

# Insurer combos offer no price break guarantees for consumers

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The average consumer should catch a price break if major health insurers like Anthem and Cigna combine and cut their expenses.

That's the basic theory, at least.

The reality will be much murkier for the more than 50 million people who may be affected if Anthem Inc. succeeds with its bid to buy smaller rival Cigna Corp. or if other major insurers combine as many on Wall Street anticipate.

Customers of companies involved in a multi-billion-dollar combination might see some price changes, fewer plan choices and better technology. This all can depend on the customer's coverage and where he or she lives.

Here are some themes that will emerge if a big deal materializes.

## COST OF COVERAGE

Companies often tout the savings they achieve from combining with a rival. Their businesses will blend back-office operations and eliminate overlapping areas of service to cut costs and avoid scrutiny from anti-trust regulators.

On top of all that, a bigger [health insurer](#) might be able to wield more leverage in negotiating lower rates with doctors and hospitals.

Some of these savings may filter down to the consumer, but there's no guarantee.

Insurance is a very market-specific product. That means the cost of care in a market and the health of an insurer's patient population can affect premiums regardless of whether the insurer gets bigger or smaller.

And an insurer won't gain negotiating leverage in a particular market unless it also gets bigger in that market.

"The size of the company nationally ... does not determine the strength of its negotiating position in that area," said Dan Mendelson, CEO of the market research firm Avalere Health.

Competition in a particular market is another key variable. Insurers are more apt to lower prices if they have to keep customers from straying to a rival. They also might use competition among providers to lower rates by pitting one hospital system against another.

The cost of coverage likely won't spike due to a major deal because anti-trust regulators won't let markets become significantly less competitive, Mendelson said.

## LESS CHOICE

Customers in some markets may see fewer plan options if big insurers combine. That could be good and bad, depending on the market and product.

Fewer choices could mean less confusion for Medicare Advantage consumers who sometimes have to sort through around 20 different options to find coverage they like.

Medicare Advantage plans are privately run versions of the federally-funded program for people over age 65 and the disabled. These plans can come with different prices and lots of extras to sort through like dental and vision coverage or a gym membership.

Fewer choices also might mean that insurers won't have to fight as hard for business. That could lead problems like lax customer service.

"Wall Street will sort out whether a merger is good for shareholders, the larger question is whether this is good for seniors," said Tricia Neuman, a Medicare expert and senior vice president with the nonpartisan Kaiser Family Foundation.

## BETTER TECHNOLOGY

Anthem CEO Joe Swedish says improved technology will be a potential benefit of a combination with Cigna, and that's a change many consumers might see.

Insurers want to give consumers better information on the cost and quality of the care they buy, based on their coverage. Deductibles and other out-of-pocket costs have been rising for years. That leaves a growing number of consumers with bigger bills to pay before most of their insurance coverage starts, so they need technology that helps them compare prices and shop around.

Insurers also are using data and technology more to monitor patient care and do things like make sure patients stay on their prescriptions or keep up with their immunizations in order to keep costs down.

## CHANGE TAKES TIME

Cigna has rejected Anthem's latest offer, and the two sides don't appear

close to an agreement. Even if they ironed out a deal later this summer, it would take months to complete. Any acquisition would have to be approved by shareholders and survive regulatory scrutiny, among other steps.

"I doubt any merger would have any impact on 2016 offerings in any product category," said Bob Laszewski, a health care consultant and former insurance industry executive.

Insurers have largely settled on their plans for coverage that starts in January. That means customers may not see changes from a deal filter down to their coverage until 2017 or 2018.

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