

# BUSINESS INSURANCE.

## More hospitals compete with insurers

### Mergers create opening for health care systems

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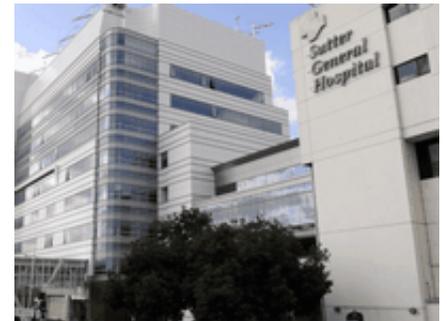


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#### ADVERTISEMENT

As mergers and consolidations continue to shrink the number of health insurers, other health providers are entering or expanding their market presence in insurance, giving employers a new and growing source of coverage.

These insurers are owned by institutions — hospitals and health care systems — who see new opportunities by entering the health insurance market. “We are seeing a lot of interest in our products from employers, brokers and the community,” said Sy Neilson, director of commercial marketing and plan communications at Sutter Health Plus in Sacramento, California. The insurer, an affiliate of nonprofit health care system Sutter Health, began operations in 2014 and now offers coverage in Sacramento, the Bay Area and California's Central Valley. “This is an opportunity to bring more affordable products to the market,” said Juan Serrano, senior vice president of payer strategy operations at health care system Catholic Health Initiatives in Englewood, Colorado, whose insurance units provide coverage to 1,150 employers with 95,000 employees and dependents. Some of the newly formed health insurers have grown quickly. For example, North Shore-LIJ CareConnect Insurance Co. Inc., which was launched in 2014 by North Shore-LIJ Health System, has seen enrollees in its health plans jump over the last year and a half from 12,500 to 29,000, including 10,000 who have coverage through their employers. “We built a health insurance company virtually overnight,” said Alan Murray, CareConnect's president and CEO in East Hills, New York. “We are expecting a doubling of coverage in the next 12 months.” While some health care systems have only recently formed health insurers, other health care systems have been — through their health insurance



company affiliates or subsidiaries — big players in the health insurance market for many years. For example, UPMC Health Plan, which was formed more than 15 years ago by UPMC (the University of Pittsburgh Medical Center), has 2.8 million enrollees, including 500,000 in employer group plans. It generates about \$6 billion in premium income, making it the second-largest health insurer in western Pennsylvania. “We have been very focused on midmarket and smaller employers,” said Diane Holder, president and CEO of UPMC Health Plan in Pittsburgh. Just how many health care systems have formed health insurers, as well as the size of those insurers, isn't known. But a recent Standard & Poor's Corp. report gives some insight. In that report, published in June, S&P looked at 16 health care systems that started health insurance companies. In all, the insurers collected more than \$25 billion in premiums and had more than 7 million enrollees in their plans. And more growth is likely, S&P predicted in its report. “We believe that PSHPs (provider-sponsored health plans) will continue to proliferate,” the rating agency said in its report. Others concur. “There has been extraordinary interest by health care systems getting into the insurance business,” said Noel Obourn, a principal with Buck Consultants at Xerox in Stamford, Connecticut. And that growth, experts say, will be welcomed by employers who increasingly have seen the number of health insurers offering coverage in their geographical areas decline due to the wave of insurer consolidation and mergers. “Employers value the added competition,” said Michael Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York. “If successful, employers will be more than willing to send their employees” to insurers owned by health care systems if those insurers “provide high value,” Mr. Thompson said. “More choice is always good for employers and employees,” Buck Consultants' Ms. Obourn said. Still, the future of provider-owned health insurers is far from certain. “The jury is still out on how successful they will be in managing costs and improving health outcomes,” Mr. Thompson said. On the other hand, the relative late entry into the health insurance market by some health care systems has its advantages, some say. “You are able to apply new technology to old problems,” Ms. Obourn said.

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