

CEOs of Aetna, Anthem make case for health insurance mergers

September 22 2015, by Tom Murphy And Marcy Gordon

Leaders of two major health insurers planning multibillion dollar acquisitions made their case to Congress that bigger can mean better in their industry, but concerns are being raised in Washington about how these deals will affect consumers and competition.

Blue Cross-Blue Shield insurer Anthem plans to buy Cigna for \$48 billion, and rival Aetna is looking to acquire Medicare Advantage coverage provider Humana for \$35 billion in a wave of consolidation that swept through the industry this summer. The deals came under scrutiny Tuesday at a Senate Judiciary subcommittee hearing.

Senators pressed Aetna CEO Mark Bertolini and his Anthem counterpart, Joseph Swedish, for explanations of how their deals would not stifle competition and give them too much power. Anthem Inc.'s combination with Cigna Corp. would create the nation's largest health insurer based on enrollment. Aetna Inc. already is the third-largest insurer.

Before the deals can close, the Justice Department must pass judgment on whether the mergers would make the companies so dominant that they could create a competitive imbalance. That review is expected to last several months. In the meantime, senators wanted to weigh in although Congress doesn't rule on the mergers.

"I want to make sure these deals do not harm consumers by increasing premiums or reducing benefits," Sen. Amy Klobuchar of Minnesota, the

panel's senior Democrat, told the CEOs

Bertolini told the senators that "robust choice and competition will remain in the Medicare market" even after Aetna buys the nation's second-largest provider of Medicare Advantage plans. Swedish said consumers would benefit from expanded access to care in its combination with Cigna.

Insurers have said these combinations can help them save money by cutting overlapping costs and improving their technology, which is becoming more important in monitoring patient health and helping customers find care. The acquisitions also are a way to quickly push into new markets and gain negotiating leverage over care providers like hospitals that have been growing and adding their own negotiating muscle in recent years.

But the consolidation wave could lead to fewer choices for consumers in some markets. Several provider and patient advocate groups have raised concerns about that. The actual impact on consumers likely won't be felt for at least a year because insurers have largely ironed out their 2016 coverage plans.

"I am deeply concerned about these mergers," Sen. Richard Blumenthal, D-Conn., told the CEOs.

He said both proposed mergers raise "serious competitive concerns," and he expressed skepticism that cost savings realized by the companies through the combinations would be passed on to consumers.

Bertolini said Aetna and Cigna's businesses complement each other, and he has little worry about leaving enough competition where they do overlap. He noted that there are at least 10 other competitors on public insurance exchanges in markets where Aetna and Humana overlap.

"We are not at all concerned about the lack of competition in local markets," he said.

Swedish noted that a small insurer named Oscar started up to serve the New York and New Jersey markets and accumulated 45,000 customers in its first year.

"There are many new players that have entered the market and continue to enter the market," he said.

American Hospital Association CEO Richard Pollack, who also appeared at the hearing, warned that both mergers "could be a blow to millions of health care consumers as well as the hospitals, doctors and others who are working to improve quality and efficiency while making care more affordable to patients."

Swedish said later in the hearing that the Cigna acquisition can help improve care by combining two health insurers who are developing new ways to reimburse care providers based more on quality, rather than just a set amount for each incident of care.

Insurers say this shift in focus can help reduce costs, in part by cutting the over-use of care. Insurers also have been pushing to use data and technology more to improve care. That can mean things like using prescription information to tell providers which patients are keeping up with their prescriptions.

Swedish noted that the Cigna deal would blend the data repositories of both insurers to improve the amount of information available for providers.

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