

In California, faceoff between major insurer and health system shows hazards of consolidation

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For weeks, more than half a million Anthem Blue Cross enrollees who receive health care from the University of California were held in

suspense. It wasn't clear whether they would have to find new doctors or switch plans as the health system and one of its largest insurance partners struggled to reach agreement on a new contract.

UC Health accused Anthem of not negotiating in [good faith](#), while Anthem leaders retorted that UC Health had demanded too much and rebuffed the insurer's request for administrative efficiencies. In fact, roughly 8 million Anthem members in California were at risk of losing in-network access to UC Health's vast network of prestigious hospitals and medical facilities, which could have left them with much higher out-of-pocket expenses.

While not all patients were made aware of the situation, Anthem notified some enrollees they would be reassigned to new primary care doctors if no deal were reached.

But even as the parties announced an eleventh-hour agreement on Feb. 5, industry analysts say the conflict has become part of a trend in which patients are increasingly caught in the crossfire of contract disputes. Amid negotiations over rising labor and equipment costs, it's often patients who are ultimately saddled with higher bills as the health industry continues to consolidate.

"This type of contract dispute is a routine feature of the health care system," said Kristof Stremikis, director of market analysis and insight at the California Health Care Foundation. "At the same time, from a patient's perspective, it's an unfortunate feature of our health care system because it creates uncertainty and anxiety." (California Healthline is an editorially independent service of the California Health Care Foundation.)

Stremikis noted that as mergers occur in the health industry, patients are left with fewer choices. Any time there are disputes, disruptions are felt

more widely. And such fights rarely result in lower costs for consumers long-term across California.

A KFF analysis found widespread evidence that consolidation of health providers leads to higher health care prices for private insurance. The same brief from 2020 found some evidence suggesting that large, consolidated insurance companies are able to obtain lower prices from providers, but that has not necessarily led to lower premiums for patients.

And a 2022 report from the California Department of Health Care Access and Information found that [health care costs](#) have grown "at an unsustainable rate," and noted that between 2010 and 2018 "health insurance premiums for job-based coverage increased more than twice the rate of growth for wages." State regulators also found that health plans spent nearly \$1.3 billion more on prescription drugs in 2022 than in 2021.

In trying to slow growth, California in 2022 set up an Office of Health Care Affordability, which has proposed a 3% spending growth target for the industry for 2025–2029. But enforcement will start in 2028 at the earliest, using spending data from 2026.

Cathy Jordan, 60, a social worker in Yuba City, California, has been a patient at UC Davis Health for two decades. Jordan was diagnosed at the end of 2021 with aggressive small cell carcinoma, a rare form of cancer. She has undergone surgery, chemotherapy, radiation, and other treatments since then, yet her cancer has returned twice.

"I don't have the luxury of time—my cancer comes back fast," Jordan said.

She is among the group of Anthem-insured patients at UC Health who

were at risk of losing access to in-network care there, and when she got a notice from Anthem, she grew alarmed, she said.

Jordan's oncologist, Rebecca Brooks, said in an interview prior to the agreement being reached that it would be "incredibly disruptive" for cancer patients to have to switch providers in the middle of their treatments.

"It's a detriment to their care," said Brooks, director of the gynecologic oncology division at UC Davis Health. "It's going to disrupt treatment and cause worse outcomes."

Jordan said she appreciates that UC Davis Health has a National Cancer Institute comprehensive cancer center designation; the only other cancer center of that caliber in Northern California not part of UC Health is at Stanford University, several hours away in Santa Clara County.

Jordan was worried that she and other UC Health patients would have to compete for treatment elsewhere. She was also uncomfortable with the idea of adjusting to a new setting and routine while undergoing intensive medical treatment.

"Someone needs to say, 'We need to think about these patients.' Someone needs to step up and say, 'What's going to be best for our patients?'" Jordan said. "This is my life."

Stremikis said such concerns are ever more urgent as the health care industry consolidates. UC San Francisco recently announced it would acquire two struggling hospitals in San Francisco, and it is joining Adventist Health in making a new effort to purchase a bankrupt community hospital in Madera. And UC Irvine recently agreed to buy four hospitals in Southern California.

"There is consolidation vertically up and down the supply chain and horizontally," he explained. "So when there are disputes between these large entities, it has a larger and larger impact because there are fewer choices for patients."

While contract disputes between health care providers and insurers are nothing new, there is some evidence that they are increasing, at least in public view. FTI Consulting published data last year that found a steady increase in media coverage of rate negotiations between providers and insurers from 2022 to 2023.

In addition to the fight with Anthem, UC Health narrowly avoided a break with Aetna last year by reaching an agreement in April. And regional hospital systems, including Sonoma Valley Hospital and Salinas Valley Health, have been at odds with Anthem within the last few months.

UC and Anthem have now agreed to extend the current contract to April 1 while terms of the new agreement are being finalized. UC Health spokesperson Heather Harper said the rate increases were below the inflation rate.

Anthem spokesperson Michael Bowman said the new contract would allow Anthem members to access care at UC Health for years to come.

"This underscores our mutual commitment to providing Anthem's consumers and employers with access to high quality, affordable care at UC Health," Bowman said in an email.

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