



For Immediate Release
Dec. 18, 2018

For More Information
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Michigan remains one of the least competitive states in the nation for health insurance

Lansing, Mich.—A new report by the American Medical Association shows Michigan is the sixth least competitive state for health insurance in America.

Michigan’s major insurance markets – Preferred Provider Organization and Health Maintenance Organization products, totaling more than five million Michiganders – are all dominated by Blue Cross Blue Shield of Michigan. The one bright spot is in the new individual market, which is the only truly competitive market in the state, but it serves only about six percent of state residents.

“Michigan Association of Health Plans recommends policymakers in our state review this report and consider steps they can take to increase competition in commercial insurance markets, for the benefit of consumers,” said Dominick Pallone, executive director of the Michigan Association of Health Plans. “As this well-documented report shows, the exercise of market power often means people pay too much for health insurance, and health providers can end up receiving too little, limiting care in communities or pushing up prices for other carriers – including auto insurers.”

The report ranks Alabama as the least competitive market in the nation, followed by Hawaii, Louisiana, Delaware, South Carolina and then Michigan. Those rankings are unchanged from the AMA’s 2017 report.

The AMA report lays out the importance of this issue:

“This study addresses the following questions: Are health insurance markets competitive, or do health insurers exercise market power? These are important questions of public policy because the use of market power harms society in both output and input markets. When an insurer exercises market power in its *output* market (the sale of insurance coverage), premiums are higher than in a competitive market.

“When an insurer exercises market power in its *input* market (e.g., physician services), payments to health care providers are below competitive levels. In both settings, the quantity of insurance coverage provided is lower than in a competitive market.

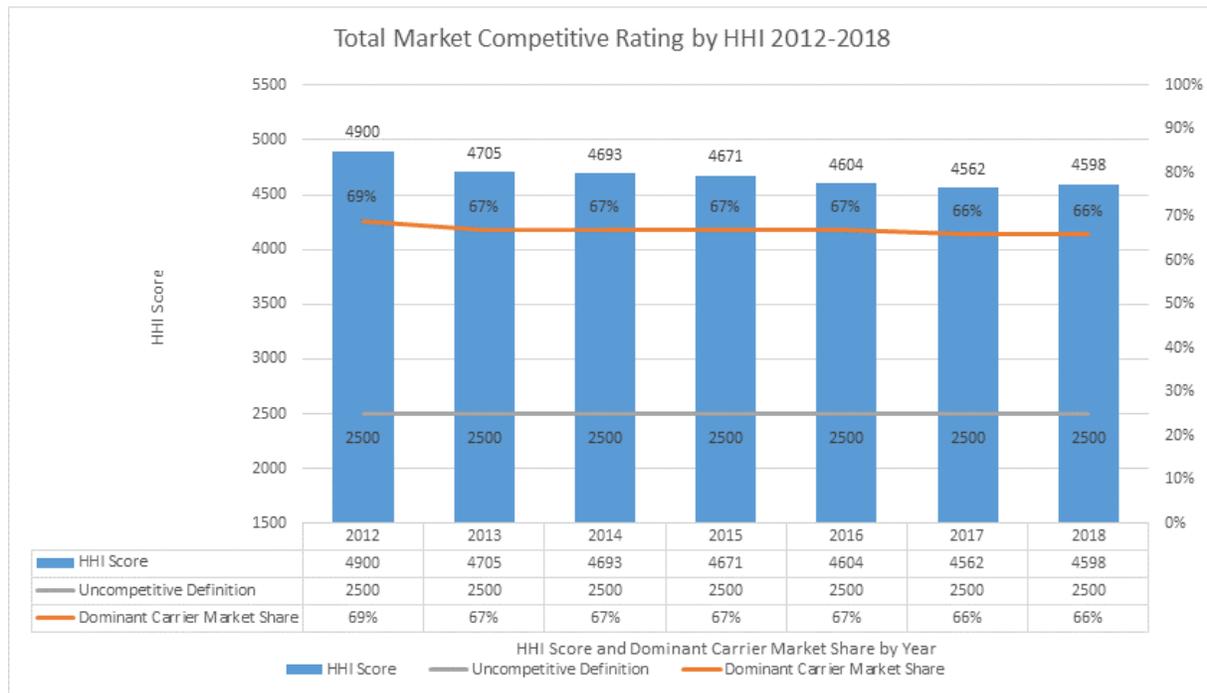
Blue Cross today controls 79 percent of the Preferred Provider Organization Market and 54 percent of Health Maintenance Organization market.

In Michigan, Blue Cross controls 66 percent of the state’s insurance market overall, down a miniscule three percentage points from 2012 when it had 69 percent of the market.

“The Blue Cross domination is a legacy of market policies that favored it ahead of other insurers. The advantages received are still evident in its surplus, which allows the company major advantages in marketing and in negotiating with providers,” said Pallone.

No carrier controls more than 35 percent of the Individual insurance market, which has expanded since passage of the Affordable Care Act. While the number of individuals using the Individual market has doubled since the Affordable Care Act’s implementation, showing demand for those products, they still account only for about 6 percent of Michiganders.

The graphic below shows the state’s overall competition ratings over the years as calculated by the AMA. It uses the commonly accepted Herfindahl-Hirschman index (HHI) of market concentration, calculated by squaring the market share of each firm competing in a market and then summing the resulting numbers. It can range from close to zero to 10,000. Any market with a HHI rating of 2500 is considered uncompetitive and dominated by a single player.



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The Michigan Association of Health Plans (MAHP) is an industry voice for 13 health care plans, covering over 3.1 million Michigan residents, and 50 businesses affiliated with the health care industry. MAHP facilitates

communication among members, government, and the industry regarding health care issues of common concern. The mission of the Michigan Association of Health Plans is to provide leadership for the promotion and advocacy of high quality, affordable, accessible health care for the citizens of Michigan.