The AMA has released a new study of competition in health insurance markets. It shows that in 2018, state and local markets generally became even more concentrated than they were in 2014.

Seventy-five percent of 382 metropolitan statistical areas (MSAs) studied by the AMA were found to be highly concentrated in 2018, as measured by the Herfindahl-Hirschman Index (HHI)—a measure of market concentration used by the Federal Trade Commission and the Justice Department in their evaluation of mergers. The 75% figure in 2018 is up four percentage points compared with 2014.

“Americans in three-quarters of commercial health insurance markets have a limited number of health insurers from which to choose,” said AMA President Patrice A. Harris, MD, MA. “In almost half of metropolitan areas, a single health insurer has 50 percent or more of the market, and patients are not benefitting from this degree of market power. While health insurers grow corporate profits, networks are too narrow, premiums are too high, and benefits are too watered down.”

This and other compelling data were captured by the AMA’s 2019 update of “Competition in Health Insurance: A Comprehensive Study of U.S. Markets.” It is the 18th edition of the AMA’s ongoing documentation and analysis of health insurance market concentration and is based on 2018 data. The study and analysis come from the AMA Division of Economic and Health Policy Research.

Read the report.

10 states with biggest insurer edge

The report presents combined and separate data on four commercial insurance product lines, including preferred provider organizations (PPOs), health maintenance organization (HMOs), point-of-service (POS) and public health exchanges.
Highly concentrated markets are defined as having an HHI above 2,500—which was the case with 63% of state-level markets.

Here are the 10 least competitive states, with the market share of the largest health insurer and the HHI:

- Alabama—86% (HHI: 7,443).
- Louisiana —72% (HHI: 5,384).
- Hawaii—67% (HHI: 4,953).
- Delaware—66% (HHI: 4,906).
- South Carolina 67% (HHI: 4,832).
- Michigan—67% (HHI: 4,648).
- Alaska—62% (HHI: 4,612).
- Kentucky—61% (HHI: 4,121).
- North Dakota—56% (HHI: 3,928).
- Illinois—58% (HHI: 3,850).

Three of the least competitive states—Louisiana, Alabama and Alaska—also appear on the list of 10 states with the greatest decline in competition between 2017 and 2018. Utah leads that list, which also includes Florida, New Hampshire, Iowa, Tennessee, Massachusetts and Wyoming.

The list of least competitive states and other report data point to a fundamental problem with market concentration—it is not only pervasive, but also persistent. Eight states on the top-10 list appeared in both 2014 and 2018, with Alaska and Kentucky being the latest entrants. Indiana and Rhode Island slid off the list, but both still had HHIs of more than 3,000, above the highly concentrated threshold.

“The majority of U.S. commercial health insurance markets are highly concentrated,” and on average these “markets are becoming even more concentrated over time,” concludes the report. “These markets are ripe for the exercise of health insurer market power, which harms consumers and providers of care.”

In practical terms, as other empirical evidence suggests, expect insurance premiums to be higher and payments to physicians and others to be lower.

### Little competition at local level

The average HHI across MSA-level commercial markets was 3,504 in 2018. Well over half—58%—of markets experienced an HHI increase between 2014 and 2018, with an average increase of 498...
points. Nearly all of the MSAs studied in the latest research—91%, or 348—had a single insurer with market share of 30% or more, and in nearly half the MSAs—48%, or 182—a single insurer held at least a 50% share.

The percentages of highly concentrated markets—HHI greater than 2,500—by commercial insurance product line are:

- 97% of the HMO markets (223).
- 87% of the PPO markets (333).
- 100% of point-of-service markets (302).
- 99% of exchanges (367)

Among the markets that were not highly concentrated in 2014, 27% experienced an HHI increase to move into the highly concentrated category by 2018. Another 40% also posted an HHI increase, but not enough to make them highly concentrated.