

California Dept. of Insurance Asks DOJ to Block Anthem-Cigna Deal

Update:

On June 16, 2016, 10 weeks after holding hearings on the proposed Anthem-Cigna merger, Insurance Commissioner Jones reported his department's determination that the merger would be anti-competitive and that access, quality, and affordability would suffer as a result of the transaction. The text of the press release is as follows:

SACRAMENTO, Calif. – California Insurance Commissioner Dave Jones today urged the U.S. Department of Justice to block the merger deal between Anthem, Inc., and Cigna Corporation. After an extensive review of the Anthem and Cigna merger, Commissioner Jones issued detailed findings that the merger of the second and fourth largest national health insurers is anti-competitive and will harm California consumers, businesses, and the California health insurance market.

The Anthem and Cigna merger transaction is estimated to be worth more than \$50 billion, would make Anthem the nation's largest health insurer, and result in increased concentration in an already consolidated health insurance market. Commissioner Jones found that if the merger moves forward, Anthem's market share will exceed 50 percent in 28 California counties and 40 percent in 38 counties, which will negatively impact California consumers with likely reductions in access, quality of care, and affordability of health insurance.

"When it comes to the Anthem and Cigna merger, bigger is not better for California's consumers or the health insurance market," said Insurance Commissioner Dave Jones.

Jones held a public hearing on March 29, where members of the public, Anthem and Cigna executives, consumer advocates, medical professionals, and merger experts provided testimony regarding potential impacts of the merger.

Anthem executives testified that they expect the merger to result in \$2 billion in efficiencies, but when questioned directly by Jones to provide supporting evidence for the \$2 billion claim, Anthem provided only vague, speculative, and impossible-to-verify assertions. When asked by Jones if Anthem would guarantee that the savings will benefit consumers with lower prices, Anthem declined to commit to pass any savings onto consumers through lower prices. Commissioner Jones concluded consumers will not benefit from the Anthem and Cigna merger.

"Anthem and Cigna failed to provide details to support their claim of \$2 billion in savings and they refused to guarantee consumers and businesses will see the benefit of any potential savings in reduced prices," said Jones. "More competition in California's consolidated health insurance markets is needed, not less. Competition helps restrain prices, provides choice, and improves quality. The Anthem and Cigna merger reduces competition in a market that is already dominated by just four health insurers. It will likely result in reducing consumers' choices, increased prices, and lower quality care."

After reviewing all the testimony from the public hearing, comments submitted by the health insurers, merger experts, consumer advocates, medical professionals, and other members of the public, and after reviewing various studies and the consequences of past mergers, Jones concluded that the merger is anti-competitive and should not move forward. Jones today formally submitted his findings to and urged the U.S. Department of Justice to prevent the merger of Anthem and Cigna. Jones is the first insurance regulator to oppose the merger of Anthem and Cigna.

For more detail, read the Commissioner's formal [decision letter](#) to DOJ. Also, see our state-by-state tracker maps of the review process (scroll down on the [homepage](#)).

Earlier Post:

On March 29, 2016, the California Department of Insurance heard testimony regarding the proposed merger of Anthem and Cigna. Earlier, we posted on how the Source has weighed in on the deal, through [Congressional testimony](#) and [other avenues](#). Dave Jones, Insurance Commissioner issued the following [press release](#) following the hearings:

"I appreciate all those who attended today's hearing and provided valuable input regarding the proposed Anthem Cigna merger. This merger would create the nation's largest health insurer, which could have a significant impact on California's consumers, businesses, and health care marketplace. The public hearing process is an important step in considering all potential impacts, including competition, pricing and access to care. I am considering what is best for consumers and the overall marketplace. Anthem and Cigna bear the burden of demonstrating this proposed merger is in the best interest of the California consumers and the healthcare marketplace. The public record will remain open until April 1. I welcome additional comments from any and all members of the public. I will make my decision regarding the proposed merger of the nation's second and fifth largest health insurers in the coming weeks."

The CDI will have to consider whether the merger will end up helping or harming consumers, and whereas the companies argue that the deal is rife with efficiencies, consumer advocates counter that more consolidation in surname markets likely means higher prices for subscribers. For more on the deal, see California Healthline's [piece](#). We look forward to CDI's decision, to come in the "coming weeks"!

