

## FACT SHEET

### AB 595 (Wood): Protecting Consumers When Health Plans and Insurers Merge

Consolidation in the health insurance industry often means fewer choices and competition, with little to no benefit for consumers or purchasers. Although health plans claim mergers will lead to more efficiencies, lower costs, higher quality, and better value, history shows quite the opposite. Economic studies have shown that past health insurer mergers lead to premium increases and have no demonstrable effect on improving health care quality.<sup>1</sup> Consolidation in the health insurance industry often means fewer choices and competition, with little to no benefit for consumers or purchasers.

Nationally, there are only five national competing major insurers, and health insurance markets are already highly consolidated. Although California has a relatively more competitive insurance market, three companies control nearly 80% of the market and our top five insurers control over 90% of the market. As a result, any mergers involving our major insurers are likely to result in fewer choices and higher prices for the 14 million California consumers enrolled in private coverage. Private insurance premiums and out-of-pocket spending are high and projected to grow. Health insurance premiums for family coverage have seen a cumulative 216% increase since 2002, compared to a 37% increase in overall prices.<sup>2</sup>

California has seen a number of major health plan and insurer mergers in recent years: Blue Shield-Care 1<sup>st</sup>, Centene-Health Net, Aetna-Humana, and Anthem-Cigna. While the U.S. Department of Justice has blocked the latter two mergers for the time being, the industry is expected to further consolidate, and our state regulators need to be able to scrutinize these deals and ensure they are good for California consumers. California has a hodgepodge of laws that give regulators some oversight over insurer mergers, but they are insufficient to ensure consumers are protected. Given these factors, state regulators should critically evaluate proposed mergers to ensure that bigger is actually better for consumers.

#### AB 595 (Wood) will ensure mergers are good for consumers

California regulators should have clear authority to scrutinize proposed changes to the health insurance market and consider the impact of mergers on consumers and purchasers, and the health system as a whole. AB 595 would require health plans and insurers seeking to merge to file a new application for licensure. In reviewing the proposed merger, state regulators would:

- Hold a public hearing
- Consider the following factors:
  - short-term and long-term benefits, if any, to consumers and purchasers
  - whether the merger adversely affects competition
  - impact on cost, quality and health disparities
- Prepare an independent health care impact statement
- Require an independent valuation of any nonprofit entity involved in the transaction

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<sup>1</sup> L. S. Dafny, *Evaluating the Impact of Health Insurance Industry Consolidation: Learning from Experience*, The Commonwealth Fund, November 2015. Available at: <http://www.commonwealthfund.org/publications/issue-briefs/2015/nov/evaluating-insurance-industry-consolidation>

<sup>2</sup> *California Employer Health Benefits: Workers Pay the Price*, California Health Care Foundation, June 2016. Available at: <http://www.chcf.org/~media/MEDIA%20LIBRARY%20Files/PDF/PDF%20E/PDF%20EmployerHealthBenefits2016.pdf>