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CONGRESSIONAL TESTIMONY

**Effects on Competition of Proposed
Health Insurer Mergers**

**Testimony before
Committee on the Judiciary
Subcommittee on Regulatory Reform,
Commercial and Antitrust Law
United States House of Representatives**

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Mr. Chairman and members of the committee, thank you for inviting me to testify. My name is Edmund F. Haislmaier and I am a Senior Research Fellow in Health Policy at the Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

My testimony today will focus on the potential effects on market competition of three, currently pending, health insurance mergers, specifically: 1) Aetna's acquisition of Humana; 2) Anthem's acquisition of Cigna, and; 3) Centene's acquisition of Health Net.

To assess market competition in any industry one must begin by identifying the parameters of the relevant market, or markets. In the case of health insurance, two key parameters are geographic presence and product line.

Geography is a relevant parameter for a couple reasons. First, because most medical services are purchased locally, the prices and quantities of those services, the size and distribution of the patient population, and the contractual arrangements of insurers and providers, can all vary by location. Variations in those inputs affect the price of coverage and the extent of insurer competition available to consumers. Second, the regulation of insurance, including most anti-trust regulation, has historically been the responsibility of state governments.

Product line is also a relevant parameter because within the broader market for health insurance there exist discrete submarkets with different types of customers. Thus, the business strategy of any given insurer might range from targeting only a single subset of the broader market to seeking to serve multiple submarkets by offering a number of different product lines.

Consequently, applying these two parameters offers an appropriate framework for segmenting the broader market before analyzing the relevant data to evaluate competition within each subset.

I have limited my analysis to those submarkets for what is commonly known as "comprehensive" or "major medical" health insurance coverage—setting aside various so called "supplemental" product lines, such as dental only or vision only coverage. My reasons for doing so were first, that there is greater public interest in market competition with respect to comprehensive medical coverage, and second, that potential barriers to competition and market entry are much lower for supplemental products, and thus of rather less concern to both consumers and regulators.

I used enrollment, or the number of "covered lives," as the basis for measuring market share. While various financial metrics are relevant to assessing whether a proposed merger is a wise business decision, those metrics would tell us little about the effects that the merger might have on the choices available to consumers.

Thus, for my analysis I used enrollment data taken from insurer regulatory filings for the end of 2014, distributed in a matrix consisting of five submarkets in each state.