



AMERICAN ACADEMY OF  
FAMILY PHYSICIANS  
STRONG MEDICINE FOR AMERICA

July 28, 2015

The Honorable William J. Baer  
Assistant Attorney General  
Antitrust Division  
Department of Justice  
Washington, DC 20004

Dear Assistant Attorney General Baer:

I am writing on behalf of the American Academy of Family Physicians (AAFP) and our 120,900 members to express our concerns with recent proposed merger and acquisition activity in the health insurance industry. In the past two months four of the five largest health insurance companies – Aetna-Humana and Anthem-Cigna – have announced their intentions to pursue mergers. In addition, two of the largest Medicaid managed care companies – Centene-HealthNet – have announced they are pursuing a merger that would make them the largest Medicaid managed care insurer in the nation.

The AAFP is profoundly concerned that these mergers, if allowed to be finalized, may result in decreased choice for consumers, higher costs for purchasers, and potentially establish mass disruptions in continuity of care due to changing and narrowing networks of physicians and hospitals. Our concerns are not reflective of our opinions of these companies individually – they have been and, continue to be, our partners in quality improvement and delivery and payment system reform efforts. Our concerns are more fundamental to the role of competition in driving innovation, improving quality in care delivery, and reducing costs.

Recent research shows that a lack of competition among health insurers does in fact have an impact on consumers and purchasers, including the federal government. A new study published in the Journal of Health Economics found that, if all insurers active in each state's individual insurance market had participated in that state's health insurance marketplace, premiums would have been 11.1% lower and the 2014 federal subsidies for HIM products would have been reduced by \$1.7 billion.

A 2014 report from the American Medical Association "Competition in Health Insurance: A Comprehensive Study of U.S. Markets" found that a single health insurer had a commercial market share of 50 percent or more in 17 states. Furthermore, the report found that in 45 states, two health insurers had a combined commercial market share of 50 percent or more. In our opinion, these numbers suggest that a lack of competition clearly exists today and speaks loudly against any further consolidation in the health insurance industry.

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Proponents of these mergers will proclaim that consolidation will make the health care industry more efficient and, therefore, more affordable for individual consumers. However, mergers in the health insurance industry potentially would have an immediate and profoundly negative impact on the availability and affordability of health insurance for millions of consumers. Recent actions by the insurance industry, with respect to the narrowing of physician and hospital networks, would only be exacerbated if a single insurer held greater influence over any potential market, state, or region – potentially separating patients from their physicians and community hospitals. Additionally, seldom does consolidation result in reduced costs for consumers. Bigger insurance companies mean increased leverage and unfair power over negotiating rates with consumers, purchasers, and physicians. More often than not, consolidation increases costs and reduces options for consumers and we believe, minus new operating principles by these companies, this would hold true in the health insurance market.

We are equally concerned that consolidation in the insurance market will drive rapid consolidation among hospital and health systems, turning our national health care system into an oligarchy, controlled by a hand-full of insurance and hospital systems. A lesson learned over the past five years is that improvements in health care quality and efficiency are most likely to occur when physicians, working with consumers, purchasers, and payers, lead the innovation.

We urge the Department of Justice to carefully evaluate these proposed mergers to ensure that the alignment of these companies promotes the best interest of all patients, including Medicare and Medicaid beneficiaries, and the physicians and other providers of their care. The AAFP and our members stand in full support of efforts to identify and implement innovations in health care delivery and payment that will improve the quality of care for individual patients, improve the health of our population, and lower per-capita spending on health care. We believe that competition plays an important role in achieving these goals.

Please contact Shawn Martin, Senior Vice President of Advocacy and Practice Advancement for additional information on the AAFP's policies and views on these matters.

Sincerely,



Reid B. Blackwelder, MD, FAAFP  
Board Chair

C: Peter J. Mucchetti, JD, Chief, Litigation I Section, Department of Justice Antitrust Division