



# Insurance Company Mergers

**Southeastern Actuaries Conference  
2016 Spring Meeting  
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# Overview

- Review of health insurer mergers
- Impact on Providers
- Impact on Competitors
- Impact on Consumers

# Health Insurer Mergers

- In July 2015, three mega-mergers in the health insurance industry were announced:
  - Centene/Health Net
  - Aetna/Humana
  - Anthem/Cigna

# Health Insurance Market

Rank	Company Name	Market Value
1	UnitedHealth Group	\$113B
2	Anthem	\$41B
3	Aetna	\$38B
4	Cigna	\$34B
5	Humana	\$27B
6	Centene	\$9B
7	Health Net	\$5B
8	WellCare Health Plans	\$4B
9	Molina Healthcare	\$3B
10	Magellan Health	\$2B

- Based on 2014 valuations
- Only includes publically-traded companies
- Market values as reported by Forbes

# Health Insurance Market

Rank	Company Name	Direct Written Premiums
1	UnitedHealth Group	\$98.5B
2	Kaiser Foundation Group	\$63.5B
3	Anthem	\$52.4B
4	Aetna	\$48.2B
5	Humana	\$45.8B
6	HCSC	\$28.9B
7	Cigna	\$21.4B
8	Highmark	\$14.5B
9	Centene	\$13.6B
10	Independence BC	\$12.2B

- Based on 2014 data
- Premium values from NAIC's 2014 Market Share Reports

# Centene/Health Net Merger

- Centene
  - Primarily focused on Medicaid
  - In 2014, began offering products on exchanges under the name Ambetter
  
- Health Net
  - Diversified market segment portfolio

# Centene/Health Net Merger

- Deal announced in July 2015
  - Sale price of \$6.3 billion
- Approved by California Department of Managed Health Care and Department of Insurance in March 2016
  - Approval includes conditions requiring investment in California
- Centene is now the largest Medicaid Managed Care company in the country
- Expands their footprint in both Medicare Advantage and Commercial markets

# Aetna/Humana Merger

- Aetna
  - Leader in Commercial market
  - Significant presence in Medicare Advantage and Medicaid markets
  - Purchased Coventry in 2013 for \$5.6B
  
- Humana
  - Primarily focused on Medicare Advantage
    - Second largest MA market share in 2015



# Aetna/Humana Merger

- Deal announced in July 2015
  - Proposed purchase price of \$37 billion
- Deal expected to close in second half of 2016
  - Received approval from 10 states
  - US DOJ still reviewing merger
- If the deal is approved:
  - Aetna would become the largest Medicare Advantage provider in the country
  - Around half of company's revenue would be from government sponsored programs
  - Headquarters for Government Programs would be in Louisville

# Anthem/Cigna Merger

- Anthem
  - “Owns” Blue brand in 14 states
    - Share the state in California and New York
  - Diversified market segment portfolio
  
- Cigna
  - Leader in Commercial market
  - Also have presence in Medicare Advantage market

# Anthem/Cigna Merger

- Deal announced in July 2015
  - Proposed purchase price of \$54 billion
- Companies originally hoped deal would close in late 2016
  - Recent reports that this may not happen
  - Received approval from 12 states
  - US DOJ still reviewing merger
- If the deal is approved:
  - Anthem would become largest health insurance company in the country
  - Blue vs Blue?

# Impact on the Market

It Depends...

# Impact on Providers

- Insurers may decide to reimburse for all services under most favorable contract
- Less negotiating power
- Could have more impact on Commercial business than Medicare Advantage business
- Narrow networks

# Impact on Competitors

- Arguments on both sides of issue:
  - Economies of scale
  - Anti-trust Issues
  - Ability to constrain cost growth
  - Ability/motivation to innovate
  - Influence with state/federal regulators
  
- Additional mergers?

# Impact on Consumers

- Potential Positive Impacts
  - Lower cost products
  - Greater ability of health insurers to control increase in health care costs
  - Greater ability to promote wellness and quality initiatives
- Potential Negative Impacts
  - Less choice
  - Higher premiums
  - Narrower networks

# Thank You