



AMA Bashes Health Insurer Monopolies in Many Markets

Joe Cantlupe, February 24, 2010

A few insurance carriers dominate markets across the country, resulting in a "near total collapse" of competition, according to the American Medical Association.

Two insurers controlled 70% of the markets in 24 states in 2007, and the lack of dynamic insurance markets resulted in rocketing insurance premiums, said AMA President J. James Rohack, MD, in a statement following release of the AMA's *Competition in Health Insurance: A Comprehensive Study of U.S. Markets*.

In 24 of 43 states reported in the new AMA report, two insurers had a combined market share of 70% or more in 2007. In 2006, just 18 of 42 states had two insurers with a combined market share of 70% or more.

"The near total collapse of competitive and dynamic health insurance markets has not helped patients," said Rohack. "As demonstrated by proposed rate hikes in California and other states, health insurers have not shown greater efficiency and lower healthcare costs. Instead, patient premiums, deductibles, and copayments have soared without an increase in benefits in these increasingly consolidated markets."

The AMA said it is urging the Justice Department and state officials to review antitrust mergers. The AMA released its report as the House debates legislation, HR 4626, that would strip the health insurance industry's federal antitrust exemptions.

"Virtually all commercial health insurance markets in the United States are highly concentrated," stated the AMA report. "These markets are ripe for the exercise of health insurer market power, which is detrimental to society."

The study findings should "urge both federal and state antitrust authorities to seriously scrutinize future proposed mergers between health insurance companies and to retrospectively assess the anti-competitive effects of mergers that have already been consummated."

The report found:

- 99% of metropolitan markets are "highly concentrated" according to federal merger guidelines—an increase from 94% from last year.
- In 54% of the metropolitan markets, at least one insurer had a market share of 50% or greater—an increase from 40% in similar markets the previous year.
- In 92% of the metropolitan markets, at least one insurer had a market share of 30% or greater—an increase from 59% of the metropolitan markets the previous year.

The AMA analyzed 43 states and 313 metropolitan markets against an index used by federal regulators, looking at HMO and PPO enrollment in those areas between 2006 and 2007.

"When an insurer exercises market power in its input market," the AMA study stated, "payments to healthcare providers are below competitive levels. And in both instances, the insurer inefficiently reduces the quality of coverage sold at levels below those produced in a competitive market."

"In short, when market power is exercised by health insurers, it adversely affects consumers' health insurance coverage and healthcare, " the report stated.

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