



## The Effects of Potential Health Insurance Mergers

by: *Tim Finnell*

The Patient Protection and Affordable Care Act, now commonly referred to as Obamacare or ACA, will reach its sixth anniversary this spring. It has survived two Supreme Court challenges and a congressional repeal, which was met with an expected Presidential veto. While this legislation is not the sole driver of healthcare reform, it is certainly the face.

As we reflect on the past six years, the healthcare industry has been asked to do more with less. A common means to achieve this objective has been consolidation. Memphis, like other cities, has seen practices merge as well as hospitals obtaining practices. The result of these consolidations has certainly not adversely affected competition, cost or patient care. However, the pending mergers of Aetna/ Humana and Anthem (Blue Cross)/Cigna could result in some negative outcomes. As competition is eroded, cost will likely increase and patient access to care could be limited. A study by Leemore Dafny, former director of healthcare antitrust at the Federal Trade Commission, stated an expected result, is that "... insurance company mergers typically lead to higher premiums." *Modern Healthcare* notes that, "If the deals are allowed to proceed, they are likely to change the landscape for providers and create additional leverage for insurers in negotiating contract terms. Providers are particularly concerned about being left out of narrow networks in markets with limited insurance competition." Or, as Dr. Bill Bithoney, managing director of BDO Consulting said, "The power of the insurers is becoming stronger. The risk of being excluded from networks is a real danger."

In short, the mergers will change the dynamics of the healthcare landscape and the power will shift to favor insurers – most of which will be part of a larger entity than ever before. Anthem/Cigna would become the number one player in the market. United Healthcare would be the second largest. And Aetna/Humana would take the number

three spot. Currently, in many states, there is only one dominant carrier. In Alabama, for example – Blue Cross Blue Shield has 84% of the business. Although Tennessee will not be as immediately affected as other states, these mergers need to be challenged for both their short- and long-term impact.

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The AMA released a report in September that determined there would be diminished competition in 154 metropolitan areas within 23 states.

The report went on to note:

- In nearly two out of five metropolitan areas studied, a single insurer had at least a 50% market share of the commercial health insurance market
- Fourteen states had a single health insurer with at least a 50% share of the market
- Forty-six states had two health insurers with at least a 50% share of the market

There are many hurdles to be cleared before approval is granted. There have been hearings in front of the Senate Judiciary Committee. State insurance regulators have to approve, as well as The Department of Justice. Both the American Medical Association and the American Hospital Association have been vocal in their opposition to the mergers. However, to defeat these, support will be needed from Chambers of Commerce, small business owners and the general public.



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