



# BCBS giant HCSC makes Medicare Advantage move

Market Event Summary

Bill Melville | February 2024

# Health Care Service Corp. to acquire Cigna's Medicare business

## HCSC-Cigna Medicare deal

### • Development

Cigna found a buyer for its Medicare operations in Health Care Service Corp., a nonprofit BCBS operator that has been eager to grow its Medicare Advantage business but has struggled to do so organically.

### • Initial implications

The \$3.3 billion acquisition will boost HCSC's modest Medicare business.

- HCSC will have to offer similar or superior drug benefits for incoming Cigna members or risk losing them to other carriers.
- While 3 million lives seems a major loss for Express Scripts, it became the PBM for Centene in January 2024, which added more than 19 million pharmacy lives (Clarivate statistics).

## Background and context

As the nation's largest nonprofit operator of Blue Cross Blue Shield plans, Health Care Service Corp. has struggled to make major inroads into the increasingly popular and competitive Medicare Advantage segment. Despite selling MA plans across states where its Blue plans are the commercial market leaders, HCSC has been unable to catch on.

Cigna has struggled similarly beyond incremental growth in a handful of states as its for-profit competitors UnitedHealth, Humana, and CVS/Aetna have continually seen enrollment surge.

The Cigna business gives HCSC a stronger MA market share in Texas, especially in Houston. It could potentially grow its Medicare business in states where it lacks a Blue license, especially senior-rich states like Florida, Arizona, and Georgia.



### Patient

Beneficiaries who enrolled in a Cigna plan might look elsewhere if coverage changes under HCSC. More MA enrollees could be shopping if MA plans cut benefits for 2024.



### Pharma

HCSC will serve a broader senior population, including enrollees beyond its BCBS footprint.



### Physicians

Most Cigna providers are already in the broader networks offered by BCBS plans.



### PBM

The deal will bring a new block of pharmacy lives for Prime Therapeutics, HCSC's PBM.



### Payers

HCSC gets a push where it has tried to grow, while Cigna exits a struggling segment.

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## Strategic implications

- **Industry norm**

HCSC use its Cigna Medicare acquisition to further its ambitions across the Medicare segment. It will not challenge UnitedHealth Group or Humana, but it should be a stronger MA player in its BCBS markets.

- **Patient behavior**

HCSC could see attrition from existing Cigna MA members. If HCSC intends to keep the Medicare business in states where it lacks a BCBS license, it will need to develop a new subsidiary to market those plans, which might have trouble gaining traction.

- **Pharma perception**

Cigna might not see its relationship with pharma change much due to the sale, as its focus on growing its Evernorth medical services subsidiary and Express Script serving as PBM for Centene loom as larger issues.

- **Pharma reaction**

HCSC has the potential to become a tougher negotiator on drug pricing, although a bigger Medicare population could make it more open to value-based pharmacy contracting.

## Open questions

Will the acquisition give HCSC the Medicare boost it has long sought in states such as Texas?

Will the sale allow Cigna to devote more resources to its burgeoning health service-oriented subsidiary, Evernorth?

Will HCSC found a new subsidiary to oversee the sale of Medicare plans in states where it has no BCBS license?

## Factors for consideration



HCSC has ample clout in its five BCBS states. This acquisition could lead to more aggressive MA growth by targeting employer retiree groups, many of which already use HCSC for active employees.



The acquisition would make HCSC a bigger player in Medicare Advantage and stand-alone PDP, but not a contender to challenge UnitedHealthcare and Humana.



Cigna's strength has always been large-group commercial plans. The sale allows it to focus on extending other services to employer groups through Evernorth and Express Scripts.

# About the Author



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## Author bio

Bill Melville analyzes regional and state trends in the U.S. healthcare industry. He joined Clarivate in 2007 and serves as its national expert on health exchanges and Medicare. He authors Market Overviews and the Medicare Analyzer, which is part of the National MCO Analyzer product. Bill also wrote several reports and blogs on U.S. drug policy. He has been interviewed by USA Today, Inside Health Policy, Modern Healthcare, and other national and regional publications. Before joining Clarivate, Bill was a journalist in Columbus, Ohio.

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