

Hopper, Kelly

From: Tom Holloway <tholloway@msma.org>
Sent: Friday, September 23, 2016 2:12 PM
To: Hopper, Kelly
Subject: New AMA Competition Study
Attachments: Competition in Health Insurance-2016 Update-15th Edition.pdf; aetna-humana-analysis.pdf; anthem-cigna-analysis (1).pdf

Kelly:

I thought you might find the following and the attached of interest. The American Medical Association just released its latest insurance market competition study. Some very good data. Let me know if I can do anything for you.

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On behalf of the American Medical Association (AMA), attached is a copy of the 2016 Update to *Competition in Health Insurance: A Comprehensive Study of U.S. Markets*. This study is based on the HealthLeaders-InterStudy Managed Market Surveyor, with enrollment data as of January 1, 2014. It is intended to help antitrust researchers, policymakers, and federal and state regulators identify areas where consolidation among health insurers may cause anti-competitive harm to consumers and providers of care.

The study reports the two largest insurers' commercial market shares and Herfindahl-Hirschman Indices (HHIs) for 388 metropolitan areas (MSAs), the 50 states and the District of Columbia. The HHI is a measure of market concentration. The U.S. Department of Justice (DOJ) and Federal Trade Commission (FTC) use this type of information to assess the anti-competitive effects of horizontal mergers between firms.

For the first time, this year's update also includes market shares and concentration in the health insurance marketplaces—also known as exchanges. Those data are from April 19, 2014—the date marking the end of the special enrollment period.

Among the key findings in this edition are that, based on the DOJ/FTC Horizontal Merger Guidelines, 71 percent of the 388 MSAs studied were highly concentrated (HHI>2,500). Additionally, in 91 percent of MSAs, at least one insurer held a commercial market share of 30 percent or greater.

In short, most commercial health insurance markets in the U.S. are highly concentrated. The results of this study should prompt federal and state antitrust authorities to more vigorously examine the anti-competitive effects of proposed mergers between health insurers.

AMA economists also used the 2016 Update to conduct analyses of the impact of the proposed Anthem-Cigna and Aetna-Humana mergers using the DOJ/FTC Horizontal Merger Guidelines. Key findings of these analyses are as follows:

- The proposed Anthem-Cigna merger would be presumed likely to enhance market power (i.e., combination of a highly concentrated market with a significant increase in HHI) in the commercial, combined (HMO+PPO+POS+EXCH) markets in 10 of the 14 states (NH, IN, CT, ME, GA, VA, CO, MO, NV, KY) in which Anthem is licensed to provide commercial coverage.

- The proposed Anthem-Cigna merger would potentially raise significant competitive concerns and warrant scrutiny (i.e., combination of moderately to highly concentrated market with a meaningful increase in the HHI) in the commercial, combined markets in the remaining four states where Anthem operates (OH, CA, NY, WI).
- The proposed Aetna-Humana merger would be presumed likely to enhance market power in the commercial, combined (HMO+PPO+POS+EXCH) markets in the states of Georgia and Kentucky.
- The proposed Aetna-Humana merger would potentially raise significant competitive concerns and warrant scrutiny in the commercial, combined markets in four additional states (UT, TX, FL, KS).