Obamacare fuels wave of takeovers

Aetna, Humana announce biggest-ever merger of health insurers

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4 July 2015

Aetna Inc. and Humana Inc., the third and fourth largest US health insurance companies by revenue, announced Friday they had reached a deal for what would be, if approved by the government and carried through, the biggest ever merger in the industry. Industry analysts consider it likely that federal regulators will allow the takeover, slated to take effect next year, to proceed.

Under the agreement, valued at $37 billion, Aetna will assume control over Humana, creating the nation's second largest health insurer after industry-leading United HealthGroup Inc. Aetna Chief Executive Officer Mark Bertolini will become chairman and CEO of the combined company.

Aetna is based in Hartford, Connecticut. Its main business is selling health coverage to employers. Humana, based in Louisville, Kentucky, is the nation's second-largest provider of private insurance options under the federal Medicare program for the elderly, known as Medicare Advantage.

The merged company will cover more than 33 million people and have combined revenue, based on current figures, of $115 billion.

The deal is the latest and biggest to date in a flurry of mergers and acquisitions spurred on by the Obama administration's health care overhaul, enacted in 2010 as the Affordable Care Act (ACA) and better known as "Obamacare." In the first six months of this year, $296 billion in mergers, a record, have been announced by health care corporations.

However, the Aetna-Humana deal is likely to be surpassed in short order by an even bigger combination. Anthem Inc., the second-largest insurer by revenue, went public last month with a $47.5 billion offer to Cigna Corp. Cigna publicly rebuffed the offer, but the *Wall Street Journal* recently reported that the two firms are continuing to hold talks about a possible merger.

United HealthGroup previously approached Aetna about a deal.

The Aetna-Humana announcement followed by one day the announcement that Centene Corp. had agreed to buy Health Net Inc. for $6.3 billion. Centene is based in St. Louis, Missouri and Health Net is headquartered in California. The deal will create the country's biggest private administrator of Medicaid, the federal health insurance program for the poor.

In announcing the mega-merger Friday, Aetna CEO Mark Bertolini said the ACA was "an action-forcing event that has catalyzed a lot of very important discussions." Humana CEO Bruce Broussard cited changes in the health care system tied to the law, including an expanding focus on selling to individuals rather than employers.

The merger frenzy has intensified since the Supreme Court ruling last week upholding key provisions of the ACA. Obama's so-called "reform" is fueling a further monopolization of the health care industry, with a dwindling handful of giant corporations—insurance companies, pharmaceutical firms, hospital chains—dominating all aspects of health care and amassing ever greater profits.

This is not an accidental or unanticipated byproduct of the ACA. The entire health care overhaul, including in some cases the very language of the law, was dictated by industry representatives to tailor its provisions to their interests. Thus, the law's "individual mandate" requires all Americans who are not covered by employer-provided health plans or government programs such as Medicare and Medicaid to purchase policies from private companies on government-run exchanges. Those who fail to do so are subject to significant fines.

Obamacare thus provides private insurers with millions of new customers who are at their mercy. There are no meaningful limits on the premiums insurers may charge or the deductibles and co-pays they impose. Similarly, there are no limits on the prices for prescription drugs charged by pharmaceutical firms.

This week, Oregon, the first state to announce final 2016 rates under the ACA, approved huge premium increases sought by insurers. Insurance Commissioner Laura Cali signed off on an average 25.6 percent increase requested by Moda Health Plan Inc., the biggest plan on the state's health exchange. She also approved average increases of 30 percent or more for four smaller companies.

At the same time, the ACA, with its tax on so-called "Cadillac" employer-provided health plans and its minimal fines on companies that fail to provide coverage for their employees, will provide incentives for corporations to drop their employee health insurance programs and force workers to individually purchase plans on the exchanges.

Obamacare, by means of government subsidies, enables some of those previously uninsured, but by no means all, to buy bare-bones plans with high deductibles and co-pays and inadequate benefits, while slashing the benefits and raising out-of-pocket costs for tens of millions of workers currently on employer-provided plans.

The scheme is designed to encourage cost-cutting and rationing of care along class lines by phasing out the so-called "fee for service" system and replacing it with incentives to health care providers to withhold more expensive drugs, tests and procedures from working class and most middle class patients.

The merger mania in health care, which will likely reduce the number of top insurance firms from five to three in the coming months, is the response of the corporations to these changes. The giant firms are positioning themselves to control the biggest possible share of the suddenly enlarged, and very lucrative, market and dictate the cost-cutting measures that will further bolster their profits.

The further monopolization of the industry is entirely parasitic. Rather than generating new products or improving general living standards, it will be used to downsize and destroy jobs, while inflating the share values of industry stocks and further enriching CEOs, big investors, banks and hedge funds.

The Aetna-Humana buyout deal values Humana at $230 a share. That is 23 percent above Humana's last closing price. Aetna and Humana have already seen their share prices triple in the five years since the enactment of the ACA, and the other three top health insurers have had similarly big gains.

The merger will generate hundreds of millions for the banks involved, which include Citigroup, UBS, Lazard Ltd. and Goldman Sachs. The wave of deals in the industry is also a goldmine for major hedge funds, which have bet heavily on consolidation under Obamacare.

Glenview Capital Management LLC, headed by billionaire Larry Robbins, made nearly $200 million in a single day from its investment in Humana when the firm's stock shot up last month on news that it was considering possible takeover bids. Some notion of Robbins' lifestyle can be gleaned from the fact that in 2012, he flew 100 friends to Nice on his private 767 to attend his wedding.