HEALTH ACCESS California's Health Consumer Advocacy Coalition | **FACT SHEET**

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

As amended, January 22, 2018

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 led to premium increases and have no demonstrable effect on improving health care quality.[i]

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 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.[ii]

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, the industry is expected to further consolidate. The Department of Managed Health Care, which regulates health coverage for 96% of covered lives in California, needs to be able to scrutinize these deals and ensure they are good for California consumers.

AB 595 (Wood) Will Ensure Mergers Are Good For Consumers

AB 595 strengthens the Department of Managed Health Care's (DMHC) oversight over health plan mergers by:

- Requiring health plans seeking to merge to get prior approval from DMHC;
- Allowing DMHC to reject mergers that negatively impact competition;
- Ensuring the merged entity can comply with all of the consumer protections in Knox-Keene Act (financial solvency, access to care, network adequacy, handling of consumer complaints, claims processing, etc);
- Increasing transparency and public participation in the merger review process; and
- Requiring health plans to get better if they are allowed to get bigger: If DMHC approves a merger, it must be conditioned on the health plan improving quality and reducing health disparities.

[i] 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

[ii] *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

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