A MESSAGE FROM AMERICA'S HOSPITALS

Patients Need Insurance Competition, Not Consolidation

Competition works. More competition means better service and lower prices for consumers.

That's why recent news from the health insurance world is so troubling.

Four of the nation's five largest health insurers have announced plans to consolidate, with Anthem acquiring Cigna and Aetna acquiring Humana.

Richard J. Pollack
President and CEO
American Hospital Association

These deals would result in just three companies covering nearly 44 percent of insured Americans, with nearly $345 billion in revenue.

The problem is not their size — in health care, bigger doesn't always mean worse. For example, in recent years, a number of hospitals have merged while price increases have been at the lowest level since 1998. Hospital realignment also has led to more coordinated care for patients and enabled larger health systems to shore up smaller, financially vulnerable facilities that provide care in rural, underserved communities.

In contrast, these insurance mega-deals would be good for the bottom lines of the respective companies — but bad for patients.

There's little reason to believe that the new, larger companies will share increased profits or savings with consumers.

Professor Leemore Dafny of Northwestern University's Kellogg School of Management, who has extensively studied large insurance transactions, reported that after two previous large insurance deals closed, premiums increased by 7 percent ($200 per person) for Aetna-Prudential and nearly 14 percent for United-Sierra.[i]

Such powerful insurance corporations will be positioned to increase premiums and restrict access to doctors and hospitals. History suggests they will do both.

The bigger insurers become, the more likely they are to increase prices. The Journal of Technology Science reported that, in 2014 and 2015, the "largest insurance company in each state on average increases their rates 75 percent more than smaller insurers in the same state."

In addition to higher prices, consumers also face the prospects of fewer choices and less access to insurance. Insurance marketplaces are already heavily consolidated: The three largest insurers control at least 80 percent of total insurance enrollment in 27 states, according to the Government Accountability Office. In some smaller and rural states, the top three insurers control 100 percent of the market.

The Anthem-Cigna and Aetna-Humana deals would exacerbate these conditions. In fact, the potential new companies would be so big that they'll exceed federal antitrust guidelines in about 1,000 markets around the country.

The Anthem-Cigna and Aetna-Humana deals will be good for profits. But the Justice Department should ask whether consumers would be well served by more consolidation in the health insurance market. Past experience emphatically says no. If these mega-deals proceed, consumers will be faced with higher costs and fewer choices.

To read more, go to: www.AHA.org.

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[i] Testimony of Professor Leemore S. Dafny, Ph.D., before the Senate Judiciary Committee, September 2015.