

# PUBLICATION

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## California Insurance Department Holds Hearing on Centene/Health Net Merger

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Since the summer of 2015, a great deal of attention has focused on whether the proposed Anthem/Cigna and Aetna/Humana mergers will be approved by federal and state antitrust regulators. These transactions have been the subject of Congressional hearings and state insurance department hearings, and to date, while some states have approved the transactions, the DOJ Antitrust Division's examination of each of these mergers remains ongoing without any indication regarding how or when it will ultimately be completed.

In the meantime, the proposed merger of Centene and Health Net, which was announced at approximately the same time as the Anthem and Aetna deals, and is itself quite a significant deal (valued at almost \$7 billion), has received far less attention and scrutiny. However, the Centene/Health Net transaction requires many of the same regulatory approvals as do the Anthem and Aetna deals, and the Centene/Health Net deal has already been cleared for antitrust approval by federal regulators and every state from which the parties require approval, except California.

On January 22, the California Department of Insurance held a hearing to consider the implications of the deal. Notably, the California Department of Insurance has oversight over this deal because Health Net is domiciled in California. The Insurance Department does not have oversight over the Anthem and Aetna deals because they are not domiciled in California; those transactions require approval from the California Department of Managed Health Care, which has concurrent authority over the Centene deal with the Insurance Department.

During a six-hour public hearing, California Insurance Commissioner Dave Jones heard from the parties, their economic experts and various consumer groups regarding the proposed transaction. Commissioner Jones expressed some potential concerns about the Centene/Health Net transaction, and noted that he has the authority to disapprove the transaction in its entirety if he believes it is not in the public interest. Notwithstanding that authority, the more likely result – if past practice holds – would be for the Insurance Commissioner to, at most, impose some conditions on the deal. Such was the case, for example, when Anthem acquired Wellpoint in 2004, with the then-Commissioner John Garamendi agreeing to approve the transaction only after Anthem offered approximately \$100 million in concessions to gain approval and permit the deal to close.

Whether Insurance Department approval will turn out to be nothing more than a "speed bump" in the approval process, or something significantly more, remains to be seen. With the hearing record now closed, Insurance Commissioner Jones's decision on the proposed transaction is likely to be issued in the next 30 days.