

Insurance Solutions October Newsletter



A look at some important trends that will affect you

Who Profits Most”

We spend about \$4.3 trillion a year on keeping our citizens in good health. That is equivalent to 17% of GDP, twice as much as the average in other rich economies.

Four private health insurers account for 50% of all enrollments. The biggest, UnitedHealth Group, made \$324 billion in revenues last year.

Consider Pharmacy Benefit Managers (PBMs). As their name implies, pharmacy benefit managers oversee all the drug-related details of the health plans sponsored by insurance companies and large employers. **They decide** which medicines to include on those health plans' "formularies," or list of covered drugs, and which ones to exclude. **The three biggest PBMs control 80% of the prescription drug market.**

These middlemen are in the crosshairs of lawmakers and regulators for their role in determining drug prices. At issue is PBMs' opaque pricing, which takes a drug's list price and shaves off discounts that the PBM wrangles from drugmakers. Critics argue that large PBMs don't pass on discounts to the health plans, instead keeping much of the difference for themselves, and limit access to treatments that are less profitable for them... keep profits... limit access based on profit...

Now, vertical integration is juicing the margins of these companies. The Affordable Care Act limited the profits of health insurers to between 15% and 20% of collected premiums. But it imposed no restrictions on what physicians or other intermediaries can earn. As a result, the act is an incentive for insurers to acquire clinics, pharmacies, and the like, and to steer customers to them rather than rival providers. The strategy channels revenue from the profit-capped insurance business to uncapped subsidiaries, which in theory will allow insurers to keep more of the premiums paid by patients.

Between 2013 and August 2023 the **nine health-care giants** spent around \$325 billion on over 130 mergers and acquisitions. CVS bought Aetna. Cigna purchased Express Scripts, a large PBM. United Health purchased Change Healthcare, a data-analytics firm which processes insurance claims for large parts of the industry, including UnitedHealth's rivals.

Both UnitedHealth and CVS have been buying up health-care providers, too. Optum Health, a subsidiary of UnitedHealth, has spent over \$23 billion in the past six years, and now treats more than 20 million patients through a network of 2,200 clinics. It has more doctors on its books—70,000 employed or affiliated physicians—than the biggest hospital chains in the country. CVS runs 1,100 or so neighborhood clinics, and this year alone paid \$18 billion for two companies focused on the lucrative elderly-care market.

Are you beginning to see how **a very few giant corporations are controlling our health care** and how they have purchased companies that enable them to maximize their profits at our cost? This is a mess!

Much of this information can be found at <https://tinyurl.com/ytnrsw79>