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Why Warren Buffett, David Tepper And Other Top Billionaire Investors Are Piling Into Floundering UnitedHealth Stock

UnitedHealth has been the Dow's worst performer of 2025, but jumped 13% Friday after Berkshire Hathaway disclosed a stake. Here's why Buffett and other leading hedge funds suddenly love the stock.

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t's a difficult time for value investors to find bargains, with the stock market shrugging off pessimism about tariffs and a weak job market to keep climbing to record highs, but Warren Buffett's Berkshire Hathaway found some solace buying the dip in one of the year's biggest disappointments for investors.

On Thursday afternoon, Berkshire disclosed in an SEC filing that it bought more than 5 million shares of United-Health Group in the second quarter, initiating a stake worth \$1.6 billion. The stock has declined 40% this year, making it the worst performer in the Dow Jones Industrial Average by a wide margin, marred by disappointing earnings, rising costs of care, an abrupt CEO change and a Department of Justice investigation. Following the news of Buffett's investment, it surged 13% on Friday.

Berkshire wasn't the only smart money piling into UnitedHealth, which operates UnitedHealthcare, America's largest health insurer, as well as health services provider Optum. Hedge fund billionaire David Tepper's Appaloosa Management bought 2.3 million shares in the second quarter, and hedge fund Lone Pine Capital, founded by billion-

aire Stephen Mandel, bought 1.7 million shares. Quant hedge funds Renaissance Technologies and Two Sigma also bought new stakes.

Washington, D.C.-based Marshfield Associates, which manages \$7.5 billion of assets in a concentrated portfolio that included 17 stocks as of June 30, added about 1 million shares of United-Health as well in the second quarter for a position amounting to 4% of its assets.

"We think that most of their problems, if not all of them, are temporary in nature," says Marshfield's co-portfolio manager Elise Hoffmann. "When we do a valuation where we price all the ugly stuff in, we still come out with something that looks pretty good."

UnitedHealth generated \$400 billion in revenue and \$15 billion in net profit in 2024, but has endured a laundry list of bad headlines this year. In April, it missed expectations for its first-quarter earnings and lowered its profit guidance for the year, triggering a 22% selloff in a single day. Then on May 13, CEO Andrew Witty resigned, replaced by chairman and former CEO Stephen Hemsley, and the company suspended its annual forecast entirely, citing higher medical costs.

Two days later, a Wall Street Journal report revealed that the Justice Department is investigating the company for possible criminal Medicare fraud. Shares fell another 28% in the three days from May 13-15. That all came after Brian Thompson, the CEO of its insurance business, was murdered on the streets of Manhattan last December, shining a spotlight on Americans' dissatisfaction with healthcare costs.

In a statement on July 24, United-Health said it had begun complying with criminal and civil requests from the Department of Justice regarding the Medicare investigation, adding that it "has full confidence in its practices and is committed to working cooperatively with the Department." Investors are optimistic that the selloff related to the investigation was an overreaction.

"The healthcare industry is not short of examples of companies getting into trouble and paying big fines to the Justice Department," says Chris Niemczewski, Marshfield Associates' managing principal and co-portfolio manager, noting that most of the time it doesn't lead to devastating long-term consequences.

There are other tailwinds on the way for insurers that are likely to help UnitedHealth's earnings next year. On April 7, the Centers for Medicare & Medicaid Services announced it would increase reimbursement rates for Medicare Advantage plans offered through private insurers by an average of 5.1% next year, providing some relief to an industry that has been dealing with higher costs for years.

Hoffman and Niemczewski don't expect the Justice Department to sanction UnitedHealth's Medicare program too severely, given its status as the nation's largest Medicare Advantage provider and the disruption any penalties could cause to the healthcare system. In essence, UnitedHealth could be seen as too big to fail.

"Their role is to ration care—and they've historically done it well—and the government is paying them for that role on the Medicare Advantage side," says Hoffmann. "There's no reason for us to believe that they won't get back to the kind of blocking and tackling that they've done historically."

That expected recovery is underappreciated by the market, which prices the stock at a mere 13 times earnings, even after Friday's gains. That's significantly less than the multiples for competitors like Humana, Cigna and CVS Health, which owns Aetna. Buffett's investment signals a vote of confidence from somebody who's as well-versed in the insurance business

as anybody, even if the stake hardly makes a dent in Berkshire's \$344 billion cash pile.

It's not clear exactly when Berkshire and its peers bought the shares during the quarter between April and June–investment firms are required to file 13F forms to the SEC disclosing their U.S. stockholdings each quarter, and this batch provides a snapshot of their portfolios as of June 30. Berkshire's filing also revealed new stakes in home-builders Lennar and D.R. Horton as well as steelmaker Nucor. Buffett's firm sold 20 million of its 300 million Apple shares in the quarter, though the tech giant remains Berkshire's largest holding, with a stake worth \$65 billion today.