

# Anthem bids \$48 billion for Cigna to create health giant

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In this March 25, 2015, file photo, a portrait of Brittany Maynard sits on the dias of the Senate Health Committee at the Capitol in Sacramento, Calif., as lawmakers took testimony on proposed legislation allowing doctors to prescribe life ending medication to terminally ill patients. A San Diego Superior Court judge is expected Friday, July 24, 2015, to hear a motion to dismiss a lawsuit against the state a single mom given only months to live and other California right-to-die advocates. Aid-in-dying advocates thought the nationally publicized case of Maynard, the 29-year-old California woman with brain cancer who moved to Oregon to legally end her life last fall, might usher in a wave of state laws allowing doctors to prescribe life-ending medications. (AP Photo/Rich Pedroncelli)

Anthem is buying rival Cigna for \$48 billion in a deal that would create the nation's largest health insurer by enrollment, covering about 53 million U.S patients.

In just three weeks, starting with Aetna's \$35 billion bid for Humana Inc. on July 3, the landscape of U.S. health care has been altered in a buyout frenzy that could transform five massive U.S. health companies into just three, including UnitedHealth Group.

Larger insurers have negotiating power to squeeze better rates from drug companies and health care providers. But the wave of consolidation is likely to lead to fewer choices for consumers in certain markets. Regulators scrutinizing the two mega-deals will be trying to assess whether these combined companies would have so much power that they could dominate markets and drive already high health-care costs even higher.

Employer-sponsored health insurance is growing slowly and with the recent overhaul of the nation's health care system, providers are jostling for the largest share of the millions of people who have signed up.

The deal announced Friday is valued at \$54.2 billion including debt. Shareholders of Cigna, based in Bloomfield, Connecticut, will receive \$103.40 per share in cash and 0.5152 shares of Anthem stock for each of their shares. The companies put the total value at \$188 per share.

Industry analysts have pointed out several advantages to an industry consolidation.

The impact these big acquisitions have on consumers likely won't be felt for at least a year, because insurers have already finalized most of their

plans for coverage that starts in January. A combination may lead to fewer choices and some price changes for consumers, depending on where they live and who already is in their market.

Anthem's combination with Cigna will result in a company with a much broader base over which to spread costs and expenses, and it could make technology investments over the industry's biggest customer pool.

Data and technology are playing a growing role in monitoring patients and care. At a very basic level, that means things like tracking whether patients are keeping up with their immunizations.

Insurers also are trying to give consumers better information on the cost and quality of the care they buy, based on their coverage. Deductibles and other out-of-pocket costs have been rising for years. That leaves a growing number of consumers with bigger bills to pay before most of their insurance coverage starts, so it can encourage more to shop around.

Anthem officials have noted that a Cigna deal will help build their company's Medicare Advantage enrollment in states like Texas and Florida. Medicare Advantage plans are privately run, fast-growing versions of the federally-funded program for people over age 65 and the disabled.

Anthem, based in Indianapolis, is currently the nation's second-largest health insurer, while Cigna ranks fourth in terms of enrollment. Anthem Inc. specializes in selling individual coverage and insurance to workers of small businesses. It also has grown its government business, which includes Medicare, Medicaid and coverage of federal employees.

Health insurance is Cigna Corp.'s main business, but it also sells group disability and life coverage in the U.S., and it has a growing international segment that Anthem lacks. Much of Cigna's health insurance business

involves coverage where the employer pays the claims and then hires Cigna to administer the plan, a growing and less-profitable form of coverage in employer-sponsored health care.

The deal is targeted to close in the second half of 2016. Cigna stockholders still need to approve the agreement, and Anthem shareholders need to approve the issuance of shares in the transaction.

Anthem stockholders will own about 67 percent of the combined company, with Cigna shareholders owning approximately 33 percent.

The Anthem board will expand to 14 members. Cigna's President and CEO David Cordani and four independent directors from Cigna's current board will join the nine current members of Anthem's board.

Cordani will serve as president and chief operating officer of the combined business, with Anthem's Joseph Swedish as chairman and CEO.

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