

Change Healthcare Cyberattack Fact Sheet

On February 21, 2024, the information technology network of Change Healthcare, a subsidiary of UnitedHealthcare Group, was breached by a ransomware group, BlackCat/ALPHV/Noberus.¹ This cyberattack has affected 21 parts of Change Healthcare.²

- Hospital systems and medical practices are unable to process patient billing, be reimbursed by insurers, receive payment, or check patients' insurance eligibility and benefits.³
- Pharmacies are unable to fill prescriptions, and patients are unable to receive necessary medications.⁴

What is Change Healthcare?

- Change Healthcare is a middleman in the healthcare industry, connecting payers, providers, and patients as a health care electronic data exchange, playing a large role as a middleman in the U.S. healthcare industry.
- The company plays three distinct roles in the industry:
 - Claims Clearinghouse – electronically transmits medical claims to insurance carriers
 - Claims Processor – reviews insurance claims on behalf of providers
 - Revenue Cycle Management (RCM) – process to track patient care from first interaction to final revenue.
- In these roles, Change manages 15 billion transactions per year, or \$1.5 trillion in health claims.⁵
- One in three patient records are touched by Change Healthcare.⁶

¹ <https://www.cnbc.com/2024/02/29/blackcat-claims-responsibility-for-cyberattack-at-unitedhealth.html>; <https://www.justice.gov/opa/pr/justice-department-disrupts-prolific-alphvblackcat-ransomware-variant>; <https://www.cnbc.com/2024/02/29/blackcat-claims-responsibility-for-cyberattack-at-unitedhealth.html>; <https://www.sec.gov/Archives/edgar/data/731766/000073176624000045/unh-20240221.htm>.

² <https://www.nbcnews.com/health/health-care/cyberattack-change-healthcare-patients-struggle-get-medication-rcna141841>.

³ Id.

⁴ Id.

⁵ Id.

⁶ <https://www.changehealthcare.com>.

- The company processes at least half of all health insurance claims filed,⁷ with around 30 percent passing through Change’s clearinghouse, and 8 percent being processed by Change for final adjudication.
- Change Healthcare is the largest commercial prescription processor in the U.S.,⁸ with over 67,000 pharmacies utilizing the companies’ services.⁹

To understand how large of a role the company plays, here is a **claim lifecycle**:

- **Non-pharmacy**
 - A patient visits a doctor/practice and gets exam/diagnosis/treatment.
 - The doctor/practice office uses a patient’s insurance information, inputting it into an electronic health record. The medical biller/coder reviews it and creates a claim along with the exam/diagnosis/treatment. [**Change Healthcare, RCM**]
 - A medical biller submits the claim for payment. [**Change Healthcare, clearing house**]
 - Claim adjudication/processing by the payer [**Change Healthcare, claims processor**]
 - Claim payment
 - Claim reconciliation [**Change Healthcare, RCM**]
 - Auditing/appeals [**Change Healthcare, RCM**]
- **Pharmacy**
 - A pharmacy uses a patient’s insurance information, inputting it into a pharmacy management system. The pharmacy staff processes a prescription.
 - A pharmacy technician submits the claim for payment. [**Change Healthcare, clearing house**]
 - Claim adjudication/processing by the payer [**Change Healthcare, claims processor**]
 - Claim payment
 - Claim reconciliation
 - Auditing/appeals

How has industry responded to the cyberattack?

- Most pharmacies have switched from Change Healthcare to Relay for clearinghouse services, while medical groups have switched to another clearinghouse.
- Eight percent of all claims are still processed through Change Healthcare. But changing claims processors is not as simple, it would take months to change to a new claims processor. So as a result of this cyberattack, that eight percent of claims volume is down.

⁷ <https://www.economicliberties.us/press-release/malicious-threat-actor-accesses-unitedhealth-groups-monopolistic-data-exchange-harming-patients-and-pharmacists/>.

⁸ <https://www.changehealthcare.com>.

⁹ <https://prospect.org/health/2024-03-01-zoomer-hackers-shut-down-unitedhealthcare/>.

The Problem

- There is no mandatory cybersecurity standard in the U.S. to prevent cyberattacks, and companies are not incentivized to have strong security.
- Change also represents a single point of failure in the U.S. healthcare system, because the clearinghouse and claims processor markets are so consolidated.
- Judges continue to approve mergers that create single points of failure. In 2022, UHG's Optum acquired Change Healthcare for \$8 billion, with Judge Carl Nichols approving the merger because UHG "built a culture of trust and integrity around protecting the [competitively sensitive information] of its external customers, including rival payers."
 - Did the company invest in acquiring Change Healthcare instead of data security?
 - Did the company invest in stock buybacks instead of data security?

Possible solutions to address this crisis include:

- Congress should pass a mandatory cybersecurity minimum standard.
- In the Department of Justice's investigation into UHG, the DOJ should investigate the Change Healthcare incident.
- Congress and the Office of the National Coordinator for Health IT should reexamine 45 CFR 162.915 to remove the tendency to a single point of failure (implicit in ASC X12 .837 and .835 transaction sets).