

Statement of

The Honorable Herb Kohl

United States Senator

Wisconsin

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Good afternoon. Today we examine consolidation in the health insurance market, specifically a merger of the two largest health insurers in Pennsylvania, Highmark and Independence Blue Cross. We are holding this hearing at the specific request of my colleague for whom I have the highest regard, Senator Specter. As this merger most directly impacts Pennsylvania residents, I have asked him to preside over today's hearing.

After the merger, these two insurers' combined market share in Pennsylvania is estimated to be more than 70 percent. Allowing a single health insurer to gain such a high market share in Pennsylvania obviously raises significant competition concerns for the citizens of that commonwealth - especially since these two companies apparently agreed not to compete a decade ago. But it is also important that we consider competition in health insurance across the country. As health care costs continue to rise, consumers face ever increasing premiums. At the same time, we hear complaints from physicians and hospitals of declining reimbursement and "take it or leave it" contracts that negatively affect patient care. New competitors face high barriers to entry, so allowing high levels of concentration can have serious and lasting effects for many years to come.

And the statistics point to substantial evidence of rising consolidation in an already highly concentrated health insurance market. In 299 of the 313 metropolitan areas studied by the American Medical Association last year, health insurance was a highly concentrated industry under Justice Department guidelines. The number of health insurers nationwide have fallen by 20% since 2000. And this has clearly contributed to rising insurance rates. The AMA study found insurance rates were 12 percent lower in states with more competitive choices. The burden of ever rising insurance rates is borne particularly heavily by small businesses, who find it increasingly difficult to offer health insurance for their employees. And the problems of increasing concentration is compounded by the failure of the Justice Department to enforce the antitrust law in this industry. According to the 2007 AMA study, in the last 12 years, out of 400 health insurance mergers, the Justice Department challenged only two.

Vigorous competition in health insurance is essential to lowering health insurance premiums for consumers, and for businesses, and to assuring adequate payments to health care providers. We on the Antitrust Subcommittee will pay close attention to competition in health insurance markets in the months ahead. We will consider holding hearings on health insurance competition at the national level, and plan to ask the GAO to study the impact of consolidation on rising health insurance prices.

For all these reasons, today's hearing is a particularly relevant for our Subcommittee, and I thank Senator Specter for his work on this important issue. I now turn over the gavel to Senator Specter to preside at this hearing.