

Insurer UnitedHealth to buy California doc group

The Associated Press

Managed care company UnitedHealth Group Inc.'s Optum business plans to buy the operations of Southern California physician group Monarch HealthCare.

Terms of the deal were not disclosed Thursday by Optum, which provides health management, consulting and pharmacy services.

UnitedHealth, based in Minnetonka, Minn., is the largest health insurer based on revenue and second only to WellPoint Inc. in enrollment. Monarch, founded in 1994, has more than 2,300 doctors who provide care for about 200,000 residents of California's Orange County.

Optum CEO Larry Renfro said in a statement that Optum shares Monarch's "commitment to bringing patients, physicians, hospitals and health care payers closer together in the mission to increase the quality and affordability of care."

Analysts say insurers are showing a growing interest in expanding into other elements of health care delivery. Jefferies analyst Arthur I. Henderson said in a research note he expects insurers to move more proactively into employment-like deals with care providers to lower costs by improving care coordination.

Bernstein analyst Ana Gupte said in a separate note the Optum deal supports her view that managed care companies will vie with hospitals in a "land grab" for doctors.

Last fall, UnitedHealth competitor Humana Inc., based in Louisville, Ky., announced the purchase of Concentra Inc. for about \$790 million. Concentra delivers occupational medicine, urgent care, physical therapy and wellness services from more than 300 medical centers in 42 states. It also operates worksite medical facilities.

More recently, Indianapolis-based WellPoint said it completed an acquisition of CareMore Health Group, which provides Medicare Advantage coverage and coordinated care for about 54,000 people in California, Arizona and Nevada. Medicare Advantage plans are privately-run versions of the government's Medicare program, which provides health coverage for the elderly and disabled.

Gupte also said better care coordination was a factor behind doctor practice acquisitions, which she expects to continue. She called UnitedHealth's deal "the right strategic move."

"We expect more such deals to be consummated across the industry, as the move to health cost containment becomes a fiscal imperative," Gupte wrote.

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UnitedHealth shares rose 6 cents to \$47.58 in afternoon trading.

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