

FACT SHEET

AB 595 (Wood): Strengthen State Oversight over Health Plan & Insurer Mergers

March 28, 2017

Consolidation in the health insurance industry often means fewer choices and less 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 the opposite. Economic studies show that past health insurer mergers lead to premium increases and have no demonstrable effect on improving health care quality.¹

Nationally, there are only five 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 state's 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 already 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.²

California has seen a number of major health plan and insurer mergers in recent years: Blue Shield-Care 1st, Centene-Health Net, Aetna-Humana, and Anthem-Cigna. While the U.S. Department of Justice has blocked the latter two mergers for now, 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's hodgepodge of laws gives regulators some oversight over insurer mergers, but they are insufficient to fully protect consumers. State regulators should be able to critically evaluate proposed mergers to discover if bigger is actually better.

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 California. 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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¹ 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>

² *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>