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Money & Markets

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Urge to Merge

Memphis health pros respond to big insurers announcing merger deals

By Andy Meek

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First it was big insurer Aetna, announcing it's reached a deal to buy rival Humana for \$34.1 billion. Only a few weeks later, another pair of insurers decided to get hitched, with Anthem announcing it would buy Cigna for \$48.4 billion.

The result is clear: If these mergers are approved, three major players - including UnitedHealth Group - would dominate the health care industry in the U.S. What's less clear is how that reshaping would change things on the ground for consumers, hospitals and doctors' offices.

Perceptions about what the new state of health care would be, should these deals even come to pass, varied among an assortment of lawyers and health care industry professionals who spoke with The Daily News.

They range from a belief that the deals aren't good for consumers to the thought that one or both might not come to pass, given the Obama administration's preference for expanded choices and more competition, which influenced the controversial Affordable Care Act.



MORRIS

And then there's Dr. Scott Morris, founder of the Church Health Center in Memphis, who thinks the business of health care is often too focused on the business and not enough on the care.

"I don't think health care is the same as your telephone," he said, in response to consolidations. "Whatever happens with your telephone, if there are fewer carriers, the market can play itself out however it's going to around that.

"Health care, in my mind, should not be driven by what Wall Street says. And it shouldn't be about how do you maximize profits. It should be about how you improve health outcomes. Do I see this as going to improve health care for you and me? I struggle to see that's what the result will be."



Two recently announced mergers, if approved, would concentrate the U.S. health care market around three major players, which lawyers and health care professionals say could reduce choices and competition.

(Daily News File/Lance Murphey)

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Nasdaq	58	1.2	5,102
NYSE	143	1.3	10,906
Morningstar Small Cap	107	1.4	7,860

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BURKE

Former Federal Trade Commission official Leemore Dafny, now a professor at Northwestern University's Kellogg School of Management, told The New York Times this week the industry consolidation has been shown to have an adverse affect on consumers. [Denise Burke](#), an attorney in Memphis with [Waller Lansden Dortch & Davis LLP](#) picked up that theme, noting that it's an established, antitrust principle that competition is good and reduction in competition "has the potential to harm consumers."

"The recently proposed mergers will result in three companies providing about half of commercial insurance coverage in America," Burke said. "Employers looking to purchase insurance for their employees and providers attempting to sell their services to insurers will have fewer choices, which, obviously, gives the insurers more negotiating power."



CONDER

The way Rainey Kizer Reviere & Bell PLC attorney Dale Conder Jr. puts it, the mergers will likely lead the three remaining insurers to exercise market power in such a way that results "in an increase in premiums."

"I think the Obama administration might have a hard time approving both (mergers) at the same time," said Tim Finnell, president and founder of [Group Benefits LLC](#). "It's got to be difficult for a government and an administration whose legacy legislation is health care and increasing competition and decreasing costs to approve two giant mergers that it's easy to argue will certainly decrease options and decrease competition and result in increased cost."

HealthChoice CEO Mitch Graves said the companies are coming together to expand their footprints into different product lines. It's not a surprising development, he adds, given that their thought process has to include looking at things like lower costs.

Graves said there's still a long way to go before the effects, if any, would be felt from the mergers. It will likely be 18 months to two years before any of the deals are officially complete, he said.

"And then you layer on top of that, these are not going to be easy mergers where you push everything together and walk out the door with the savings," Graves said. "I'd guess there would be another three years before it's all said and done and you'd start to achieve cost savings."

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MORTGAGES	84	191	15,224
FORECLOSURE NOTICES	0	8	3,013
BUILDING PERMITS	0	126	25,472
BANKRUPTCIES	58	124	9,643
BUSINESS LICENSES	32	61	3,899
UTILITY CONNECTIONS	0	160	14,929
MARRIAGE LICENSES	0	31	3,386

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