

OUTSIDE THE LINES

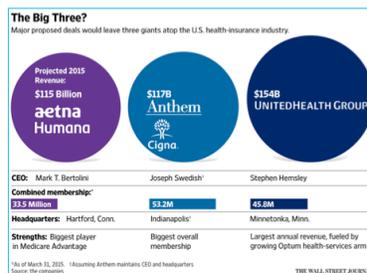
THE "BIG 3" VS. DISRUPTIVE INNOVATORS

“Takeover frenzy. Merger mania. Commanding presence.” We’re talking big power being yielded by the “Big 5” – soon to be “Big 3,” if approved – national health insurance players. This is kind of old, but still current, news by now. It’s mind-blowing, definitely concerning for hospitals, health systems, doctors, employers, consumers, and has me wondering ... where is access, choice, better value, lower cost, better care, better anything going to come out of this? Oh yes, we know. It’s the economies of scale argument. Combine Anthem + Cigna in a deal worth \$54 billion ([announced last week](#)), make this company the largest health insurer in the nation with 53 million members and \$117 billion in annual revenue, and then eliminate unnecessary, duplicated costs and provide more affordable benefits. Do we really believe this is going to happen?

What is more certain is that Anthem + Cigna – along with the \$37 billion Aetna + Humana merger announced three weeks before – will achieve mega-insurer market power. Note that Anthem + Cigna’s 53 million members equate to nearly 1 in 5 Americans. Add 33 million members with Aetna-Humana and 46 million with the other “Top 3” insurer, UnitedHealth, and these three companies will represent almost 50% of Americans.



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Anthem + Cigna's executives are saying that they "will create a company that will transform healthcare and benefits for consumers." Health Access, a consumer advocacy group who (with others) is arguing for tough scrutiny of the deal by regulators, is saying "Anthem should not be allowed to get bigger without getting better." In an industry like ours, can the very large, existing companies transform? Or do we need disruptive innovators for that?

According to [Clayton Christensen](#), Harvard Business School professor and well-known author of *The Innovator's Prescription*, sustaining innovators (those that add to or improve products already in existence) drive prices up (by 6% to 10% a year); what drives prices down is disruptive innovators because they rethink everything in a systemic way. It's interesting to note, therefore, that new health insurers (a la [ZOOM+](#) and [Oscar](#)), are trying to do just that. They are significantly smaller, and who knows if they'll be able to compete against the big guns, but they are in Portland and New York, they've both just announced plans to enter California, and they're disruptive in the truest sense of the word. It's a mad, mad world out there. I'm rooting for the ones who can give us something that is new and different.

Always looking ahead,



Kim Athmann King, MBA, FACHE

NEWS ALERT! WHAT'S HAPPENED THIS WEEK

For some time, the Strategy Advantage team has been tracking Oscar Health, one of the disruptors in our ZIGZAG Healthcare library (watch for the launch of ZIGZAGhealthcare.com coming in early August). Oscar is a revolutionary, new kind of tech-start-up insurance company that started in 2013 in New York and New Jersey and has grown fast (capturing 22% of the individual insurance market share in New York in record time) via a strongly consumer-directed, word of mouth, and quirky

advertising approach. This week, [Covered California announced](#) that Oscar will be part of the portfolio of plans offered for 2016, to include options for people in Orange County and parts of Los Angeles County. Oscar aligns with established hospitals and networks in the markets it services. In California, it has already partnered with UCLA Hospital and Providence Health & Services.

WHO WE'RE WATCHING

ZOOM+ is another company we're watching and another one of the disruptors in our ZIGZAG Healthcare library. They started as ZoomCare in Portland in 2006, a new-fangled on-demand healthcare company (i.e. like an urgent care services company, but with lots of other bells and whistles, including an expansive commitment to smartphone- and online-based options). In May of this year, [the company completely reinvented itself](#) as a "performance health insurance company" and I have to say the transformation is exciting to see, even for me. It's stated goal is to "revolutionize the American healthcare system, starting in Portland." They're moving and shaking, and we're watching and tracking them as they evolve.

WHAT'S TRENDING

With ZOOM+, on-demand, urgent care, and other disruptive innovator companies, the models and resources for care are different than for traditional companies. For example, ZOOM+ actively promotes its much wider array of network providers that includes physicians, nurse practitioners, physician assistants, and specialty providers. While there is lots of demand for both traditional and non-traditional providers, conclusions from a [Merritt Hawkins 2014 survey](#) are interesting. They concluded that as hospitals and health systems are filling medical staff vacancies, the most in-demand providers, increasingly, are nurse practitioners and physician assistants. Primary care physicians are still top priority, but NPs and PAs are also top on the list. So, it looks like ZOOM+ is actually onto something!



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