

Protecting Consumers When Health Plans Merge

AB 1092 (Wood)

Mergers in the health insurance industry often mean fewer choices for consumers and less competition, with little to no benefit to consumers or purchasers. As more health care entities merge, state oversight is necessary to look out for the public's interest and prevent potential negative impacts on consumers' health care. AB 1092 will expand State oversight over health plan mergers by requiring that health plans notify and seek approval from the Department of Managed Health Care (DMHC) when they acquire or obtain control of another entity, such as a physician group. With this authority, after review and a public hearing, the DMHC may approve or deny the merger, or approve with conditions that protect consumers.

Closing Gaps in Existing Law to Ensure More Mergers Are Good for Consumers

Although health plans claim that mergers lead to more efficiencies, lower costs, higher quality and better value care, history and research shows the opposite to be true. Economic studies have shown that past health insurer mergers lead to premium increases and have no demonstrable effect on improving health care quality.¹ To protect patients, the Legislature passed 595 (Wood) in 2017, which required that mergers when health plans are acquired, including when two health plans merge, that transaction be reviewed and approved by the DMHC. The law requires that the DMHC:

- Hold a public meeting about the merger
- 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

AB 1092 addresses a gap in health plan merger oversight in existing law by requiring the same review of mergers where the health plan is buying or taking control over another entity that is not another health plan, like a medical group. These transactions would go through the same review, public input and consent process.

Health Plans are Merging with Physician Groups Without Oversight

Since AB 595's enactment, the trend of health plans purchasing or investing in physician groups has further concentrated the health care market. Health insurance companies, including Centene, Cigna, Humana, and Anthem, have purchased or invested in physician entities across the country. In recent years, Optum Health, a medical group owned by United Healthcare, purchased multiple physician entities in Southern California, Monarch and DaVita Healthcare Partners – two of the largest in the

state. United Healthcare, a health insurance company, may today be the largest employer of physicians in America, and it continues to grow. Also in California, Altais, a Blue Shield of California company, purchased a 2,700-physician independent physician practice in Northern California in 2020.ⁱⁱ

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Under existing law, these mergers move forward without state review of the merger's impact on consumers. Similar to health plan mergers, eliminating or lessening competition amongst providers and payors can lead to increasing costs for consumers, and less competition for quality and types of services offered.

Previous Bad Behavior Should Be Considered

AB 1092 adds to the DMHC oversight of health plan mergers a requirement for review of the parties' compliance with laws and regulations from other state and federal agencies. Centene's recent settlement with the Attorney General for overcharging California's Medi-Cal program for prescription drugs demonstrates why review of the companies' conduct in other states is necessary to protect consumers. In 2021, the DMHC approved Centene's acquisition of Magellan Health - the state's contractor to deliver Medi-Cal Rx - with conditions to protect access to behavioral health services and prevent premium increases. This year, the California Attorney General settled with Centene over allegations that they overcharged California's Medi-Cal program by falsely reporting higher prescription drug costs incurred by two of its managed care plans.ⁱⁱⁱ This was after Centene had settled with nine states over the course of 10 months in 2021 and 2022 for overbilling their Medicaid programs for prescription drugs and services.^{iv} AB 1092 would ensure companies' past non-compliance with laws and regulations in other states and with the federal government are considered in the State's review of future health plan mergers.

AB 1092 Ensures More Comprehensive Health Plan Merger Oversight to Protect Consumers

As health plans continue to buy other entities, AB 1092 will ensure there is comprehensive review of the impacts for consumers. The bill will give the state the authority to intervene on the public's behalf and put in place conditions to prevent negative impacts and protect affordable, accessible, quality care.

i. [Evaluating the Impact of Health Insurance Industry Consolidation: Learning from Experience: Learning from Experience \(The Commonwealth Fund\)](#)
ii. [California's Physician Practice Landscape: A Rapidly Changing Market with Limited Data \(California Health Care Foundation\)](#)
iii. [Attorney General Bonta Announces \\$215 Million Settlement Against Healthcare Company Centene \(California Department of Justice\)](#)
iv. [California is Investigating the Corporation That Took Over Its Medicaid Drug Program \(Los Angeles Times\)](#)