



Insurance Market Concentration Creates Fewer Choices

A Look at Health Care Competition in the States

By Karen Davenport and Sonia Sekhar November 2009

It is clear that health insurance markets are broken. A tsunami of health insurance mergers has led to such high levels of concentration in insurance markets that there are now only one or two dominant insurers in many states. And these local monopolies go unchallenged because there are substantial barriers to entry and expansion for other insurers.

Lack of competition has led to growing insurer profits, increased costs and reduced coverage for enrollees, an epidemic of deceptive and fraudulent conduct, and rapidly escalating costs.¹ More than 46 million Americans are now uninsured, and premiums have grown 130 percent over the last 10 years.² Health insurers engage in an endless list of deceptive, fraudulent, and unfair practices that deny millions of consumers adequate coverage. Meanwhile, 10 of the largest health insurers saw their profits balloon from \$2.4 billion in 2000 to \$13 billion in 2007.³

The accompanying data shows that one or two carriers dominate many state insurance markets. One carrier controls more than half the market in at least 17 states. Two carriers control at least half the market in at least 22 more. And the American Medical Association found in 2008 that insurance markets are highly concentrated in 94 percent of metropolitan statistical areas, and that a single carrier controlled at least 30 percent of the insurance market in 89 percent of these areas.⁴

As a result, health insurance interests come before Americans' health care needs. Health insurers in markets that are dominated by only a few firms can maximize the rates they charge employers and families. Employers are then unable to afford meaningful health insurance options for their employees or, in the case of many small businesses, are unable to offer their employees coverage at all. And most Americans seeking health insurance in the individual market never purchase coverage.⁵

At the same time, state insurance commissioners lack the resources and capacity to protect consumers' interests and police this anticompetitive and deceptive conduct. Researchers in a recent review of 33 states found that in states with the most highly concentrated insurance markets, state regulators had taken no significant consumer protection actions against health insurers in the last five years.⁶ These insurers are able to offer poor coverage and deny care to inflate profits, as well as maintain effective monopolies, without fear of intervention.

Real health care reform must encourage real competition among health insurers—competition that benefits patients, employers, and health care providers. A health insurance

exchange with a public health insurance option and real health insurance market reforms will force insurers to compete on price, value, and service. At the same time, reform must also include comprehensive consumer protections and meaningful enforcement so that the promises of reform are fully realized.

Endnotes

- David Balto and Stephanie Gross, "Unlocking Competition: The Need to Eliminate the Antitrust Exemption for Health Insurers," Center for American Progress, October 28, 2009, available at http://www.americanprogress.org/issues/2009/10/unlocking_competition.html.
- Kaiser Family Foundation/Health Research and Education Trust, "Employer Health Benefits 2009 Annual Survey," September 2009, available at <http://ehbs.kff.org/>.
- Health Care for America Now, "Premiums Soaring in Consolidated Health Insurance Market: Lack of Competition Hurts Rural States, Small Businesses," available at http://hcfan.3cdn.net/dadd15782e627e5b75_g9m6istl.pdf.
- American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets, 2008 Update."
- Michelle Doty, Sara Collins, Jennifer Nicholson and Sheila Rustgi, "Failure to Protect: Why the Individual Market is not a Viable Option for Most American Families," The Commonwealth Fund, July 2009, available at http://www.commonwealthfund.org/-/media/Files/Publications/Issue%20Brief/2009/Jul/Failure%20to%20Protect/1300_Doty_failure_to_protect_individual_ins_market_ib_v2.pdf.
- David Balto and Stephanie Gross, "Don't Leave it to the States: Leaving Health Insurance Oversight to State Regulators is a Dangerous Idea," Center for American Progress, October 22, 2009, available at http://www.americanprogress.org/issues/2009/10/health_oversight.html.

Most American insurance markets dominated by one or two large companies

State-by-state data

State	Health insurer with largest market share	Market share %	Health Insurer with second largest market share	Market share %	Combined market share % of top two insurers
Alabama	Blue Cross Blue Shield AL	89%	United Healthcare	5%	94%
Alaska	Data unavailable				
Arizona	United Healthcare	33%	Blue Cross Blue Shield AZ	32%	65%
Arkansas	Blue Cross Blue Shield AR	69%	United Healthcare	18%	87%
California	WellPoint Inc.	30%	Kaiser	28%	58%
Colorado	United Healthcare	35%	Kaiser	20%	55%
Connecticut	Data unavailable				
Delaware	Data unavailable				
District of Columbia	Data unavailable				
Florida	United Healthcare	24%	Blue Cross Blue Shield FL	17%	41%
Georgia	WellPoint Inc.	51%	United Healthcare	26%	77%
Hawaii	Blue Cross Blue Shield HI	76%	Kaiser	23%	99%
Idaho	Blue Cross of ID	60%	Coventry	13%	73%
Illinois	HCSC (Blue Cross Blue Shield)	52%	Coventry	18%	70%
Indiana	Well Point Inc.	58%	HealthCare Group	17%	75%
Iowa	Wellmark	76%	United Healthcare	13%	89%
Kansas	Premier Health	37%	Coventry	19%	56%
Kentucky	WellPoint Inc.	51%	Humana	20%	71%
Louisiana	Blue Cross Blue Shield LA	41%	United Healthcare	25%	66%
Maine	WellPoint Inc.	71%	Aetna	12%	83%
Maryland	CareFirst (Blue Cross Blue Shield)	39%	United Healthcare	24%	63%
Massachusetts	Blue Cross Blue Shield MA	56%	Harvard Pilgrim	16%	72%
Michigan	Blue Cross Blue Shield MI	63%	Alliance Health & Life Ins Co.	8%	71%
Minnesota	Blue Cross Blue Shield MN	61%	Medica	24%	85%
Mississippi	Data unavailable				
Missouri	WellPoint Inc.	49%	United Healthcare	21%	70%
Montana	Data unavailable				
Nebraska	Blue Cross Blue Shield NE	38%	United Healthcare	29%	67%
Nevada	Sierra Health	40%	United Healthcare	21%	61%
New Hampshire	WellPoint Inc.	37%	CIGNA	29%	66%
New Jersey	Aetna	32%	United Healthcare	21%	53%
New Mexico	Presbyterian HC Services	30%	United Healthcare	24%	54%
New York	WellPoint Inc.	26%	GHI	20%	46%
North Carolina	Blue Cross Blue Shield NC	47%	United Healthcare	26%	73%
North Dakota	Data unavailable				
Ohio	WellPoint Inc.	44%	Medical Mutual	17%	61%
Oklahoma	Coventry	27%	CommunityCare	20%	47%
Oregon	Regence Blue Cross Blue Shield	26%	Providence Health	26%	52%
Pennsylvania	Data unavailable				
Rhode Island	Blue Cross Blue Shield RI	71%	United Healthcare	24%	95%
South Carolina	Blue Cross Blue Shield SC	53%	Coventry	12%	65%
South Dakota	Wellmark	61%	DAKOTACARE	10%	71%
Tennessee	Blue Cross Blue Shield TN	45%	United Healthcare	16%	61%
Texas	HCSC (Blue Cross Blue Shield)	44%	United Healthcare	24%	68%
Utah	Regence Blue Cross Blue Shield	29%	Coventry	28%	57%
Vermont	Blue Cross Blue Shield VT	46%	MVP Health Plan	28%	74%
Virginia	WellPoint Inc.	50%	Aetna	10%	60%
Washington	Premera Blue Cross	44%	Regence Blue Cross Blue Shield	18%	62%
West Virginia	Coventry	36%	Acordia	18%	54%
Wisconsin	Data unavailable				
Wyoming	Great West	33%	United Healthcare	27%	60%

Source: American Medical Association, "2008 Update: Competition in Health Insurance, A Comprehensive Study of US Markets: 2008 Update."