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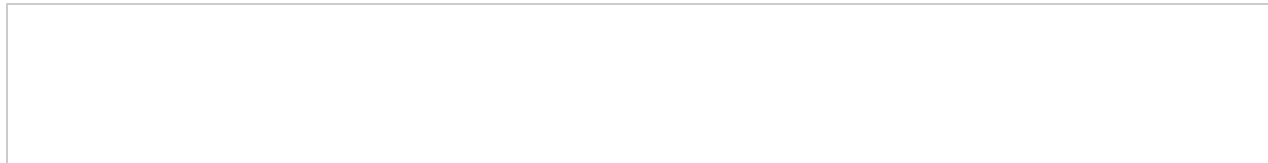
OCTOBER 3, 2011, 1:37 P.M. ET

UPDATE: New UnitedHealth Unit Starts Offering Hearing Aids

Article

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Text



--UnitedHealth launches hearing-aid business aiming for cheaper device prices

--Company is selling at retail level, making devices available to Medicare plan members

--Shares of hearing-aid supplier IntriCon jump on announcement

(Updates with stock movement in third paragraph, details on the expected costs to customers in the ninth paragraph, and information on the financial impact of the deal to IntriCon in the final paragraph.)

By Jon Kamp
OF DOW JONES NEWSWIRES

Health-insurance giant UnitedHealth Group Inc. (UNH) is adding a new dimension to its increasingly broad suite of health-care products: hearing aids.

Monday, a new UnitedHealth business launched four different kinds of hearing aids, made by supplier IntriCon Corp. (IIN), with a goal of helping reach millions of people who don't get the devices due to high costs and lack of insurance coverage.

Shares of IntriCon soared on the news and were up 30% recently at \$3.98. UnitedHealth shares fell 4.7% to \$43.94 as the broader market declined.

The move comes as insurers kick off marketing efforts for their 2012 Medicare-based plans. UnitedHealth is offering new hearing-aid benefits in such plans, but also is selling devices on a retail basis over the Internet, injecting it into a multi-billion-dollar market where major players include European companies Sonova Holding AG (SOON.VX), Siemens AG (SI, SIE.XE) and William Demant (WDH.KO).

UnitedHealth is using its scale—with the entire company projecting \$101 billion in sales this year—plus a proprietary Web-based hearing test to offer an alternative to a supply chain it says can lead to devices that are too expensive for many people. The move drew criticism from a professional group of hearing experts, which said online hearing tests can't replace face-to-face exams.

"Our goal is to put better hearing within reach of more Americans, including the 47 million with Medicare, which does not cover the significant cost of hearing devices," said Lisa Tseng, chief executive of the new hearing-aid business, called hi HealthInnovations.

UnitedHealth, based in Minnetonka, Minn., has been expanding its business far beyond the bounds of health insurance. It has a broad array of health-services offerings, including its pharmacy-management business, and it has acquired physician groups. The latest venture marks UnitedHealth's first foray into medical-device sales, and the company believes it is the first in the industry to make such a move.

The U.S. market for hearing aids and other so-called audiology devices is valued at more than \$5.7 billion, according to Vancouver-based iData Research. About 36 million Americans have hearing loss, and the number is poised to grow as baby boomers age.

The UnitedHealth businesses' hearing aids will retail for between \$749 and \$949, which compare with typical prices that can reach thousands of dollars. The new business also is contracting with several UnitedHealthcare Medicare-based plans to make devices available to members in most U.S. regions at a "sharply lower cost" than people typically pay, the insurer said. There will be no out-of-pocket hearing-aid costs for some Medicare Advantage members, and devices will be available with significant discounts to members in Part D prescription-drug plans and some Medicare supplement plans.

Previously, the company said industry Medicare plans had some discounts on the devices, but such discounts have been limited by high costs and lack of Medicare coverage.

UnitedHealth is keeping costs low by simplifying the route for patients to get hearing tests and, if necessary, hearing aids. It has an online test designed to work with earphones and is planning a mobile application for smart phones and tablet computers. Based on the results, hi HealthInnovations will custom program hearing devices.

"We're really leveraging UnitedHealth Group's scale and our membership base" to keep costs low, Tseng noted. The company will refer patients to physicians if hearing tests indicate more serious problems, Tseng said.

Therese Walden, president of the American Academy of Audiology, a professional group of hearing experts, said mark-ups for hearing aids cover the cost of important services that benefit patients. An online test can't take into account all the variables that impact successful treatment for hearing loss, she said, and audiologists help patients maximize the potential of their hearing aids.

"Skimping on the cost-effective tests and care provided by the audiologist, which helps to ensure accurate diagnosis and effective short and long-term care, is not smart," Walden said.

IntriCon said the time and resources spent securing the UnitedHealth agreement and preparing for launch have adversely affected the company's financial performance. But the Arden Hills, Minn., company said it expects "meaningful revenue" from the new hearing-aid program starting in the first quarter next year.

-By Jon Kamp, Dow Jones Newswires; 617-654-6728; jon.kamp@dowjones.com

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