Bond Credit Analysis: UnitedHealth Group Inc.

UNH 4.65% Notes due 01/15/2031 | CUSIP 91324PFP2 | NYSE: UNH

Part 1: Company Overview

1(a) Business Description

UnitedHealth Group is the largest health insurer in the U.S. and seventh-largest company globally by revenue ($447.6B in 2025). Two platforms: UnitedHealthcare underwrites health benefit plans across employer, individual, Medicare Advantage, Part D, and Medicaid markets (50+ million members); Optum delivers healthcare services through Optum Health (value-based care), Optum Insight (health IT and analytics), and Optum Rx (pharmacy benefit management and specialty pharmacy). Vertical integration across insurance, care delivery, and pharmacy distribution distinguishes UNH from single-segment competitors. Headquartered Eden Prairie, Minnesota; founded 1974.

1(b) CEO

CEO	Stephen Hemsley
Context	Returned as CEO May 2025 after Andrew Witty resigned following the December 2024 killing of UnitedHealthcare CEO Brian Thompson. Hemsley served as CEO from 2006 to 2017 before becoming board chairman.

1(c) Stock, Market Cap & Dividend (as of April 6, 2026)

Stock Price	$277.26
Market Capitalization	$251.7B (~908M diluted shares)
Quarterly Dividend / Share	$2.21 (declared Feb 25, 2026; paid Mar 17, 2026)
Annualized Dividend / Share	$8.84 (5% increase from 2024 rate of $8.40)
Dividend Yield	~3.2%

2(a) Top 5 Customers

Rank	Customer	Relationship	Est. % Revenue	SPLC %
1	Centers for Medicare & Medicaid Services (CMS)	Medicare Advantage, Part D, CHIP premiums	~38-40%	N/D (SPLC)
2	State Medicaid Agencies (aggregate)	UHC Community & State managed Medicaid	~21%	N/D (SPLC)
3	Large Employer Groups (aggregate)	UHC Employer & Individual commercial plans	~18%	N/D (SPLC)
4	Individual / Exchange Members	ACA marketplace and off-exchange individual	~6%	N/D (SPLC)
5	TRICARE / Dept. of Defense	Military healthcare administration via Optum	~2%	N/D (SPLC)

2(b) Customer Concentration Risk

UNH faces real and material customer concentration risk, though it is political rather than credit in nature. Government payors account for roughly 60% of total revenue (CMS ~40%, Medicaid ~21%), and those payors set reimbursement rates unilaterally -- UNH has no pricing power against them. The V28 risk-adjustment model is a live example: CMS reduced industry MA payments by an estimated $130B cumulatively with no ability for insurers to negotiate. Medicaid redeterminations contracted UNH's Medicaid book by ~755K lives in 2025 with another 565K-715K expected in 2026. The proposed 2027 CMS payment rule would compound these headwinds if finalized near current levels. That said, counterparty default risk is zero -- the government pays. Commercial employer revenue (~18%) is well-diversified across thousands of accounts with no single customer material to results, and individual/exchange membership (~6%) is growing. The concentration problem is structural and unlikely to change given UNH's scale in government programs, so the relevant question for credit analysis is whether margin deterioration from rate pressure outpaces the company's ability to adjust benefits and exit unprofitable markets -- which is what the MCR trend and coverage ratio data in Part 3 address.

2(c) Top 5 Suppliers

Rank	Supplier	What They Supply	% of Total Revenue (Bloomberg SPLC)
1	Vertex Pharmaceuticals Inc	Specialty drug manufacturer; Optum Rx formulary (e.g., cystic fibrosis drugs)	0.32% of revenue (COGS)
2	Incyte Corp	Oncology and inflammation drug manufacturer; Optum Rx formulary	0.18% of revenue (COGS)
3	Ribbon Communications Inc	Network communications technology vendor	0.17% of revenue (CAPEX)
4	AstraZeneca PLC	Biopharmaceutical manufacturer; Optum Rx formulary (oncology, respiratory)	0.17% of revenue (COGS)
5	Novo Nordisk A/S	GLP-1 and diabetes drug manufacturer; growing Optum Rx formulary position	0.15% of revenue (SGA)

2(d) Supplier Concentration Risk

The Bloomberg SPLC data makes the supplier concentration picture clear: the largest single supplier relationship is Vertex Pharmaceuticals at 0.32% of total revenue, followed by Incyte (0.18%), Ribbon Communications (0.17%), AstraZeneca (0.17%), and Novo Nordisk (0.15%). The top five combined represent less than 1% of total revenue. These are drug manufacturers supplying Optum Rx's formulary and a telecom infrastructure vendor. None are operationally critical in the sense that losing any one would disrupt UNH's core business. Drug formularies carry dozens of therapeutic alternatives; Ribbon's network hardware can be sourced from competitors. UNH faces no meaningful supplier concentration risk by any conventional measure. The actual cost risk on the supply side is medical utilization -- claims expense rising when members use more care than the actuarial model anticipated. That is an underwriting and pricing risk, not a supply chain risk, and it shows up in the MCR: 88.9% in 2025 versus 85.5% in 2024. The distinction matters for credit analysis because supply chain disruption and actuarial deterioration have different remediation paths; the latter is addressable through benefit redesign, market exits, and premium adjustments, which UNH has already begun executing.

Part 2: Bond Overview

2.1 Bond Information

Issuer	UnitedHealth Group Incorporated
Coupon	4.650% (semi-annual, 30/360)
Maturity	January 15, 2031
CUSIP	91324PFP2
Registration	Global
Issue Date	*06/20/2025*
Seniority / Rank	*Sr Unsecured*
Original Face Value Issued	*750,000,000*
Face Value Outstanding	*750,000,000*

2.2 Use of Proceeds

Use of Proceeds	General Corporate Purposes Working Capital Refinance

2.3 Covenants

Covenant	Present?	Key Terms
Limitation on Indebtedness	*No*	
Restriction on Activities	*Yes*	*UNH may not consolidate or merge with another company. Cannot Sell or lease all their property or assets to another company.*
Debt Service Coverage Ratio	*No*	
Free Cash Flow Ratio	*No*	

2.4 Current Pricing

Lookup Date	04/07/2026 12:15 PM
BVAL Ask Price	100.498
BVAL Bid Price	100.399
BVAL Ask Yield	Ask spd 55.2
BVAL Bid Yield	Bid spd 57.4

2.4(a) YTM from Ask Price

Ask Price Used	100.498
YTM via =YIELD()	4.53%
Bloomberg Ask Yield (check)	~4.52%

2.4(b) Accrued Interest & Dirty Price

Days Since Last Coupon (30/360)	82
Accrued Interest (per $100)	1.059
Clean Price (Ask)	100.498
Dirty Price (per $100)	101.557

2.4(c-d) Bid-Ask Spreads

Yield Spread (ask yield minus bid yield)	2.2 bps
Dollar Spread (ask price minus bid price)	0.099

2.4(e) Modified Duration

Modified Duration (years)	4.19

2.5 Trade History

Metric	2026 YTD	Full Year 2025
Total Trades	1325	1790
Total Par Volume ($MM)	648,944	1,271,956

2.5(c) Bond vs. Equity Volume

UNH Equity Volume, Full Year 2025 ($MM)	944,306
UNH Bond Par Volume, Full Year 2025 ($MM)	1,272
Observation	The bond par volume is roughly 0.13% of equity dollar volume. This is typical for IG corporate bonds: secondary trading is institutional, dealer-intermediated, and infrequent relative to equity markets. The 2.2 bp yield spread and $0.099 dollar spread on this bond reflect adequate but not exceptional liquidity for its size

2.6 Ratings

Agency	Rating	Date Issued	Category & Description
Moody's	A2	6/17/2025	Upper Medium Grade
S&P (Default Rating)	A+	6/17/2025	Upper Medium Grade
S&P (Recovery Rating)	N/A	N/A	*Not listed on Bloomberg, likely due to the default rating being so high. IG bonds often don't have recovery ratings

Investment Grade or Non-Investment Grade?	Investment Grade
Are Moody's and S&P ratings equivalent?	Very close. Moody's is one step lower, A1 from Moody's would perfectly match S&P's A+. A2 (Moody's) would match an A from S&P. Both are soundly in the "Upper Medium" category.

2.6(f) One-Year Default Probability

Source: S&P 2025 Annual Global Corporate Default and Rating Transition Study, Table 20, Panel 2 (U.S. one-year transition rates).

Bond Rating	A (Bloomberg Composite)
Prob. of Transition to D (%)	0.00%
Prob. of Transition to NR (%)	1.46%
One-Year Default Probability (D + NR)	1.46%

2.6(g-h) Recovery Rate & Default Loss Rate

Source: S&P U.S. Recovery Study, Table: Average Recovery by Non-Financial Sector, column 'Bonds, recovery (%)'

Sector (S&P recovery lookup)	Healthcare / Health Care
Avg. Bond Recovery Rate (sector, %)	37.1%
Default Loss Rate	0.92%

Part 3: Credit and Recovery Analysis

3.1 Collateral Analysis -- Recovery Model

Assets are haircut from book value to estimate recovery dollars available to bondholders in a default scenario. All bonds assumed equal seniority. Non-bond liabilities paid before bonds. Data from Bloomberg FA -> 3) B/S -> 11) Standardized, most recent annual.

Balance Sheet Item ($MM)	Book Value
Cash & Cash Equivalents	28,121
Accounts Receivable	23,018
Inventory	0.00
Other Short-Term Assets	39,443
PP&E, Net	10,762
All Other Long-Term Assets	153,986
Total Liabilities	207,883
LT Borrowings (Bonds)	72,320

Scenario	Recovery Rate	Notes
(a) No Haircut	165.6%	Haircut = 0%
(b) 20% A/R Haircut	159.2%	20% haircut on Accounts Receivable only
(c) Max Haircut for 100% Recovery (Goal Seek)	18.55%	Uniform haircut % Excel Goal Seek
(d) S&P Actual Avg. Recovery (from 2.6g)	37.1%	Comparison benchmark

3.1(d): The model shows UNH's assets cover bond obligations by 1.66x with zero haircuts applied, meaning assets would need to lose 18.6% of their book value across the board before bondholders take any loss. The S&P actual average recovery of 37.1% looks dramatically lower -- but that reflects realized distressed liquidation values across the healthcare sector historically, where goodwill, intangibles, and long-term assets in "All Other Long-Term Assets" ($154B, the largest line) get marked down severely in bankruptcy. UNH's $154B in long-term assets is dominated by goodwill and intangibles from acquisitions (Change Healthcare, Optum buildout) -- these are the assets most at risk of severe haircuts in a real default scenario, which is why the S&P actual is so much lower than the book-value model suggests.

3.2(a) Beta

Source	Beta	Period
Yahoo Finance	.41	5-year monthly
Google Finance	.41	5-year monthly
Bloomberg Historical Beta	.591	5-year monthly
Bloomberg Historical Beta	.421	3-year weekly (monthly not listed)

The 3-year Bloomberg beta (0.421) matches Yahoo and Google (0.41) closely, confirming the shorter window is the relevant reference period. A beta of ~0.41 indicates UNH moves at roughly 40% of the market's volatility; consistent with a defensive healthcare business where demand is largely non-cyclical and revenues are predominantly contractual. The 5-year beta (0.591) is elevated by the 2024-2025 period of extreme stock-specific volatility driven by the CEO assassination, MCR deterioration, and DOJ investigation. Idiosyncratic events that inflated measured market sensitivity without reflecting underlying business cyclicality.

3.2(b) Degree of Operating Leverage (DOL)

Item ($MM)	2023	2024	2025
Revenue	371,622	400,278	447,567
EBITDA	37,730	37,786	27,474
Interest Expense	3,246	3,906	4,002

DOL Calculation	2024 vs. 2023	2025 vs. 2024
% Change in Revenue	+7.71%	+11.81%
% Change in EBITDA	+0.15%	-27.29%
DOL	0.02	-2.31

DOL measures sensitivity of EBITDA to revenue changes. Above 1.0 indicates operating leverage; below 1.0 means EBITDA growth lagged revenue, typically from rising variable costs or margin compression. For a health insurer, medical claims expense is the primary variable cost. Elevated utilization years compress DOL.

The story is stark. In 2024 revenue grew 7.71% but EBITDA was essentially flat (+0.15%), producing a DOL near zero-medical cost pressure was already absorbing revenue growth. In 2025 it got worse: revenue grew 11.81% while EBITDA collapsed 27.29%, yielding a DOL of -2.31. Negative DOL means EBITDA moved in the opposite direction from revenue -- the textbook signal of variable costs (medical claims) growing faster than revenue. This directly supports the MCR deterioration narrative in the rest of the analysis.

3.2(c) Corporate Governance Risk (ESG)

Governance Metric	UNH	Median	High
Governance Score (overall)	6.31	4.52	6.99

UNH scores 6.31 on Bloomberg's governance scale, placing it in the top 20% of companies (6.00-6.99 bucket) and well above the median of 4.52, Bloomberg has tagged it as “Leading”. A strong governance profile by any measure. That said, governance scores don't capture event risk. The December 2024 CEO assassination and subsequent leadership transition, the active DOJ antitrust investigation into Optum's vertical integration, and ongoing CMS RADV audit exposure are material credit-relevant risks that no ESG score reflects.

3.2(d) Leverage

Leverage Metric	2021	2022	2023	2024	2025
Total Debt / EBITDA	1.78	1.88	1.79	2.16	3.33
Net Debt / EBITDA	.93	1.04	1.00	1.39	2.20
Total Debt ($MM)	50,276	62,453	67,435	81,793	83,004

Total debt grew from $50.3B to $83.0B over the period, with the 2022 step-change from the Change Healthcare acquisition. Total Debt/EBITDA held at roughly 1.8x through 2023 before jumping to 3.33x in 2025. Driven by EBITDA collapsing $10.3B on MCR deterioration, not incremental debt. At 3.33x UNH is above the typical IG managed care range of 1.5-2.5x, but should compress as EBITDA recovers with the finalized 2027 CMS rate increase."

3.2(e) Cash Flows

Cash Flow ($MM)	2021	2022	2023	2024	2025
Cash from Operations	22,343	26,206	29,068	24,204	19,697
Free Cash Flow	19,889	23,404	25,682	20,705	16,075
Capital Expenditures	-2,454	-2,802	-3,386	-3,499	-3,622

Cash from operations peaked at $29.1B in 2023 before declining to $24.2B in 2024 and $19.7B in 2025, with the 2024 drop partly attributable to the Change Healthcare cyberattack disrupting billing and collections. FCF followed the same trajectory, falling from $25.7B to $16.1B over the same period. Despite the decline, $16.1B in FCF comfortably covers debt service -- interest expense of $4.0B plus the annualized dividend (~$8B based on ~908M shares at $8.84) totals roughly $12B, leaving meaningful headroom. Capex has grown modestly and consistently, reflecting ongoing Optum infrastructure investment. The trend is deteriorating but FCF coverage of debt service remains intact.

3.2(f) Interest Coverage

Metric	2024	2025
EBITDA ($MM)	37,786	27,474
Interest Expense ($MM)	3,906	4,002
EBITDA / Interest Expense (Coverage)	9.67x	6.87x
Interest Expense / EBITDA – 1 (Burden)	0.103	0.146

Higher EBITDA/Interest is better for bondholders. Interest/EBITDA (the fixed-charge burden) approaching 1.0 signals stress.

Coverage deteriorated from 9.67x in 2024 to 6.87x in 2025, driven entirely by the $10.3B EBITDA decline. Interest expense was essentially flat at ~$4B. The fixed-charge burden rose from 0.10 to 0.15, still well below the stress threshold of 1.0. For context, IG-rated managed care peers typically carry coverage ratios in the 8-12x range; UNH at 6.87x is below that band but not alarming given the EBITDA compression is largely cyclical. With the 2027 CMS rate finalized at +2.48%, coverage should recover as MCR normalizes.

3.2(g) Revenue & EBITDA Forecast

Macro: Healthcare demand is relatively acyclical. The main macro risks to UNH are federal and state fiscal conditions, which set government-payor reimbursement rates, and employment levels, which drive commercial membership. Goods inflation raises medical supply costs at the margin. The rate environment has eased modestly into 2026, reducing pressure on floating-rate debt. Labor markets remain relatively stable, supporting commercial enrollment.

Industry: Medicare Advantage funding remains under pressure. CMS's V28 model reduced industry MA payments by ~$130B cumulatively. The 2027 CMS payment rule was finalized at +2.48%, better than feared, though cumulative V28 underpayment continues to weigh on margins. Medicaid redeterminations contracted UNH's Medicaid book by ~755K lives in 2025, with another 565K-715K expected in 2026. Part D redesign under the IRA continues eroding PBM rebate economics, pressuring Optum Rx margins.

Company: UNH guided 2026 revenue of $450-455B. Hemsley reaffirmed the 13-16% long-term EPS growth target. Optum Health value-based care contracts and Optum Rx specialty pharmacy volumes diversify revenue outside the insurance underwriting cycle. The DOJ antitrust investigation into Optum's vertical integration is a material long-dated tail risk. Historical FCF has run above $20B annually, which covers debt service in most stress scenarios.

Part 4: Summary

UNH is the dominant U.S. managed care operator. The 4.650% Notes due 01/15/2031 are senior unsecured parent-entity obligations, roughly 4.8 years to maturity, registered globally and trading as a liquid IG credit. Investment-grade ratings from Moody's and S&P are supported by FCF generation that has historically run above $20B annually and leverage that, while elevated after recent acquisitions, remains within IG norms for the sector.

Sustained margin pressure from government-payor rate reductions is the primary credit risk. The 2025 MCR of 88.9%, up from 85.5% in 2024, reflects compounding effects of V28 underpayment, accelerating utilization, and IRA Part D economics. The 2027 CMS rate finalized at +2.48% partially addresses this, though full margin recovery depends on utilization moderating through 2026-2027. The DOJ antitrust investigation into Optum adds tail risk to the long-term business model; resolution timelines remain uncertain.

The spread on UNH 4.650% of 2031 should tighten from current levels of +55.2 bps. The bear case is largely priced in: leverage at 3.33x Total Debt/EBITDA and coverage at 6.87x reflect 2025 EBITDA trough conditions, most likely not a structural deterioration. The 2027 CMS rate finalized at +2.48% this week directly addresses the primary earnings headwind, and FCF of $16.1B still covers debt service by a wide margin. Recovery analysis shows 165.6% at book value with a break-even haircut of 18.6% (well above the S&P healthcare sector average of 37.1%) confirming the balance sheet provides substantial bondholder protection. One-year default probability of 1.46% is essentially noise for an A-rated issuer. At +55 bps over Treasuries for a $750M liquid IG credit with this FCF profile, the risk/reward favors spread compression as Medical Care Ratio normalizes into 2026-2027

Sources

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