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One Health Plan's Perspective on Industry Consolidation
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There has been quite a lot of speculation and discussion in recent weeks about potential health plan mergers and/or acquisitions. It appears that much of the potential industry consolidation is being touted as a way to spread fixed costs, streamline operations, and enhance services for customers. This may be accurate to some extent, especially in terms of information systems, infrastructure, analytics, and consumer engagement tools needed to be successful in the future.

It certainly appears that the big 5 (United, Anthem, Aetna, Cigna, and Humana) are also trying to position themselves to have greater "leverage" in provider negotiations in response to the wave of hospital, physician, and provider system consolidation that has also been occurring.

All of the major carriers are seeking to diversify their product portfolio. These carriers also view Medicare Advantage (MA) as an especially important and growing part of their future success. Hence, Humana (with their extensive presence in the Medicare Advantage space) has been especially attractive to all of the other major carriers.

It also appears that the big players are also seeking greater "market power". If any of the various merger opportunities (Anthem-Cigna and Aetna-Humana) come to pass, there will be a number of markets where the dominant carrier will have greater than a 75% market share. It is questionable if some of the suggested combinations would be approved by regulators and/or the FTC without divesting operations in certain geographic areas or product lines.

It is unclear how these potential mergers could impact the Blue Cross Blue Shield plans. There are questions as to whether or not Anthem would be able to retain the BCBS trademark if a substantial portion of their business is branded with "non-blue" (e.g. CIGNA) products. The Blue Cross Blue Shield Association (BCBSA) may become less relevant, if a number of the current "Blue" plans continue to take divergent paths.

It is also unclear as to how these potential mergers could impact the not-for-profit regional health plans. One view is that the provider owned/aligned plans may well become more valuable to their owners and aligned providers as a "buffer" to some of the demands that will be made by the major carriers. This will be especially true for plans with a significant presence in the regional markets, and a solid track record for financial/operational performance, and superior customer service. This could spark additional interest from other health systems that are seeking a "collaborative payer-provider relationship."

It is likely that some of the smaller regional plans will fail. They simply will not have the scale or financial resources to compete effectively. One other outcome could be an additional bifurcation of the markets in which the really big plans end up serving all of the self-funded and national accounts, and the smaller/local plans end up serving the insured business in the individual, small employer, and Medicaid segments in the local market. MA will be up for grabs, and will reward the plans that can offer the "best overall value" in terms of benefits, price, and service.

Some analysts have suggested that going from the “big 5” to the “big 3” will set the stage for a potential future of a “single payer” system (e.g. the federal government) using three major plans as “administrators” similar to the previous “Medicare fiscal intermediary” model.

We will also likely see some additional “fracturing” of the AHIP (America Health Insurance Plans) trade association. Their policy and lobby direction has been dominated by the “Big 4” plans for several years. However, United recently announced they are pulling out of AHIP, and Karen Ignani left as the executive director (after ~ 20 years at the helm). AHIP is charting its new path. Mark Ganz, CEO of Regence (current AHIP chair) and Marilyn Tavenner, the new AHIP CEO will have the job of establishing the new direction.

Lastly, as the mergers proceed, there will be some additional instability in the industry. The big players will be almost certainly be “distracted” with merger activities, system integration and cultural clashes. It would seem that they might not pay much attention to the less populated “fly over” states, at least for a while. A bottom line for many regional plans – take advantage of our strengths, customers and stability, while all of the “big players” are focused on other activities.