The majority of U.S. health insurance markets are highly concentrated and, on average, are more concentrated than they were five years ago, according to a new AMA study of health insurance competition.

This is the 19th edition of the annual study, “Competition in Health Insurance: A Comprehensive Study of U.S. Markets,” and it found that 74% of health insurance markets in U.S. metropolitan statistical areas (MSAs) were highly concentrated in 2019 as calculated by the Herfindahl-Hirschman Indices (HHI)—a measure of market concentration used by the Federal Trade Commission and the Justice Department in their evaluation of mergers.

“For many of the 70 million Americans who live in highly concentrated health insurance markets, a lack of competition is a problem that keeps getting worse as consumers have more limited health insurance options to choose,” said AMA President Susan R. Bailey, MD. “The AMA strongly encourages a dialogue among regulators, policymakers, lawmakers, and others about the need for a better, more open and competitive marketplace to benefit patients and the physicians who care for them.”

Concentration in health insurance markets can lead to companies exercising market power, which can have two negative effects. When they exercise market power in the output market (the sale of coverage), premiums rise above competitive levels. When they do so in the input market (health care services), payments to health care professionals fall below competitive levels.

“In short, the exercise of market power adversely affects health insurance coverage and health care,” states the study, which was produced by the AMA Division of Economic and Health Policy Research.

High concentration is typically the result of consolidation via mergers and acquisitions.

“Conceptually, mergers and acquisitions can have beneficial and harmful effects on consumers,” the
report notes. “However, only the latter has been observed.”

It adds that such deals, both consummated and proposed, “should raise serious antitrust concerns.”

**Markets with the lowest insurance competition**

The report presents combined product and product-specific data on four commercial insurance products, including preferred provider organizations (PPO), health maintenance organization (HMO), point-of-service (POS) and public health exchanges. The data are reported at both state and MSA levels.

Highly concentrated markets are defined as having an HHI above 2,500.

The average HHI in the combined product MSA-level markets was 3,473, and the median HHI was 3,176.

Residents of Alabama had notably limited choices for health insurance. By far, Alabama is the most concentrated state in the U.S.

Blue Cross Blue Shield of Alabama dominated the state-level market with an 86% market share, resulting in an HHI of 7,461. The state with the next highest concentration level was Hawaii, whose HHI was 4901.

Not surprisingly then, 12 of the 13 least-competitive MSA-level markets were found in Alabama.

In addition to those in Alabama, here are the eight additional markets that round out the 20 least competitive combined product markets. Each is shown with the market share of the largest health insurer and the HHI:

<table>
<thead>
<tr>
<th>Location</th>
<th>Market Share</th>
<th>HHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tallahassee, Florida</td>
<td>88%</td>
<td>7,757</td>
</tr>
<tr>
<td>Atlantic City-Hammonton, New Jersey</td>
<td>80%</td>
<td>6,537</td>
</tr>
<tr>
<td>Greenville, North Carolina</td>
<td>80%</td>
<td>6,501</td>
</tr>
<tr>
<td>New Bern, North Carolina</td>
<td>78%</td>
<td>6,279</td>
</tr>
<tr>
<td>Ann Arbor, Michigan</td>
<td>78%</td>
<td>6,142</td>
</tr>
<tr>
<td>Rochester, New York</td>
<td>77%</td>
<td>6,073</td>
</tr>
<tr>
<td>Ocean City, New Jersey</td>
<td>77%</td>
<td>6,034</td>
</tr>
<tr>
<td>Manhattan, Kansas</td>
<td>76%</td>
<td>5,950</td>
</tr>
</tbody>
</table>
Pervasive and persistent concentration

Breaking those numbers down into separate health insurance products also reveals the pervasiveness of high concentration. The percentages of MSA-level markets that are highly concentrated by commercial insurance product are:

- 96% (220) of the HMO markets.
- 86% (330) of the PPO markets.
- 100% (303) of the POS markets.
- 99% (371) of the public health exchanges.

The AMA found an upward trend in market concentration. For combined products, 56% of the markets saw HHI go up between 2014 and 2019 with the HHI growth averaging 481 points for those markets.

Of the markets that were not highly concentrated in 2014, one quarter of them experienced HHI growth large enough to put them in the highly concentrated category by 2019. Of the markets that were already highly concentrated, more than half (52%) became even more concentrated.

“We find that the majority of U.S. commercial health insurance markets are highly concentrated, as well as an upward trend in average market concentration between 2014 and 2019,” states the report, which includes commercial enrollment data from all 384 MSAs, the 50 states and the District of Columbia.

“These markets are ripe for the exercise of health insurer market power, which harms consumers and providers of care,” the report warns. “Our findings should prompt federal and state antitrust authorities to vigorously examine the competitive effects of proposed mergers between health insurers.”