VIRGINIA HOSPITAL
& HEALTHCARE
ASSOCIATION

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Jacqueline L. Cunningham
Commissioner of Insurance
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Dear Commissioner Cunningham:

I write on behalf of the Virginia Hospital & Healthcare Association (VHHA) and our 30 member health systems, with 107 community, psychiatric, rehabilitation and specialty hospitals, regarding the proposed Anthem-Cigna and Aetna –Humana mergers. Given the size and scope of these proposed mergers, there exists the very real potential for the transactions to substantially reduce competition, increase the costs of premiums and diminish the insurers' willingness to be innovative partners with providers and consumers in transforming care. Consequently, Virginia's hospitals and health systems strongly encourage the Bureau of Insurance to, first, diligently review the proposed mergers and ensure that a full hearing is conducted by the State Corporation Commission, and, second, urge the National Association of Insurance Commissioners to establish a special committee to study the impact of the proposed mergers across the country.

Regulators have long acknowledged that reforms in the health insurance industry are dependent on vigorous investigation, particularly those involving significant commercial insurers where there is the potential for anticompetitive impacts on access, affordability and innovation. These proposed mergers involve the combination of four of the top five insurers nationally and will lead to significant growth in market share for the acquiring companies. Further, given the size of these companies, entry into a market where there are pre-existing barriers – such as obtaining the necessary scale to form a full-service, cost-competitive provider network – will be nearly impossible. Few, if any, insurers would be able to match the size and scope of the combined companies. As noted in recent congressional testimony on this matter, "consolidation even in non-overlapping markets reduces the number of potential entrants who might attempt to overcome price-increasing (or quality reducing) consolidation in markets where they do not currently operate."

In both proposed mergers, the acquiring companies stand to gain significant market share. Anthem, which currently covers over 1.8 million people throughout Virginia, stands to gain an additional 538,000 plus covered lives, giving the combined companies a very high level of market concentration. While the Aetna-Humana merger primarily impacts a more limited Medicare Advantage (MA) market, Aetna stands to gain 128,531 covered lives, giving the combined companies a statewide MA market share of 66.5 percent.

Under Department of Justice and Federal Trade Commission guidelines, market concentration is measured by the Herfindahl-Hirschman Index (HHI). Markets with an HHI in excess of 2,500 are considered highly concentrated and additional scrutiny is applied to any transaction that increases the HHI by more than 200 points in any such market. In the Anthem-Cigna merger, every Metropolitan Statistical Area (MSA) in Virginia except for Northern Virginia has an HHI well in excess of 2,500, and the proposed merger would increase Anthem's market concentration by far more than 200 points in those areas. For example, the impact in the Richmond market is more than eight times this threshold.

A reduction in competition has the potential to limit consumer choice in health plans and drive more customers into narrow networks. In designing provider networks, there is a careful balance between cost and provider access. Narrow networks are designed to give consumers low-price provider options, but this comes at the cost of a limited number of providers. When consumers have a choice to participate in narrow networks, it can be beneficial for cost-conscious individuals. However, if consumers are forced into a narrow network due to a lack of choices, it can result in less access and lower quality of care.

In addition to potentially limiting choice, the proposed mergers may lead to significant price increases for consumers. Research shows that having fewer insurers leads to higher premiums for large and small employers, as well as individuals purchasing insurance on the exchange. It also shows that any potential savings derived from consolidation are never passed on to customers. This potential for higher prices is only exacerbated by already growing consumer costs for health care. New data released by the Robert Wood Johnson Foundation shows an 11.3 percent increase in premiums for silver plans offered under the Affordable Care Act and a 17.7 percent hike in deductibles from 2015 to 2016. Many consumers simply cannot afford to continue paying higher and higher costs.

Lastly, the health care industry is undergoing a significant transformation in care delivery and how providers are reimbursed. The goals of this transformation are to ensure that patients receive safe, effective and value-driven care across settings, and providers are incentivized meet performance targets in these efforts. Insurers play an important role in this process and have been willing partners. These mergers, however, have the potential to stifle our progress, as the companies involved will have less of an incentive to invest in innovative reforms.

Given these potential ramifications, we again strongly encourage the Bureau to undertake a complete and diligent investigation and hearing to ensure that all relevant facts and potential remedies receive their fair due and urge the NAIC to review the potential impacts across the country.

Should you have any questions or concerns or wish to further discuss this matter, please do not hesitate to contact me at your convenience.

Sincerely,

Sean T. Connaughton
President & CEO