people in 2022.⁴

LHC specializes in providing post-acute health care services through a nationwide network of nursing agencies, hospice agencies, community-based services agencies, and long-term acute care hospitals. Prior to the transaction LHC owned five home health agencies and five hospice agencies in Oregon.

In a press release announcing the transaction UHG stated that the companies were combining to “further strengthen their shared ability to advance value-based care, especially in the comfort of a patient’s own home.”⁵ UHG also stated that “as demand for care in the home increases, this combination will help elevate the health care experience for the people Optum and LHC group serve, prioritizing quality and seamless coordination that reduces fragmentation and complexity.”⁶

As a result of the transaction, UHG expected to be able to offer LHC’s services to more Optum Health patients.⁷ In submissions to OHA, the entities made various commitments relating to care post-transaction, including:

- Continuing to maintain access to LHC services.
- Continuing to accept patients with a variety of insurance types.
- Not giving UHC members preferential access to LHC’s services.
- Improving patient outcomes and experiences.

Following the transaction, LHC group was integrated into Optum Health, a wholly owned subsidiary of UHG. UHG stated that LHC leadership would continue forward as part of Optum Health.⁸

OHA’s Preliminary Review

OHA completed a [preliminary review](#) of the transaction on September 1, 2022. The transaction was approved based on the following criteria:⁹

- 1. The transaction is unlikely to substantially reduce access to affordable health care in Oregon.** OHA concluded that the transaction would not impact the number of hospice or home health providers operating in Oregon and would not result in horizontal consolidation in the market for home health or hospice services. In submissions to OHA, UHG committed to continuing to maintain access to services and accepting patients with a variety of insurance types.
- 2. The transaction is not likely to substantially alter the delivery of health care in Oregon.** OHA’s analysis showed that, in most regions of the state, patients have options for home health and hospice services. UHG said it intended to expand value-based care models, which may result in better quality of care for patients.

OHA's Follow-Up Review

OHA's follow-up review analyzed the activities of LHC's agencies in Oregon since the close of the transaction in February 2023. On February 22, 2024, OHA notified UHG that it was commencing a one-year follow-up review.

On March 15, 2024, OHA issued a request for information (RFI) to inform the review. The RFI included requests for narrative information, documentation, and data on LHC locations in Oregon. (See Appendices A and B for details.) OHA requested annual data for the years 2021 through 2023 on each LHC home health and hospice agency in the state, including data on patient volume, staffing, patient demographics, services rendered, payments, and geographic service areas. UHG submitted responses to the RFI on April 30, 2024. Certain underlying data provided by UHG are confidential and exempt from release under Oregon law. These data have been omitted from this report.

In addition to the information submitted by UHG, OHA reviewed publicly available sources and media coverage relating to UHG and its subsidiaries. This information is summarized in the **UHG Corporate Activities & News** section below. OHA also sought public comment from community members with experiences at LHC home health and hospice agencies. OHA did not receive any public comments.

UHG Corporate Activities & News

Since the close of the transaction, UHG has been involved in several other acquisitions involving health care providers in Oregon. UHG's subsidiary, Change Healthcare, was targeted in a cyberattack, and the U.S. Department of Justice opened an antitrust investigation and filed an antitrust lawsuit against UHG in the United States District Court for the District of Maryland, Case No. 1:24-cv-03267-JK (the "federal litigation").

Planned Acquisition of Amedisys

In June 2023, UHG announced an agreement to acquire Amedisys, Inc. ("Amedisys"), a nationwide provider of home health, hospice, and palliative care services, for \$3.3 billion. (The proposed acquisition is referred to herein as the "Amedisys transaction.") Amedisys operates three home health agencies and one hospice agency in Oregon. UHG filed a [Notice of Material Change Transaction](#) ("notice") with HCMO, and OHA began a preliminary review of the transaction on December 4, 2023. OHA completed the preliminary review on March 14, 2024, and determined that the proposed transaction warranted a comprehensive review. OHA issued a [Comprehensive Review Determination](#) and a [Preliminary Review Summary Report](#) detailing its preliminary analysis and concerns about the proposed deal. To inform the comprehensive review, OHA issued requests for additional information from UHG and Amedisys. The entities submitted responses to these requests between April 30, 2024, and September 16, 2024. On December 13, 2024, OHA issued an [order](#) suspending its comprehensive review.

OHA's decision to suspend the review was informed by claims made by the U.S. Department of Justice ("USDOJ") and Attorneys General of Maryland, Illinois, New Jersey, and New York ("plaintiffs") in the [federal litigation](#) filed on November 12, 2024. In the federal litigation, the USDOJ seeks to block the transaction, arguing it is illegal and will reduce competition in hundreds of local markets across the country, including the home health market in Oregon's Marion, Yamhill, and Polk counties. USDOJ asserts that Amedisys violated federal law by falsely stating it provided

complete information to the USDOJ. Additionally, USDOJ alleged that the proposed plan to divest home health and hospice agencies to VitalCaring was inadequate and would fail to eliminate the proposed acquisition's threat to competition. As of the date of this report, UHG and Amedisys do not have a final divestiture package outlining all proposed divestitures.

Acquisition of The Corvallis Clinic

On December 28, 2023, OHA accepted a complete [Notice of Material Change Transaction](#) from Optum, the health services subsidiary of UHG, relating to Optum's plans to acquire The Corvallis Clinic ("TCC"), a primary care and specialty clinic in Corvallis Oregon. During OHA's preliminary review of the proposed transaction, TCC submitted a request for an emergency exemption from HCMO review (the "request") due to TCC's precarious financial situation. OHA [granted](#) TCC's request on the basis that TCC's financials depicted a grim financial picture and threatened immediate closure of TCC should OHA proceed with its review. OHA received more than 300 public comments about the transaction. The acquisition closed in March 2024.

Workforce Reductions at Optum

UHG's provider arm, Optum, saw significant workforce reductions in 2023 and 2024, including both layoffs and voluntary departures. In Oregon, the TCC acquisition brought attention to Optum's previous acquisition of Eugene-based Oregon Medical Group ("OMG"). OHA received numerous comments from patients and providers about adverse experiences after Optum acquired OMG in late 2020. Commenters cited clinicians leaving the practice, lack of appointment availability, and patients losing access to their primary care providers.¹⁰ In March 2024, the OMG sent out patient dismissal letters citing physician departures as the reason for dismissal. The Oregonian reported that 32 doctors left OMG over the past two years.¹¹

As part of its comprehensive review of the Amedisys transaction described above, OHA issued information requests to obtain information about changes occurring at OMG and three other Oregon-based clinics owned by Optum (GreenField Health, The Davies Clinic, and Family Medical Group NE). UHG reported to OHA that there were service changes in all four clinics "driven by clinician departures," and that the clinics closed enrollment of adult primary care patients "due to clinician capacity limitations."¹²

Optum also implemented large-scale layoffs at Landmark Healthcare, a nationwide provider of home-based health care services it acquired in 2021.¹³ Optum reportedly laid off upwards of 370 Landmark employees (including service management and care coordination staff) in May 2024, followed by an additional 100 social workers in July 2024.¹⁴ Landmark also announced it would be exiting nearly 20 service markets, mostly in metropolitan areas.¹⁵

Also in 2024, MedExpress Urgent Care, Optum's urgent care business based in West Virginia, reportedly laid off all registered nurses across all 150 facilities nationwide.¹⁶ Two Optum-owned primary care clinics in Washington state, Everett Clinic and Polyclinic, were reported to have abruptly laid off 67 employees in September 2023.¹⁷ Layoffs were also reported at WellMed, an Optum-owned company based in Texas that provides preventative care to older adults.¹⁸

Change Healthcare Cyberattack

In February 2024, a cyberattack affecting UHG's Change Healthcare subsidiary knocked out technologies for claims processing and other services. Acquired by UHG in October 2022, Change Healthcare is one of the largest processors of medical claims, processing 15 billion claims annually

(approximately 40% of all claims nationwide).¹⁹ The cyberattack created a backlog of unpaid claims, paralyzing large parts of the US health care system and causing financial stress for many medical practices that were still recovering from financial hardship of COVID-19. In addition, millions of patients' health information may have been compromised due to the attack.²⁰ UHG has faced intense scrutiny from federal regulators and congress over the attack.²¹

Federal Investigations into UHG

In early 2024, the USDOJ reportedly opened an investigation into UHG over concerns about anticompetitive effects of UHG's ownership of provider groups.²² UHG's various subsidiary businesses touch nearly every part of the healthcare industry including physician services, claims processing, and pharmacy benefit management. The relationship between the insurance arm of UHG and Optum is reportedly a key focus of the investigation.²³

In March 2024, the U.S. Department of Health and Human Services (HHS) announced an investigation into the Change Healthcare cyberattacks. Specifically, HHS would investigate whether there had been a breach of protected health information and assess compliance with health privacy laws.²⁴

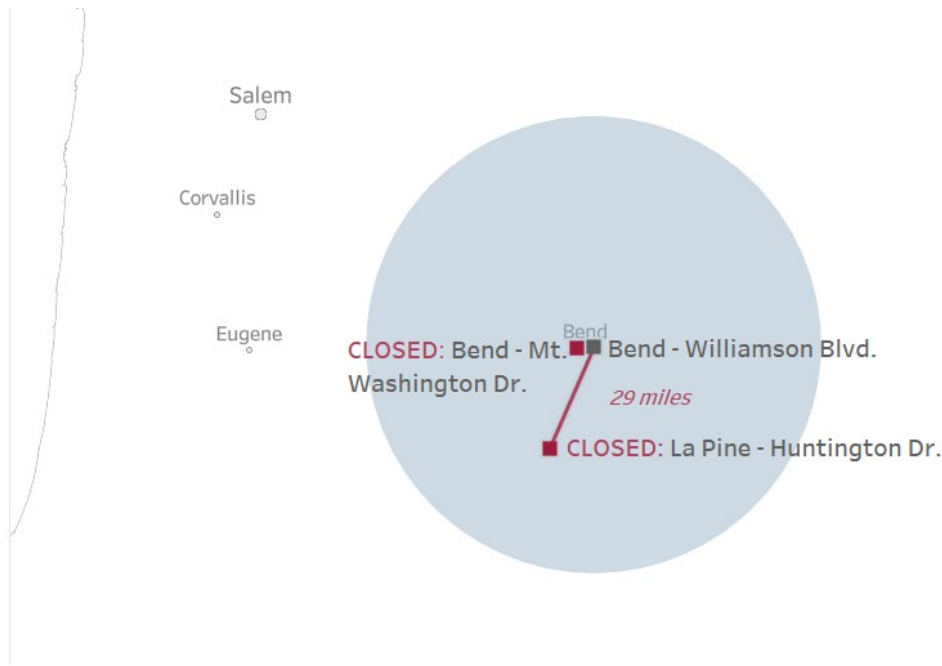
Changes at LHC Agencies in Oregon

This section summarizes the findings from OHA's analysis of information and data submitted by UHG in response to OHA's RFI.

Closures & Relocations

UHG reported two closures and one relocation among its home health and hospice agencies in Oregon since the close of the transaction:²⁵

- LHC's hospice agency location in La Pine (Heart 'n Home Hospice and Palliative Care) closed in April 2023, two months after the UHG acquisition. All patients and employees were re-assigned to LHC's Bend location. UHG stated the reason for the move was "to improve retention of staff located near the Bend location and to improve collaboration of care."²⁶
- Prior to the transaction, LHC operated two hospice locations approximately five miles apart in Bend: 1150 NE Williamson Blvd ("Williamson") and 745 NW Mt Washington Drive ("Mt Washington").²⁷ UHG reported that the Williamson location closed in April 2023.²⁸ Effective June 2023, staff and operations of the Williamson office were relocated to the Mt Washington office.²⁹ UHG noted that "the previous location was not conducive to operations and offered insufficient parking."³⁰
- In January 2024, Three Rivers HomeCare in Grants Pass moved to a new location (less than 2 miles away) to provide "additional room for growth."³¹



As shown in the above map, the current location of LHC’s remaining hospice agency in Bend is 29 miles from the closed La Pine location. The La Pine closure thus raises concerns about potential reductions in access to hospice services for patients in this area. Areas in and around La Pine are medically underserved, and residents (many of whom are low-income) have limited local options for home hospice services.

Per Oregon’s licensing rules, geographic service areas of home health and hospice agencies are limited to a 60-mile radius of the parent agency location. The service area for UHG’s Bend and La Pine locations is shown as the shaded circle in the above map. As noted by UHG, the closure of the La Pine location did not change this service area, because the La Pine office was a satellite location of the parent location in Bend.³² While the geographic service area provides an outer boundary for where the agency’s patients can reside, it does not prevent an agency from reducing services to any area within that boundary.

Other Changes at LHC

Following the close of the transaction, LHC became a wholly owned subsidiary of UHG and part of Optum Health. LHC’s former President and Chief Operating Officer became President and CEO of the LHC subsidiary and now reports to the CEO of Optum Health.³³

In its RFI response dated April 30, 2024, UHG stated:³⁴

In the year since the transaction closed, LHC has made not significant changes to how patient care is managed, delivered, and monitored in any of LHC’s lines of business. This includes clinical care quality standards and protocols, billing processes and systems, payer contracting, and human resources.

UHG further noted that changes in the number or composition of clinical or administrative staff at LHC’s locations in Oregon were “ordinary course staffing changes” and not related to the transaction. UHG reported some changes in administrative processes and systems, as well as contracts with third-party vendors.

UHG provided a list of commercial health insurance plans contracted with LHC for home health or hospice services as of January 1, 2023 (pre-close) and January 1, 2024. The number of commercial health plans contracted with LHC home health and hospice locations in Oregon increased from January 2023 to January 2024. UHG also supplied a list of home health and hospice providers in Oregon contracted with UHC's commercial health insurance plans as of January 1, 2023, and January 1, 2024. This showed that, in the year following closing, UHC continued to contract with its existing home health and hospice providers in Oregon.

Entity-Reported Data

OHA analyzed 2021-2023 data on LHC home health and hospice locations in Oregon obtained from UHG. This included information on patient volume, staffing, patient demographics, services rendered, payments, and geographic service areas. OHA's analysis sought to identify any significant changes in 2023 compared to the 2021-2022 baseline.

Given that the 2021-2023 period included only ten months of post-transaction data, the results are preliminary and should be cautiously interpreted. OHA will continue to monitor trends in these data as part of its statutorily mandated two-year and five-year follow-up reviews.

Home Health Agencies

For home health, some LHC locations saw increases in patient and service volume from 2022 to 2023, whereas others saw decreases. At the majority of LHC home health agency locations, clinical and non-clinical FTE increased, and patient load (number of patients per 1 FTE of clinical staff) decreased. There were some changes in the types of clinical staff (e.g., home health aide, nurse, or social worker), but no clear trends across LHC locations. For all locations but one, the share of payments from Original Medicare decreased, whereas the share of payments received from Medicare Advantage plans increased.

OHA also analyzed changes from 2022 to 2023 in average per-episode payments received by LHC home health agencies in Oregon. This analysis compared the 2022-23 percentage change in per-episode payments at each LHC agency to historical (2017-2022) trends for that agency and to changes among other similar home health providers. (See **Appendix C – Cost Analysis** for details on OHA's methodology.) Certain underlying data provided by UHG are confidential and exempt from release under Oregon law. OHA's findings that stem from these data have therefore been omitted from this report.

Hospice Agencies

OHA's analysis of LHC hospice agency locations in Oregon found changes in various metrics from 2022 to 2023, including staffing, patient volumes, patient diagnoses, payments, and length of stay. However, the direction of these changes varied across locations, and OHA did not find evidence of any overarching trends affecting all locations in this period. A contributing factor to this variability was the closure of the La Pine hospice location and subsequent re-assignment of those patients and staff to the Bend location. Among the LHC hospice locations not affected by closures or relocations, the percentage of care episodes where the patient was referred from an institution increased.¹

¹ An institution may be an acute care hospital, inpatient psychiatric facility, skilled nursing facility, inpatient rehabilitation facility, or long-term care home.

Hospice patients residing in an institutional setting (e.g., a nursing facility) can be less costly to serve (and therefore more profitable for providers). For example, providers serving multiple patients in a nursing home may be able to utilize fewer staff and incur lower costs for staffs' travel expenses. OHA will continue to monitor trends in LHC agencies' institutional referrals in subsequent follow-up reviews.

Two- and Five-Year Follow-Up Reviews

OHA will request the information and data listed in Appendices A and B for each of its subsequent follow-up reviews and monitor for changes at LHC's Oregon locations over time. OHA's two-year follow-up review, scheduled to begin on February 24, 2025, will assess the activities of LHC in 2024. OHA's five-year follow-up review, beginning in February 2028, will look more broadly at the impact of the transaction on cost of care, access to care, quality of care and health equity in Oregon.

OHA accepts comments at any time for all follow-up reviews. Public comments can be submitted at any via email to hcmo.info@oha.oregon.gov or by calling 503-945-6161 to leave a voicemail.

Appendix A: OHA's Request for Information

This Appendix reproduces the items included in OHA's March 15, 2024, request for information from UHG.

1. List all LHC locations in Oregon as of February 2024, including name, primary practice address, organizational NPI, license number, and federal tax ID number.
2. For each LHC hospice and home agency location included in the NPI table submitted to OHA on August 2, 2022, please identify and describe any changes to date in the following:
 - a. Addresses/locations (including any closures).
 - b. Names (including DBA names).
 - c. License numbers.
 - d. Federal tax ID numbers.
3. For each change identified in response to Request No. 3, provide:
 - a. The effective date of the change.
 - b. The reason(s) for the change.
 - c. Any activities undertaken to inform patients, caregivers, and other parties in Oregon of the change.
 - d. For any address changes:
 - i. Indicate whether the service area of the agency changed as a result of the address change.
 - ii. If the service area changed, identify the geographic areas (e.g., zip codes) removed or added to the agency's service area.
 - iii. If the service area changed, describe any impacts for patients whose residence address was no longer in the service area.
4. Describe any changes in direct or indirect management, oversight, and governance of LHC since the close of the transaction.
5. Describe any efforts initiated since the close of the transaction to integrate LHC into Optum, including but not limited to:
 - a. Electronic Health Records systems integration and interoperability.
 - b. Clinical care quality standards and protocols.
 - c. Administrative processes and systems.
 - d. Billing processes and systems.
 - e. Payer contracting.
 - f. Human resources (including hiring and compensation).
 - g. Third-party vendors and sourcing.
6. Describe any service or operational changes impacting the LHC locations in Oregon since the close of the transaction. Specifically, describe any changes related to:
 - a. Number or composition of clinical staff.
 - b. Number or composition of administrative staff.
 - c. Staff compensation or employment terms.
 - d. Patient care practices.
 - e. Patient enrollment practices.

- f. Patient discharge practices.
 - g. Patient referral sources or practices.
 - h. Hours of operation.
 - i. Range of services offered.
 - j. Forms of insurance accepted.
 - k. Billing and payment practices.
 - l. Financial assistance or charity care.
 - m. Availability of translation or interpretation services.
 - n. How (by what means or at what times) patients or their caregivers can contact staff.
 - o. Suppliers of products or services.
7. Provide copies of all policies governing LHC locations in Oregon in effect as of January 1, 2023, relating to:
- a. Clinical staffing, e.g., number or type of staff providing various services, allocation of staff to patients, guidelines for in-person visit duration or frequency.
 - b. Employee compensation (including clinical, administrative, and management employees).
 - c. Patient care.
 - d. Patient enrollment.
 - e. Patient discharge, including live discharge “for cause.”
 - f. Patient referrals.
 - g. Billing and payment.
 - h. Financial assistance and charity care.
 - i. Translation and interpretation services.
8. Provide copies of all policies governing LHC locations in Oregon in effect as of January 1, 2024, relating to the areas listed Request No. 8.a. through 8.i. above.
9. Provide copies of all UHG or Optum policies currently in effect governing Oregon patient referrals by Optum-employed or affiliated physicians to home health or hospice care.
10. Describe any efforts by UHG since the close of the transaction to address health equity for people in Oregon as it relates to home health and hospice services. Please include (as applicable) information on:
- a. Culturally appropriate home health or hospice service delivery.
 - b. Translation and interpretation services.
 - c. Efforts targeted to improve service access or quality for communities or groups that historically have experienced worse health outcomes or been underrepresented among home health and hospice patients.

11. Please complete the table below listing all Oregon commercial health insurance plans and companies contracted with LHC for home health or hospice services as of January 1, 2023.

Carrier/Company	Insurance product/line of business	Contracted LHC services	Contracted LHC locations	LHC network tier/status

12. Please complete the table below listing all Oregon commercial health insurance plans and companies contracted with LHC for home health or hospice services as of January 1, 2024.

Carrier/Company	Insurance product/line of business	Contracted LHC services	Contracted LHC locations	LHC network tier/status

13. Please complete the table below listing all home health or hospice providers serving patients in Oregon that were contracted with UnitedHealthcare’s commercial health insurance plans as of January 1, 2023.

Provider Name	NPI	Contracted services	UnitedHealthcare Insurance product/line of business	Network tier/status

14. Please complete the table below listing all home health or hospice providers serving patients in Oregon that were contracted with UnitedHealthcare’s commercial health insurance plans as of January 1, 2024.

Provider Name	NPI	Contracted services	UnitedHealthcare Insurance product/line of business	Network tier/status

- 15.** Identify all mergers and acquisitions UHG (or a subsidiary of UHG) has completed nationwide since the close of the transaction on February 22, 2023, where the target included hospice or home health operations/assets. For each transaction identified, please provide:
- a. Transaction closing date.
 - b. All parties to the transaction.
 - c. Nature and objectives of transaction, including type of transaction (e.g., merger, acquisition, affiliation).
 - d. Transaction Consideration.

Appendix B: OHA’s Data Request

OHA requested annual data for each LHC location in Oregon for the years 2021-2023. Requests included data on patient volume, staffing, patient demographics, services rendered, payments, and geographic service areas. See the table below for details.

Topic	Requested data (2021, 2022, and 2023)
Patient volume	<ul style="list-style-type: none"> • Total admissions • Total patient volume • Total episode volume • total patient days • Average daily census. • Episode counts by primary payer type.
Staffing ²	<ul style="list-style-type: none"> • Number of staff • Number of full-time-equivalent (FTE) employees • Unfilled/open FTE • Number of in-person visits • Number of direct patient care hours.
Patient demographics	<ul style="list-style-type: none"> • Episode counts by patient sex, age group, race, ethnicity, and language service needs. • OHA also requested episode counts by referral source.
Services rendered	<ul style="list-style-type: none"> • Number of visits (broken down by nursing, social worker, and home health/home hospice aide) • Minutes of care provided (nursing, physical therapy, occupational therapy, and speech-language pathology).
Payments	<ul style="list-style-type: none"> • Total payment amounts received annually by payer. • Amount of financial assistance provided. • Payments received from alternative payment arrangements (not fee-for-service). • Average payment per episode of care.
Service areas	<ul style="list-style-type: none"> • Number of episodes by zip code of patient residence.

² OHA requested these data be provided for the month of January 2021 through 2024 and reported separately by staff position or category (e.g., registered nurse, social worker, home health aide, etc.)

Appendix C: Data & Methodology

All Payers All Claims (APAC) Data

The Oregon All Payer All Claims Database (APAC) houses administrative health care data for Oregon's insured populations. It includes medical and pharmacy claims, non-claims payment summaries, member enrollment data, billed premium information and provider information for Oregonians who are insured through certain commercial insurance, Medicaid and Medicare. Information about APAC is available on OHA's [website](#). The APAC study period for this review was based on claims rendered between 2017 and 2022. OHA's analysis is based on claims rendered to residents of Oregon based on the state of their home address at the time of service as reported to APAC.

Home Health and Hospice Claims Identification

OHA's identification of home health PSAs are based on home health agency and home hospice claims data from APAC. To find relevant claims for these uses, OHA utilized [bill type codes](#) for home health and for home hospice. All analyses in this report are based on claims incurred by Oregon residents and rendered by or billed to Oregon providers.

APAC claims data do not capture services for which no claim was generated, which includes services provided under certain types of alternative payment arrangements, e.g. capitation. Therefore, APAC does not reflect all home health and hospice services delivered to people in Oregon at any given time.

Home Health and Hospice Episode Definition

OHA's PSA and market analyses use 'episodes' of home health and home hospice care for the unit of measurement. Instances of home health agency care are considered to be one episode if the same home health agency provides care to the same patient for any period of time without a gap in care longer than 30 days. Instances of care with gaps longer than 30 days are considered separate episodes. Instances of home hospice care are considered to be one episode if the same home hospice agency provides care to the same patient for any period of time without a gap in care longer than 60 days. Instances of care with gaps longer than 60 days are considered separate episodes.

Primary Service Area Analysis

To define the Primary Service Area (PSA) for this transaction, OHA followed four steps:

1. Summarize the claims rendered by or billed to the provider(s) involved in the transaction during the study period by patient zip code and episode count. OHA uses National Provider Identifiers (NPIs) to identify relevant claims for each provider in the transaction. OHA typically defines a transaction PSA using the claims rendered by or billed to the provider(s) being acquired.
2. Rank the patient zip codes in descending order of episode count (volume).
3. Identify contiguous zip codes that account for at least 75% of the provider's total episodes. This identifies the contiguous, volume-driven PSA.
 - a. To do this, OHA starts with the provider's office zip code and adds other zip codes to the map based on volume rank only if they are contiguous to the provider's office zip code. When an NPI is associated with more than one address, OHA uses the zip

code of the primary practice address listed for the NPI in the [NPPES NPI Registry](#) as the starting zip code.

- b. Zip codes that are not immediately contiguous with the provider's office location may be permanently excluded from the PSA or only temporarily excluded until interim zip codes are added that fill in the geographical gap. Adding a new zip code that then pulls in previously excluded zip codes can result in a PSA volume over 75%.

Add zip codes that are fully encompassed by the zip codes identified in step 3. This may result in a PSA volume over 75%.

Cost Analysis

OHA used APAC data to measure historical payment trends at each LHC agency and calculate per-episode payments for similar providers in the agency's PSA. OHA's measured home health costs using the total payments received by a provider for episodes that started in a given year. OHA defined the "average per-episode cost", as the sum of payments received for episodes starting in a given year divided by the number of episodes started in a given year.

To measure cost by payer type (e.g., Medicare Advantage, Original Medicare, Medicaid, Commercial), OHA assigned each episode a "primary payer" based on the payer type that provided the majority of the episode's reimbursement to the provider. To calculate an average per-episode cost for each payer type, OHA used the sum of payments received that were paid for by a given payer type divided by the total number of episodes where that payer type was the primary payer.

Appendix D: Policy & Market Developments

OHA looked at policy changes, market developments, enforcement actions, and other external factors that may have affected LHC's home health and hospice business since the transaction closed.

Federal Policy Changes

Home Health

The Centers for Medicare and Medicaid Services (CMS) sets reimbursement rates for home health services annually. CMS payments for home health services in 2024 increased 0.8% compared to reimbursement rates in 2023.³⁵ CMS proposed a 1.7% decrease in payment for 2025 compared to 2024.³⁶ CMS also proposed payment adjustments to the Patient-Driven Groupings Model (PDGM) to make the model budget neutral. The PDGM is a new payment model that was implemented in 2020.³⁷ To align payments with patient care needs, the model groups patients for payment purposes into categories based on the patient's characteristics which include admission source, comorbidities, primary reason for home health, and other factors.³⁸ In addition to the rate cuts and changes to PDGM payments, CMS also announced they would be collecting overpayments to home health agencies. The claw-back payments total \$4.55 billion and are from overpayments under the PDGM payment model.³⁹

Home health agencies and industry advocates have expressed concerns that cuts will make competition to recruit home health workers more challenging, exacerbate staffing shortages and referral rejections, and continue to threaten access to home health care.⁴⁰ They point to the increasing complexity of patients in recent years, which has increased demands on staff to provide higher levels of care without corresponding increases in reimbursement.⁴¹ Low wages frequently is cited as a key driver of turnover among home health workers.⁴²

Hospice

CMS sets reimbursement rates annually for hospice services. CMS payments to hospice services were set to increase by 3.1% in 2024 compared to 2023.⁴³ CMS has proposed a rate increase of 2.6% for 2025. Hospice providers have argued that these increases are insufficient to keep up with higher inflation and labor costs.⁴⁴

Following high-profile reports of hospice Medicare fraud⁴⁵ and pressure from Congress⁴⁶, CMS has issued several reforms to the Medicare hospice program. In 2023, CMS conducted unannounced site visits to 7,000 hospice locations and found 400 locations to be either non-operational or not operating at the address given on their Medicare enrollment forms. The owners of these locations may have their Medicare billing privileges deactivated or revoked.

CMS has also proposed to limit the ability of hospice owners to transfer Medicare billing privileges to prevent non-compliant owners from simply opening new hospice companies. To cut down on the number of ineligible patients fraudulently enrolled in hospice, CMS also began background checking hospice owners seeking to bill Medicare as well as the doctors who certify patients as being eligible for Medicare hospice benefits. To ensure patients can select companies that offer quality care, CMS implemented new patient and caregiver survey protocols to ensure that quality measures are publicly available on all hospices currently billing or seeking to bill Medicare. CMS plans to publish these results to its provider directory, CareCompare.com.⁴⁷

M&A Activity

Sale of Hospital-Owned Entities

Post COVID-19 financial struggles and labor shortages are leading many hospitals and health systems to sell or close their home health operations. In Oregon, two major hospitals sold or closed their home health business in 2023. Bay Area Hospital in Coos Bay was initially planning on closing its home health business to decrease operational costs amid financial struggles.⁴⁸ The business was ultimately purchased by a local provider, Oregon Coast Home Health.⁴⁹ Mercy Medical hospital in Medford closed its home health business in May 2023, citing significant financial strain.⁵⁰

Private Equity Deals

Private equity firms are showing continued interest in buying health care companies, including hospice and home health providers, although the volume of deals has declined since 2021.⁵¹

The impact of PE ownership in health care continues to be a hot topic among health services and other researchers. A study published in September 2023 found that hospice agencies acquired by PE firms or publicly traded corporations cared for more patients diagnosed with dementia compared to agencies that were not acquired. Dementia patients usually require hospice care for longer and are less costly to care for, making them attractive to PE firms and corporate owners focused on maximizing profits.⁵² Another study from 2024 found that compared to not-for-profit and other for-profit hospices, agencies owned by private equity firms or publicly traded companies performed worse on measures of caregiver satisfaction.⁵³

As the evidence on the impacts of PE investment in healthcare continues to grow, so is state and federal scrutiny of PE transactions. In March 2024, the Federal Trade Commission, the USDOJ, and HHS launched a joint investigation into PE and other corporate control in health care.⁵⁴ Analysts have pointed to this increased oversight as one reason for the recent decline in PE activity.⁵⁵

What is a private equity firm?

Private equity firms invest in private companies (i.e., companies that are not publicly traded) and seek to generate high returns on investments. The goal of a private equity firm is to generate profits for investors, typically within 3-7 years. To achieve high returns, they seek to expand companies, often through acquisitions of smaller companies. They also aim to decrease costs (for example, by increasing the use of less expensive staff), increase revenue (for example, by emphasizing more expensive services or increasing volume), with a goal of reselling the company at a profit or pursuing an initial public offering (IPO) within a few years.¹²

References

- ¹ “UnitedHealth, LHC Group close \$5.4B merger deal,” Fierce Healthcare, February 22, 2023, <https://www.fiercehealthcare.com/payers/unitedhealth-lhc-group-close-54b-merger-deal> (accessed January 9, 2025).
 - ² “How UnitedHealth Group grew bigger than the nation’s biggest banks,” CNBC, May 22, 2023, <https://www.cnbc.com/2023/05/20/how-unitedhealth-group-grew-bigger-than-the-nations-biggest-banks.html> (accessed January 29, 2024); “Optum now has 90,000 physicians,” Becker’s Hospital Review, November 29, 2023, <https://www.beckershospitalreview.com/legal-regulatory-issues/optum-added-nearly-20-000-physicians-in-2023.html> (accessed February 13, 2024).
 - ³ Division of Financial Regulation, Quarterly enrollment report, Q2 2024, <https://dfr.oregon.gov/business/reg/reports-data/annual-health-insurance-report/Documents/quarterly/quarterly-enrollment-report-20240630.xlsx> (Accessed October 22, 2024).
- UnitedHealthcare companies: All Savers Insurance Company, Bind Benefits, Inc. dba: Surest, Care Improvement Plus South Central Insurance Company, United Healthcare Services Inc, UnitedHealthcare Benefits of Texas, Inc. dba UnitedHealthcare Health Plan of Texas, Inc., UnitedHealthcare Insurance Company, UnitedHealthcare Life Insurance Company, UnitedHealthcare of Oregon, Inc.
- ⁴ Data provided by UHG for HCMO Review 014 UHG-Amedisys. See OHA’s [Preliminary Review Report](#) for further details.
 - ⁵ “Optum and LHC Group to Combine, Advancing Abilities to Extend Value-Based Care into Patient’s Homes,” UnitedHealth Group Press Release, March 29, 2022, <https://www.unitedhealthgroup.com/newsroom/2022/2022-03-29-optum-lhc-group-combine.html> (accessed January 9, 2025).
 - ⁶ “UnitedHealth, LHC Group close \$5.4B merger deal,” Fierce Healthcare, February 22, 2023, <https://www.fiercehealthcare.com/payers/unitedhealth-lhc-group-close-54b-merger-deal> (accessed January 9, 2025).
 - ⁷ HCMO Notice of Material Change Transaction, UnitedHealth Group and LHC Group, Inc., July 15, 2022, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2022-08-02-003-United-Health-LHC-HCMO-Notice.pdf> (accessed November 27, 2024).
 - ⁸ “Optum and LHC Group to Combine, Advancing Abilities to Extend Value-Based Care into Patient’s Homes,” UnitedHealth Group Press Release, March 29, 2022, <https://www.unitedhealthgroup.com/newsroom/2022/2022-03-29-optum-lhc-group-combine.html> (accessed January 9, 2025).
 - ⁹ Oregon Health Authority, 30-Day Review Summary Report: UnitedHealth Group – LHC Group, September 1, 2022, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2022-09-01-003-United-Health-LHC-30-Day-Report.pdf> (accessed November 27, 2024). See also, Oregon Health Authority, Order In the Matter of the Proposed Material Change Transaction of UnitedHealth Group, Inc., September 1, 2022, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2022-09-01-003-United-Health-LHC-Order.pdf> (accessed November 27, 2024).
 - ¹⁰ All public comments have been posted to OHA’s website at https://www.oregon.gov/oha/HPA/HP/pages/018_optum_corvallis_clinic.aspx (see “Public Comment” section).
 - ¹¹ “Optum, buyer of Eugene’s Oregon Medical Group, tells patients to seek care elsewhere as physicians leave,” The Oregonian, March 24, 2024, <https://www.oregonlive.com/business/2024/03/shedding-physicians-buyer-of-eugene-clinic-chain-tells-patients-to-seek-care-somewhere-else.html> (accessed October 9, 2024).
 - ¹² UHG Responses to OHA’s July 11, 2024 Request for Information for HCMO Review 014 UHG-Amedisys, pp. 28-33, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/014-UHG-Amedisys-Response-Letter-20240826.pdf> (accessed January 7, 2025).
 - ¹³ “UnitedHealth’s Optum Reportedly Strikes Deal for Landmark Health,” Home Health Care News, February 21, 2021, <https://homehealthcarenews.com/2021/02/unitedhealths-optum-reportedly-strikes-deal-for-landmark-health/> (accessed July 24, 2024).
 - ¹⁴ “Optum layoffs: Ohio facility closing, 129 employees impacted,” Fierce Healthcare, May 17, 2024, <https://www.fiercehealthcare.com/payers/optum-undergoes-mass-layoffs-scale-unclear> (Accessed July 25, 2024); “Optum’s Home & Community Business Reportedly Hit With Layoffs,” Home Health Care News, July 19, 2024, <https://homehealthcarenews.com/2024/07/optums-home-community-business-reportedly-hit-with-layoffs/> (accessed July 24, 2024); “Optum layoff fallout continues, home visits cut down,” Fierce Healthcare, July, 23, 2024, <https://www.fiercehealthcare.com/payers/optum-lays-more-employees-landmark-optuminsight> (accessed July 25, 2024).
 - ¹⁵ “Optum’s Home & Community Business Reportedly Hit With Layoffs,” Home Health Care News, July 19, 2024, <https://homehealthcarenews.com/2024/07/optums-home-community-business-reportedly-hit-with-layoffs/> (accessed July 24, 2024)

- ¹⁶ “All nurses laid off at more than 100 Optum-owned clinics,” Beckers Hospital Review, August 24, 2023, <https://www.beckershospitalreview.com/nursing/all-nurses-reportedly-laid-off-at-more-than-100-optum-owned-clinics.html> (accessed January 9, 2025).
- ¹⁷ “Former Everett Clinic employees speak out about mass layoffs,” HeraldNet, September 8, 2023, <https://www.heraldnet.com/news/former-everett-clinic-employees-speak-out-about-mass-layoffs/> (accessed January 9, 2025).
- ¹⁸ “Layoffs hit San Antonio’s WellMed Medical; company isn’t disclosing how many workers have been cut,” San Antonio Express News, August 14, 2023, <https://www.expressnews.com/business/article/layoffs-hit-san-antonio-s-wellmed-medical-optum-18294608.php> (accessed January 9, 2025).
- ¹⁹ “What We Learned: Change Healthcare Cyber Attack,” Committee on Energy and Commerce (U.S. House of Representatives) Blog, May 3, 2024, <https://energycommerce.house.gov/posts/what-we-learned-change-healthcare-cyber-attack> (accessed January 9, 2025).
- ²⁰ “Cyberattack Paralyzes the Largest U.S. Health Care Payment System,” The New York Times, March 5, 2024, <https://www.nytimes.com/2024/03/05/health/cyberattack-healthcare-cash.html> (accessed January 9, 2025).
- ²¹ “Department of Health Investigating UnitedHealth After ‘Unprecedented’ Cyber Attack,” Forbes, March 13, 2024, <https://www.forbes.com/sites/jamesfarrell/2024/03/13/department-of-health-investigating-unitedhealth-after-unprecedented-cyber-attack/> (accessed January 7, 2025); “Congress grills UnitedHealth CEO over Change cyberattack,” Healthcare Dive, May 2, 2024, <https://www.healthcaredive.com/news/change-healthcare-cyberattack-congress-unitedhealth-andrew-witty/714954/> (accessed January 7, 2025).
- ²² “U.S. Opens UnitedHealth Antitrust Probe,” Wall Street Journal, February 28, 2024, <https://www.wsj.com/health/healthcare/u-s-launches-antitrust-investigation-of-healthcare-giant-unitedhealth-ff5a00d2> (Accessed 2/28/24).
- ²³ Ibid.
- ²⁴ “Department of Health Investigating UnitedHealth After ‘Unprecedented’ Cyber Attack,” Forbes, March 13, 2024, <https://www.forbes.com/sites/jamesfarrell/2024/03/13/department-of-health-investigating-unitedhealth-after-unprecedented-cyber-attack/> (accessed January 7, 2025).
- ²⁵ UHG Responses to OHA’s March 15, 2024 request for information (003 United-LHC One-Year Follow-Up Review), Appendix C, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/003-United-LHC-Appendix-C-Relocations-and-Closures.pdf>.
- ²⁶ Ibid.
- ²⁷ UHG Responses to OHA’s March 15, 2024 request for information (003 United-LHC One-Year Follow-Up Review), Appendix C, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/003-United-LHC-Appendix-C-Relocations-and-Closures.pdf>. See also, UHG Supplemental Responses (014 UHG-Amedisys), February 2, 2024, <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/014-UHG-Amedisys-Appendix-F-Supplemental-Responses-PUBLIC-REDACTED.pdf>.
- ²⁸ Ibid.
- ²⁹ Ibid.
- ³⁰ Ibid.
- ³¹ Ibid.
- ³² UHG Responses to OHA’s March 15, 2024 request for information (003 United-LHC One-Year Follow-Up Review), <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/003-United-LHC-Response-Letter-240430.pdf>.
- ³³ Ibid.
- ³⁴ Ibid.
- ³⁵ Calendar Year (CY) 2024 Home Health Prospective Payment System Final Rule (CMS-1780-F), <https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2024-home-health-prospective-payment-system-final-rule-cms-1780-f> (accessed January 9, 2025).
- ³⁶ Calendar Year (CY) 2025 Home Health Prospective Payment System Proposed Rule Fact Sheet (CMS-1803-P), <https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2025-home-health-prospective-payment-system-proposed-rule-fact-sheet-cms-1803-p#:~:text=The%20CY%202025%20updated%20rates,0.6%25%20decrease%20that%20reflects%20a> (accessed January 9, 2025).
- ³⁷ “CMS Proposes Over 4% Cut to Home Health Medicare Payments in 2025,” Home Health Care News, June 26, 2024, <https://homehealthcarenews.com/2024/06/cms-proposes-over-4-cut-to-home-health-medicare-payments-in-2025/> (accessed January 9, 2025).

- ³⁸ Physician Guide to Medicare Home Health Changes: The Patient Driven Groupings Model (PDGM), National Association for Home Care & Hospice, 2023. https://nahc.org/wp-content/uploads/2023/09/PDGM_PhysiciansToolkit_Guide.pdf (accessed January 9, 2025).
- ³⁹ “CMS Proposes Over 4% Cut to Home Health Medicare Payments in 2025,” Home Health Care News, June 26, 2024, <https://homehealthcarenews.com/2024/06/cms-proposes-over-4-cut-to-home-health-medicare-payments-in-2025/> (accessed January 9, 2025).
- ⁴⁰ “CMS Proposes Over 4% Cut to Home Health Medicare Payments in 2025,” Home Health Care News, June 26, 2024, <https://homehealthcarenews.com/2024/06/cms-proposes-over-4-cut-to-home-health-medicare-payments-in-2025/> (accessed January 9, 2025); <https://homehealthcarenews.com/2023/07/referral-rejection-rates-patient-complexity-in-home-health-care-reaching-all-time-highs/>
- ⁴¹ “Referral Rejection Rates, Patient Complexity in Home Health Reaching All-Time Highs,” Home Health Care News, July 26, 2023, <https://homehealthcarenews.com/2023/07/referral-rejection-rates-patient-complexity-in-home-health-care-reaching-all-time-highs/> (accessed January 9, 2025).
- ⁴² Home Health Care Workforce Not Keeping Up with Community Needs, Leonard Davis Institute of Health Economics, June 9, 2023, <https://ldi.upenn.edu/our-work/research-updates/home-health-care-workforce-not-keeping-up-with-community-needs/> (accessed January 9, 2025).
- ⁴³ Fiscal Year 2024 Hospice Payment Rate Update Final Rule (CMS-1787-F), <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-2024-hospice-payment-rate-update-final-rule-cms-1787-f#:~:text=FY%202024%20Routine%20Annual%20Rate,0.2%20percentage%20point%20productivity%20adjustment> (accessed May 23, 2024).
- ⁴⁴ “Hospice M&A Looking Dim in 2024,” Hospice News, May 22, 2024, <https://hospicenews.com/2024/05/22/hospice-ma-looking-dim-in-2024/> (accessed May 22, 2024).
- ⁴⁵ “Congress and Industry Leaders Call for Crackdown on Hospice Fraud,” ProPublica, December 19, 2022, <https://www.propublica.org/article/congress-industry-leaders-call-for-crackdown-on-hospice-fraud> (accessed May 23, 2024).
- ⁴⁶ United States Senate Letter to Department of Health and Human Services and Centers for Medicare & Medicaid Services, December 16, 2022, <https://www.baldwin.senate.gov/imo/media/doc/Hospice%20Oversight%20Letter%20Final.pdf> (accessed May 23, 2024).
- ⁴⁷ “CMS is Taking Action to Address Benefit Integrity Issues Related to Hospice Care,” CMS Blog, August 22, 2023, <https://www.cms.gov/blog/cms-taking-action-address-benefit-integrity-issues-related-hospice-care> (accessed May 23, 2024).
- ⁴⁸ Hospital to exit home health market. July, 1, 2023. The World Link. Accessed July 25, 2024. https://theworldlink.com/news/local/hospital-to-exit-home-health-market/article_39a3a16e-1711-11ee-a0e7-1bb7983548de.html
- ⁴⁹ “Bay Area Hospital sells home health care business, protecting patients and workers,” KCBY 11, August, 30, 2023, <https://kcb.com/news/local/bay-area-hospital-sells-home-health-care-business-protecting-patients-and-workers> (accessed July, 25, 2024).
- ⁵⁰ “Mercy Health closes home health care, cuts staff,” The News Review, May, 18, 2024, https://www.nrtoday.com/family/health/mercy-health-closes-home-health-care-cuts-staff/article_033db75a-da43-11ed-be44-c7e65e6ae216.html (accessed July 25, 2024).
- ⁵¹ Pitchbook, Healthcare Services Report: PE trends and investment strategies – Q2 2024, <https://pitchbook.com/news/reports/q2-2024-healthcare-services-report> (accessed January 7, 2024)..
- ⁵² Braun, Robert Tyler, Mark A. Unruh, David G. Stevenson, Holly G. Prigerson, Rahul Fernandez, Leah Z. Yao, and Lawrence P. Casalino (2023). Changes in Diagnoses and Site of Care for Patients Receiving Hospice Care From Agencies Acquired by Private Equity Firms and Publicly Traded Companies. *JAMA Network Open* 6 (9): e2334582. <https://doi.org/10.1001/jamanetworkopen.2023.34582>.
- ⁵³ Soltoff, A. E., Unruh, M. A., Stevenson, D. G., Kavalieratos, D., & Braun, R. T. (2024). Caregiver-Reported Quality in Hospices Owned by Private Equity Firms and Publicly Traded Companies. *JAMA*, 332(23), 2029. <https://doi.org/10.1001/jama.2024.20546>
- ⁵⁴ “Federal Trade Commission, the Department of Justice and the Department of Health and Human Services Launch Cross-Government Inquiry on Impact of Corporate Greed in Health Care,” March 5, 2024, <https://www.ftc.gov/news-events/news/press-releases/2024/03/federal-trade-commission-department-justice-department-health-human-services-launch-cross-government> (accessed May 22, 2024).
- ⁵⁵ “Hospice M&A Looking Dim in 2024,” Hospice News, May 22, 2024, <https://hospicenews.com/2024/05/22/hospice-ma-looking-dim-in-2024/> (accessed May 22, 2024).