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Guest opinion: Would having more 'Blues' make us happier?

By David P. Lind

Many of you residing in Iowa reading this post are probably covered by a Blue Cross and Blue Shield health insurance policy. Most likely your health plan is insured by Iowa-based Wellmark Inc. or Wellmark Health Plan of Iowa.

Using data from the Iowa Insurance Division, a recent [Des Moines Business Record article](#) reported that both Wellmark plans "account for roughly 78% of the large group market in Iowa and 81% of the small group market." Additionally, the individual market in Iowa has Wellmark companies accounting for 45% of individual health policies in the state.

Overview

For decades, Blue Cross and Blue Shield plans located in each state, Iowa included, did not compete with "sister" BCBS plans in other states. Wellmark BCBS was, in essence, protected from competing with other Blue plans for Iowa business.

However, there was one large exception to this friendly competitive arrangement. Other Blue insurers can compete for large national-account business ONLY if the home state Blue plan chose to "cede" the client to them. As an example, if Hy-Vee, headquartered in Iowa, wished to use a larger BCBS plan, such as Anthem Inc. – the largest of all BCBS plans – Wellmark would need to "cede" this Iowa-based business to the desired Blue plan. Employers really had little recourse on fighting this arrangement, other than threatening to choose a non-Blue plan such as United Healthcare, Cigna, Aetna, etc.

It is important to mention that within the Blues system, if a large, Iowa-based organization is enrolled with Wellmark, they gain access to the BlueCard PPO for their out-of-state employees – which offers any additional negotiated arrangements made by each state's Blue plan. This is a big advantage to large national accounts, and has worked reasonably well for decades. However, if the employer was, for some reason, unhappy with the services provided by that "home" Blues plan, they would need to apply leverage to move to another desired Blue plan outside that state. As a result, the pursuit for seamless customer service was rather clunky.

In 2012, a national class-action lawsuit was brought on behalf of employers and individual policyholders with Blue coverage. The lawsuit alleged that anticompetitive behavior among BCBS plans who conspired to divvy up markets and avoid competing against one another consequently drove up customers' prices.

Tentative antitrust settlement on Blues

In September, a tentative deal was reached whereby the BCBS Association agreed to pay \$2.7 billion to settle the claims and curtail competitive practices that limited competition among all 36 BCBS insurers – which includes Wellmark Inc. [According to the Wall Street Journal](#), the deal is not yet final, as U.S. District Judge R. David Proctor of Birmingham, Ala., who presides over the case, must approve the arrangement. Additionally, the boards from each of the 36 BCBS plans must endorse the settlement.

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Under the draft settlement, each of the 36 BCBS insurers can no longer be restricted to a little-known rule that required two-thirds of each Blue plan's national net revenue from health plans and related services come from Blue-branded business. This rule limited each company's ability to expand and open new growth pathways for each insurer. Theoretically, each Blue plan could maximize profits both in and out of their assigned service areas, causing greater competition in new territories, if desired.

As for the \$2.7 billion settlement, the BCBS Association and all 36 independent Blue plans have agreed to chip in money to settle antitrust charges. Presumably, the amount will be apportioned based on the size of each Blue plan.

What will this mean in Iowa and elsewhere?

Assuming the settlement is approved by Judge Proctor and all 36 Blue plans, there could be more consolidations between Blue plans and non-Blue companies. Additionally, the largest of Blue plans, Anthem and Chicago-based Health Care Services Corp., would likely expand into other territories that were otherwise off-limits to them in the past.

In addition to having access to Wellmark products, eligible Iowa-based employers would have access to other Blue plans desiring to enter Iowa. Wellmark, on the other hand, could expand into other states, hoping to add members and revenue. Conceivably, Wellmark could purchase other smaller Blue or non-Blue organizations, or possibly be acquired by a suitor.

With this settlement allowing more Blue plans to enter new territories or states, insurance premiums in those markets could possibly fall. But it's unclear whether increased competition will push larger discounts from local hospitals and health systems. Over time, this settlement may prompt enough consolidations that some geographical markets could become less competitive, not more.

Health care providers, specifically the American Hospital Association and the American Medical Association, will have keen interest in how this settlement will eventually affect the revenues and practices of their own respective members at the local level. Additionally, how will state and federal exchanges be affected by this settlement?

In the end, will having additional Blue plans competing in Iowa make us happier because of increased competition? I'm not quite sure. Any unintended consequences will need to be thoroughly assessed as this settlement plays out over time.

With that said, this will be one interesting situation to follow in the months (and years) ahead.

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