Changes in Insurance Marketplace Pressure Physicians, Patients

Mergers, narrow networks and fewer ACA plans could squeeze costs, access

By Jim Braibish, St. Louis Metropolitan Medicine

Consolidation in the health insurance industry could leave patients and physicians with fewer options in the years ahead. This would involve not just proposed insurer mergers, but also fewer Affordable Care Act plans available and an increase in narrow networks. Experts suggest that physicians monitor these trends and understand how their practices and patients might be affected.

Insurer Mergers

Two industry mega-mergers were proposed in 2015: Anthem's $48-billion takeover of Cigna, and Aetna's $37-billion acquisition of Humana. This July, the U.S. Department of Justice announced it is suing to block both mergers, saying the deals violate antitrust laws and would lead to higher health care costs for Americans.

In announcing the decision, U.S. Attorney General Loretta Lynch said, "If allowed to proceed, these mergers would fundamentally reshape the health insurance industry. They would leave much of the multitrillion-dollar health insurance industry in the hands of three mammoth insurance companies (the third being UnitedHealthcare), drastically constricting competition in a number of key markets that tens of millions of Americans rely on to receive health care."

Earlier, on May 24, Missouri became the first state to rule against the Aetna-Humana merger when the Missouri Department of Insurance issued a preliminary order barring the sale of certain health insurance plans in the state if the merger was completed. Of particular concern, regulators noted that the combined company would have a market share in individual Medicare Advantage plans exceeding 70 percent in 33 Missouri counties, including the Kansas City area. California and other states followed in objecting.

Prior to the ruling, the Missouri State Medical Association spoke out against the merger in a statement filed with the Department: "High health insurance market concentration and the insurance industry's exercise of market power is detrimental to consumers and poses a significant risk of harm to their patients. Higher premiums, higher out-of-pocket costs, stifled innovation, narrow provider networks, and reduced access to care follow in the absence of healthy competition."

On the topic of narrow networks, MSMA noted, "Insurers with undue market power wield unfair leverage to not only push prices higher than a balanced market would bear, but also to limit the scope of covered services and the amount they are willing to pay for those services. … Restricted networks limit access to care and force patients to pay greater out-of-pocket costs to seek needed care in out-of-network settings. Restricted panels also disrupt important physician-patient relationships when a patient's physician is terminated from a network."

An April 2016 survey of MSMA members found that 57% of physicians feel they would have no choice but to contract with Aetna in order to maintain a financially viable practice should the merger occur. Some 25% of physicians who are contracted with Aetna, and 33% of those who are contracted with Humana, said they have difficulty finding available in-network physicians who accept new patients for referrals. In addition, 46% of physicians who are contracted with Aetna, and 47% of those who are contracted with Humana, said they encounter formulary limitations that prevent optimal treatment.

In September 2015, the American Medical Association released a study of the potential effect of the two mergers, finding that the mergers would reduce competition in excess of federal antitrust guidelines in as many as 97 metropolitan areas in 17 states. The AMA said the mergers would enhance "market power" in these locations, with market power being defined as encouraging one or more firms to raise prices, reduce output, diminish innovation or otherwise harm customers. These metro areas would be among a total of 154 in 23 states that would see decreased competition.

The AMA notes that without the mergers, an "unprecedented lack of competition already exists in most health insurance markets." The AMA found a significant absence of health insurer competition in seven of 10 metropolitan areas studied, and in nearly two of five metropolitan areas studied, a single health insurer had at least 50 percent of the commercial health insurance market.

Robert James Cimasi, chief executive officer of the St. Louis-based health care economic and financial consulting firm, Health Capital Consultants, described the concern about reduced competition.


Robert James Cimasi

"The DOJ complaint challenging the Anthem-Cigna merger notes that these companies currently 'are often two of few remaining options for large-group employers in at least 35 metropolitan areas,' including the St. Louis market," he said. "The complaint argues that the merger will harm large-group employers in these markets by eliminating Cigna as a competitor to Anthem, which the DOJ alleges will stifle the creation of 'innovative' insurance products for this market, such as value-based reimbursement programs."


Mary L. Reitz

The eventual outcome of the DOJ efforts to block the mergers is uncertain. Mary L. Reitz, an officer in the litigation department of Greensfelder, Hemker & Gale, P.C., said, "It is important to remember that there are two separate lawsuits regarding two separate mergers which may impact their markets differently. This means that what happens to one merger may not happen to the other."

She added that neither suit is likely to be resolved before the November election or even the inauguration of the next president. "Regardless of the outcome, health care providers will continue to see downward pressure on reimbursement rates."

Narrow Networks

Health insurers have grown increasingly reliant on narrow networks as a cost-containment strategy, particularly with ACA marketplace plans, as well as Medicare Advantage and some commercial plans. A recent *Health Affairs* survey found that low monthly premium was by far the most important factor to individuals selecting an ACA plan, followed by keeping their current doctors.

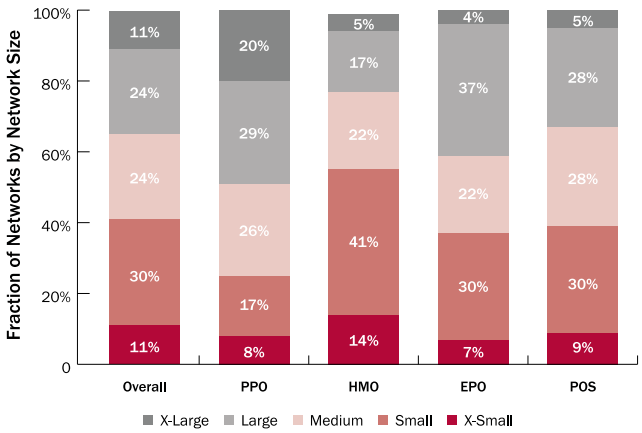
The University of Pennsylvania and the Robert Wood Johnson Foundation conducted a detailed study of the prevalence of narrow networks among all 1,065 unique silver-level ACA plans available in all 50 states in fall 2014. These encompassed 395 unique provider networks. Their findings:

- 41% of the silver-level networks were small (10-25% of physicians participating) or extra-small (fewer than 10%)
- 24% were medium-size (25-40%)
- 35% were large (40-60%) or extra-large (over 60%)

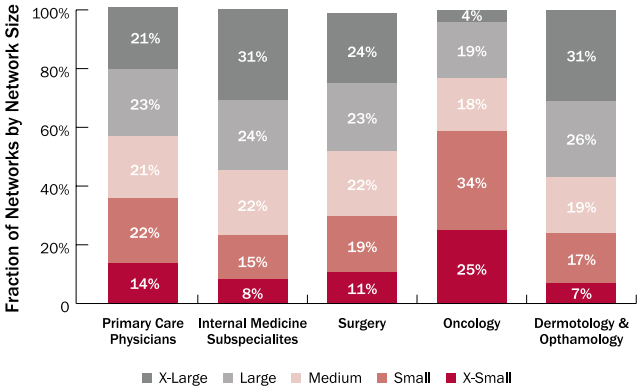
The report expressed concern: "Surveys and other anecdotal reports suggest that many consumers who selected narrow network plans on the basis of lower premiums were unaware of the network size of the plan they selected."

Cimasi described how insurers use narrow networks to lower premiums: "Narrow networks allow insurers to negotiate

The Size of Physician Networks for Health Insurance Marketplace Plans: Overall and by Plan Types



The Size of Physician Networks for Selected Specialty Groups



Source: The Skinny on Narrow Networks in Health Insurance Marketplace Plans. *University of Pennsylvania and the Robert Wood Johnson Foundation.*

for lower prices from health care providers by: (1) providing insurers with a credible threat to exclude a provider from the insurer's plan, thus forcing the provider to reduce its prices or risk losing a large number of patients; and, (2) allowing insurers to pursue a discount from providers who are included in the network, in exchange for the larger volume of customers that these providers can reasonably expect to receive."

The impact of narrow networks on physicians depends on the individual, Reitz said. "Physicians should stay current on what is happening with the networks. If he or she is excluded from a plan, an effort should be made to find out the reason for the exclusion, and if there is a way to get it reversed."

Shrinking ACA Options

Earlier this year, UnitedHealthcare announced it was exiting the individual ACA market. More recently, Aetna declared its exit, although critics believe it is a strategic move to increase pressure to approve its proposed merger. Aetna's plans in the St. Louis area are marketed under the Coventry name.

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Changes in Insurance Marketplace *continued*

An August study by the Henry J. Kaiser Family Foundation estimates that 2.3 million marketplace enrollees, or 19% of all enrollees, could have a choice of a single insurer in 2017, which is an increase of two million people compared to 2016. On a county basis, 31% of counties nationwide will have only one insurer to choose from, the study said.

In Missouri, consumers in 98 of the state's 115 counties will have the choice of just a single insurer. Most of these are in rural areas. In the St. Louis area, the number of available insurers would drop from four to two. Metro-East counties would have only one insurance choice.

Looking Ahead

The health insurance marketplace is likely to continue its trend toward consolidation, although the degree is dependent on regulatory approval of the proposed mergers, and what type of changes any settlement may impose, Cimasi said.

Other possible developments he noted are provider-sponsored plans (PSHPs) and private exchanges. "Through greater network control, health systems are utilizing PSHPs to achieve many of the value-based reimbursement goals of recent health care reform efforts, including the ACA and the Medicare Access and CHIP Reauthorization Act," he said.

Private exchanges are slowly growing in popularity, particularly in the employer-sponsored market, according to Cimasi. Thirty-three percent of employers in a 2014 Aon Hewitt survey noted that offering group-based health benefits to employees through private health exchanges will be their preferred approach from 2016 to 2018.

Also on the horizon, the idea of a public payer option could resurrect depending on the outcome of this year's presidential election, he added.

Both Reitz and Cimasi believe physicians are in a stronger negotiating position with insurance companies when they are part of a larger physician group or health system. "Integration with other providers may strengthen physician leverage by increasing supplier power," Cimasi said.

Reitz advises, "To cope through this time of transition, physicians should monitor development and educate themselves about the market. While change is terrifying, knowledge is the best tool for preparing for change and regaining a sense of control."

For More Information

Missouri State Medical Association Statement to the Missouri Department of Insurance, http://www.msma.org/uploads/6/2/5/3/62530417/msma_comments_to_doi_re_aetna-humana_merger_5-16.pdf.

Competition in Health Insurance: A Comprehensive Study of U.S. Markets. American Medical Association. Available free to AMA members.

The Skinny on Narrow Networks in Health Insurance Marketplace Plans. University of Pennsylvania Leonard Davis Institute of Health Economics and the Robert Wood Johnson Foundation. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2015/rwjf421027.

Preliminary Data on Insurer Exits and Entrants in 2017 Affordable Care Act Marketplaces. Henry J. Kaiser Family Foundation. http://kff.org/health-reform/issue-brief/preliminary-data-on-insurer-exits-and-entrants-in-2017-affordable-care-act-marketplaces/.

Distrubution of Exchange Enrollment by Number of Insurers in 2016 and Potential Distribution in 2017