

# CLAIMS PROFESSIONAL INSIDER

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## MERGER TREND POSES PROMISE AND PERILS

There is a clear momentum towards mergers, as evidenced most recently by Anthem's announced \$54.2 billion takeover of Cigna Corp. Analysts believe that mergers, such as the Anthem-Cigna one, will create greater efficiencies. Anthem's primary goal in the takeover is to strengthen its position in the lucrative Medicare Advantage market. Anthem will be in a strong position to capture the healthier, aging employee population that it currently insures, rather than losing them to traditional Medicare or a different Medicare Advantage insurer.

Critics of this merger, specifically, and the trend in mergers, generally, are concerned that such deals will undermine the Affordable Care Act's goal of creating greater private market competition and a robust consumer-choice model. Healthy competition is seen as key to achieving stronger coordinated-care networks, improving quality and reducing costs. There is also concern that these larger health plans will cease collaborating with providers on innovative payment and delivery models.

As it stands, if this merger is approved by antitrust regulators, Aetna, Anthem and United will control more than half of the Medicare Advantage market, with even higher percentages in particular markets. Some argue this could lead to federal and state antitrust regulators requiring Anthem and Aetna to divest some local plans.

Critics contend that even if the big insurers are forced to shed some assets, they still will wield enormous market power and will use it to cut payment rates to providers, raise premiums and create narrow provider networks, rather than using their economies of scale to lower costs to consumers and employers.

Dr. Steven Stack, president of the American Medical Association, recently wrote that the "lack of a competitive health insurance market allows the few remaining companies to exploit their market power, dictate premium increases and pursue corporate policies that are contrary to patient interests."

The Ohio Hospital Association's CEO, Mike Abrams, also expressed concern over such mergers as they expose physicians and hospitals to unnecessary risk. Mr. Abrams recently stated that "our members have frustration with payers not being innovative on quality and patient safety" and cautioned that Anthem's takeover of Cigna "may make them even less willing to be collaborative with the provider community."

Should you have any questions regarding this information, or wish to discuss anything further with healthcare counsel, please contact our Managing Partner, Michael J. Schoppmann, Esq at 1-800-445-0954 or via email at [MSchoppmann@DrLaw.com](mailto:MSchoppmann@DrLaw.com).

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