

Calif. Insurance Commissioner Wary Of Anthem-Cigna Merger

By Dani Kass

Law360, New York (March 29, 2016, 8:51 PM ET) -- California's top insurance official asked [Anthem Inc.](#) and [Cigna Corp.](#) on Tuesday to explain an estimated \$2 billion in savings anticipated to come from their proposed \$54 billion merger, expressing skepticism that customers would receive the benefits of those savings.

At a hearing before California Insurance Commissioner Dave Jones, a pair of executives for Anthem and Cigna were unable to provide a specific breakdown of the proposed savings — both how they would be achieved and how they would be allocated. They stated that the merger was in too early of a stage to provide specifics, but held that the figure was accurate.

However, Jones was not satisfied with that answer.

“Neither of you can provide any assurance that any of the health insurance products sold by any of the entities that will continue selling after the merger will not increase in price, but at the same time you're both very confident there's going to be \$2 billion in savings,” Jones said. “So am I to understand from that, that none of that savings will enure to the benefit of consumers in either maintaining or reducing the price of insurance that they're paying for from any of the merged entities?”

Anthem vice president and counsel Jay Wagner responded that he couldn't provide such an assurance, but said there would be cost savings.

Jones asked for each company to submit a breakdown of the \$2 billion and estimate how much would go toward policyholders as opposed to stockholders. He also asked for more information about a touted \$3-per-share increase that the merger could bring.

Additionally, the commissioner requested that each company submit an estimate of how its share of the "administrative services only" market would change. That request came after the executives disputed his claim that they would control more than 60 percent of the market, even though they couldn't provide specific numbers.

Cigna global strategy and business development head Tom Richards said it's impossible to come up with a number, as there are third-party administrators and others that don't have to report their share, adding that estimates he had seen before were different from the number provided by Jones.

Wagner and Richards assured Jones that there would be no reduction in provider networks or change in reimbursement rates as a result of the merger and that, if anything, Cigna's network would likely expand to where Anthem's already has a footing.

Anthem and Cigna said in July that they **planned to join forces** in a cash and stock deal worth \$54.2 billion.

Since then, groups including the **American Hospital Association** have said the wave of health insurance consolidation raises antitrust concerns. In August and **again in March**, the AHA told the **U.S. Department of Justice's** Antitrust Division that the Anthem-Cigna **deal might be hopelessly anti-competitive** even if it were completed with divestitures.

The **American Medical Association** also had a representative testify before the commissioner Tuesday, urging Jones to reject it.

"The state's fragile health care system should not be left vulnerable to a giant health insurance company with anti-competitive market power," Henry Allen, the AMA's top antitrust attorney, said in a statement before the hearing. "The consequences of the proposed merger would have negative long-term consequences for health care access, quality and affordability in California," he said.

David Balto, a former **Federal Trade Commission** policy director and current head of the Coalition to Protect Patient Choice, was also set to testify against the merger, claiming it would lead to increased prices for consumers, according to prepared testimony. Echoing the commissioner's concerns, he said most of the merger's benefits will not be experienced by customers.

Gene Livingston of **Greenberg Traurig LLP** and Jared R. Danilson of **White & Case LLP** were present for Anthem at the hearing.

Andrew R. Holland of [Sidley Austin LLP](#) and Kenneth B. Schnoll of [Dentons](#) were present for Cigna.