







Markets where an Aetna-Humana merger warrants antitrust scrutiny

Analysis of data from the 2015 update to "Competition in health insurance: A comprehensive study of U.S. markets"

Health Policy Group American Medical Association

This analysis provides the *commercial* market share and concentration (HHI) effects of a proposed merger between Aetna and Humana. Data used in this analysis are from the 2015 Update to the American Medical Association's "Competition in health insurance" study (i.e., 2013 HealthLeaders-InterStudy data). Using the 2010 Department of Justice (DOJ)/Federal Trade Commission (FTC) Horizontal Merger Guidelines, it presents the state and metropolitan statistical area (MSA) level markets where the merger would raise competitive concerns based on how the Guidelines classify markets. Under the DOJ/FTC merger guidelines:

- MSAs with an HHI less than 1500 are unconcentrated; mergers are unlikely to raise competitive concerns.
- MSAs with an HHI between 1500 and 2500 are moderately concentrated; mergers that increase the HHI by more than 100 points potentially raise significant competitive concerns and often warrant scrutiny.
- MSAs with an HHI of more than 2500 are highly concentrated; mergers that increase the HHI by 100 to 200 points potentially raise significant competitive concerns and often warrant scrutiny, and those that increase it by more than 200 points will be presumed likely to enhance market power.

The following set of tables report those markets' preand post-merger HHIs and the change in HHIs resulting from the proposed merger. The results are presented for *commercial*, combined (HMO+PPO+POS) product markets, as well as for HMO, PPO and POS markets separately. For each product market, they are reported at the state-level and then by MSA.

Tables 1, 3, 5, 6, 8, 10 and 12 list those states and MSAs where such a merger would be presumed likely to enhance market power according to the guidelines above (i.e., combination of a highly concentrated market with a significant increase in the HHI). Those are the markets that would be expected to be most adversely affected by the merger.

Tables 2, 4, 7, 9, 11 and 13 list those states and MSAs where such a merger potentially raises significant competitive concerns and often warrants scrutiny (i.e., combination of moderately to highly concentrated market with a meaningful increase in the HHI).

Results for the combined (HMO+PPO+POS) product market

The results of the analysis in Table 1 conclude that an Aetna-Humana merger would be presumed likely to enhance market power in the *commercial*, combined (HMO+PPO+POS) markets in the state of Kentucky.

Also focusing on the *commercial*, combined (HMO+PPO+POS) markets, the results of the analysis in Table 2 conclude that an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny in four additional states (TX, GA, UT, FL).

Although Table 1 and Table 2 show that the merger would cause important changes in the HHI (concentration), it should be noted that in the state of Kentucky, Aetna's premerger share was only 4.8 percent. Similarly, in the states listed in Table 2, Humana's pre-merger market shares were small—ranging from 3.7 percent in Florida to 4.6 percent in Texas. The significant increases in the HHI would be the result of Aetna's (or Humana's) high shares in those states.

Turning to the results by MSA, the results of the analysis in Table 3 conclude that an Aetna-Humana merger would be presumed likely to enhance market power in the *commercial*, combined (HMO+PPO+POS) markets in MSAs located in seven states (FL, GA, IL, KY, OH, TX, UT).

Also focusing on the *commercial*, combined (HMO+PPO+POS) markets, the results of the analysis in Table 4 conclude that an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny in MSAs in 14 states (AZ, FL, GA, IL, IN, KY, LA, MS, OH, TN, TX, UT, WI, WV).

Results for separate HMO, PPO and POS product markets

Table 5 shows the six states (TN, KS, TX, OH, FL, GA) in which the merger will be presumed likely to enhance market power in the *HMO* market, and Table 8 shows the three states (UT, KY, TX) in which the merger will be presumed likely to enhance market power in the *PPO* market.

Table 9 shows that in six states (WI, CO, KS, IL, LA, MS), the merger potentially raises significant competitive concerns and often warrants scrutiny in the PPO market.

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Turning to the results by MSA, Table 6 shows the MSAs, which are located across seven states (FL, GA, IL, MO, OH, TN, TX), where the merger is presumed likely to enhance market power in the *HMO* market. Table 10 shows that MSAs meeting those criteria in the PPO market are located in 14 states (CO, FL, IL, IN, KS, KY, LA, MO, MS, OH, TX, UT, WI, WV), and Table 12 shows one MSA (in GA) meeting those criteria in the POS market.

Table 7 shows the three MSAs (in FL, IL) where the merger potentially raises significant competitive concerns and often warrants scrutiny in the HMO market. Table 11 shows the MSAs classified in that way, which are located in 12 states (AZ, CO, FL, IL, IN, KS, LA, MO, MS, TN, TX, WI), for the PPO market, and Table 13 shows the one MSA (in GA) classified in that way for the POS market.

It is uncertain, however, whether separate product markets would be considered as constituting separate antitrust markets (i.e., not clear they are substitutes for each other).

Finally, it should be noted that although all MSA-level results show that the merger would cause important changes in the HHI (concentration), in many MSAs in the combined (HMO+PPO+POS) markets and in some MSAs in HMO and PPO markets, Humana's (or Aetna's) pre-merger shares were small, particularly when the change in the HHI was not very large. For example, that would generally be the case in many combined (HMO+PPO+POS) MSA-level markets across most states and in HMO and PPO markets in MSAs in several states (MO, FL, IL, CO, KS, MO, AZ, TX, IN, MS). The significant increases in the HHI are the result of Humana's (or Aetna's) high shares in those MSAs.

Combined (HMO+PPO+POS) markets

Table 1. States where an Aetna-Humana merger will be presumed likely to enhance market power

State	Total HHI	Total HHI post-merger	Change in HHI
Kentucky	2992	3304	312

Table 2. States where an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny

State	Total HHI	Total HHI post-merger	Change in HHI
Texas	2537	2699	162
Georgia	2127	2280	153
Utah	2232	2382	150
Florida	2285	2407	122

Table 3. MSAs where an Aetna-Humana merger will be presumed likely to enhance market power, by state

		Total HHI	
MSA name	Total HHI	post-merger	Change in HHI
Florida			·····•
Jacksonville, FL	2304	2592	289
Sarasota-Bradenton-Venice, FL	2463	2723	260
Tampa-St. Petersburg-Clearwater, FL	2372	2576	204
Georgia			
Macon, GA	2215	2819	604
Illinois			•
Rockford, IL	3748	4023	276
Kentucky		•	•
Louisville, KY-IN	2726	3081	355
Elizabethtown, KY	3586	3939	354
Lexington-Fayette, KY	2580	2865	285
Ohio			
Springfield, OH	1989	2593	604
Cincinnati-Middletown, OH-KY-IN	2591	2841	250
Texas			
El Paso, TX	2519	2871	352
San Antonio, TX	2455	2759	304
Corpus Christi, TX	2854	3062	207
Utah		•	•
St. George, UT	2235	2522	287
Provo-Orem, UT	2719	2939	220

Table 4. MSAs where an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny, by state

MSA name	Total HHI	Total HHI post-merger	Change in HH
Arizona		— post-merger	— Change III IIII
Yuma, AZ	3196	3325	129
Florida	3170	3323	127
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL	2109	2305	196
Lakeland-Winter Haven, FL	2170	2362	192
Miami-Miami Beach-Kendall, FL	1925	2080	154
West Palm Beach-Boca Raton-Boynton Beach, FL	2237	2377	140
Georgia	2237	2377	140
Rome, GA	1982	2385	402
Gainesville, GA	1889	2169	280
Atlanta-Sandy Springs-Marietta, GA	2032	2249	217
Athens-Clarke County, GA	2265	2394	129
llinois	2203	2354	129
Kankakee-Bradley, IL	3636	3817	181
Bloomington-Normal, IL Lake County-Kenosha County, IL-WI	3398 3177	3544 3316	146 138
	•••••	•••••	•••••
Peoria, IL	2580	2688	108
Indiana	2410	2520	
Evansville, IN-KY	3419	3539	120
Kentucky			
Owensboro, KY	4993	5112	119
Bowling Green, KY	3986	4101	115
Louisiana			
Lake Charles, LA	3502	3654	152
Monroe, LA	3455	3583	128
New Orleans-Metairie-Kenner, LA	3677	3794	118
Mississippi			
Gulfport-Biloxi, MS	2738	2917	179
Ohio	······································	·······	·····•
Dayton, OH	2786	2929	143
Tennessee			
Clarksville, TN-KY	2034	2328	294
Johnson City, TN	3549	3655	106
Texas			
Victoria, TX	2965	3160	196
Beaumont-Port Arthur, TX	2697	2878	181
Houston-Sugar Land-Baytown, TX	2389	2566	178
San Angelo, TX	3287	3462	176
Brownsville-Harlingen, TX	3528	3687	159
Fort Worth-Arlington, TX	2578	2733	155
Killeen-Temple-Fort Hood, TX	1998	2152	155
Waco, TX	2178	2316	138
Austin-Round Rock, TX	2775	2912	137
McAllen-Edinburg-Mission, TX	3560	3692	132

MSA name	Total HHI	Total HHI post-merger	Change in HHI
Lubbock, TX	3010	3137	127
Dallas-Plano-Irving, TX	2647	2762	115
Tyler, TX	3410	3511	100
Utah			
Salt-Lake City, UT	2200	2350	151
Wisconsin			
Milwaukee-Waukesha-West Allis, WI	3548	3698	150
Sheboygan, WI	2443	2590	147
Racine, WI	3683	3825	142
Oshkosh-Neenah, WI	1899	2028	129
Appleton, WI	2158	2280	122
West Virginia			
Huntington-Ashland, WV-KY-OH	1971	2315	344

HMO markets

Table 5. States where an Aetna-Humana merger will be presumed likely to enhance market power

State	нмо нні	HMO HHI post-merger	Change in HMO HHI
Tennessee	3293	4584	1291
Kansas	4252	5471	1219
Texas	1894	2581	686
Ohio	1836	2521	685
Florida	2087	2684	597
Georgia	2511	2908	397

Table 6. MSAs where an Aetna-Humana merger will be presumed likely to enhance market power, by state

MSA name	нмо нні	HMO HHI post-merger	Change in HMO HHI
Florida			
Jacksonville, FL	2823	4374	1551
Sarasota-Bradenton-Venice, FL	3566	4927	1361
Lakeland-Winter Haven, FL	2067	3176	1109
Tampa-St. Petersburg-Clearwater, FL	2176	3239	1063
West Palm Beach-Boca Raton-Boynton Beach, FL	2721	3764	1043
Orlando-Kissimmee, FL	2115	3096	981
Ocala, FL	2580	3407	827
Port St. Lucie-Fort Pierce, FL	3103	3799	696
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL	2867	3478	611
Miami-Miami Beach-Kendall, FL	2596	2878	282

MSA name	нмо нні	HMO HHI post-merger	Change in HMO HHI
Georgia		post-menger	
Macon, GA	3495	5135	1639
Gainesville, GA	2760	3468	708
Atlanta-Sandy Springs-Marietta, GA	2845	3298	452
Illinois		•••••	***************************************
Kankakee-Bradley, IL	3503	5021	1518
Rockford, IL	3633	4954	1321
Missouri			
Kansas City, MO-KS	4843	5089	246
Ohio			••••
Cincinnati-Middletown, OH-KY-IN	5757	6332	575
Springfield, OH	8289	8851	562
Dayton, OH	6321	6722	401
Tennessee			•
Clarksville, TN-KY	5414	7916	2503
Texas			
Houston-Sugar Land-Baytown, TX	3899	5659	1760
Austin-Round Rock, TX	2785	3954	1168
San Antonio, TX	2325	3303	979

Table 7. MSAs where an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny, by state

MSA name	нмо нні	HMO HHI post-merger	Change in HMO HHI
Florida			
Gainesville, FL	3528	3699	171
Deltona-Daytona Beach-Ormond Beach, FL	5588	5725	137
Illinois			
Peoria, IL	4295	4468	173

PPO markets

Table 8. States where an Aetna-Humana merger will be presumed likely to enhance market power

State	РРО ННІ	Total PPO HHI post-merger	Change in PPO HHI
Utah	3572	4088	516
Kentucky	3661	4154	493
Texas	4529	4745	215

Table 9. States where an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny

State	РРО ННІ	Total PPO HHI post-merger	Change in PPO HHI
Wisconsin	1809	2252	443
Colorado	2810	2976	166
Kansas	3645	3788	142
Illinois	5214	5350	136
Louisiana	6189	6298	110
Mississippi	4883	4991	108

Table 10. MSAs where an Aetna-Humana merger will be presumed likely to enhance market power, by state

MSA name	РРО ННІ	PPO HHI post-merger	Change in PPO HHI
Colorado			
Colorado Springs, CO	2720	3022	302
Grand Junction, CO	2518	2795	277
Florida		•	***************************************
Miami-Miami Beach-Kendall, FL	3305	3618	313
Tampa-St. Petersburg-Clearwater, FL	2865	3122	256
Lakeland-Winter Haven, FL	3346	3572	227
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL	3364	3580	215
Illinois			
Rockford, IL	5382	5648	266
ndiana			
Evansville, IN-KY	4634	4896	261
Kansas			
Wichita, KS	4402	4668	266
Kentucky			
ouisville, KY-IN	3633	4339	707
Elizabethtown, KY	4086	4582	496
_exington-Fayette, KY	2931	3361	431

MSA name	РРО ННІ	PPO HHI post-merger	Change in PPO HHI
Louisiana			
New Orleans-Metairie-Kenner, LA	4806	5022	216
Lake Charles, LA	5560	5775	215
Missouri			
Columbia, MO	5466	5857	391
Jefferson City, MO	3148	3501	352
Springfield, MO	2990	3311	321
Mississippi			
Gulfport-Biloxi, MS	4118	4440	323
Ohio			
Cincinnati-Middletown, OH-KY-IN	3910	4220	310
Texas			
El Paso, TX	4236	4625	389
San Antonio, TX	4166	4536	370
Houston-Sugar Land-Baytown, TX	4283	4531	249
Corpus Christi, TX	4768	5013	245
Fort Worth-Arlington, TX	4309	4545	236
Austin-Round Rock, TX	4265	4499	234
Victoria, TX	4738	4959	221
Killeen-Temple-Fort Hood, TX	3164	3369	205
Utah			
Provo-Orem, UT	2511	4088	1577
St. George, UT	3246	3954	708
Salt Lake City, UT	3450	4067	618
Ogden-Clearfield, UT	2945	3432	487
Wisconsin			.
Sheboygan, WI	2712	3608	897
Milwaukee-Waukesha-West Allis, WI	2338	3216	878
Racine, WI	2217	3094	877
Oshkosh-Neenah, WI	2249	2665	416
West Virginia			
Huntington-Ashland, WV-KY-OH	2296	2785	489

Table 11. MSAs where an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny, by state

MSA name	РРО ННІ	PPO HHI post-merger	Change in PPO HHI
Arizona			
Yuma, AZ	5092	5222	130
Colorado			
Greeley, CO	2834	3005	172
Boulder, CO	2867	3020	154
Pueblo, CO	3531	3669	138
Fort Collins-Loveland, CO	4030	4135	105

MSA name	PPO HHI	PPO HHI post-merger	Change in PPO HHI
Florida			
Jacksonville, FL	4035	4215	179
Cape Coral-Fort Myers, FL	3408	3580	172
Palm Bay-Melbourne-Titusville, FL	2452	2621	170
Punta Gorda, FL	3045	3214	169
Fort Walton Beach-Crestview-Destin, FL	4638	4791	153
Illinois		***************************************	
Bloomington-Normal, IL	4839	4999	161
Chicago-Naperville-Joliet, IL	5769	5921	152
Kankakee-Bradley, IL	6281	6400	120
Peoria, IL	3270	3372	102
Indiana			
Gary, IN	4721	4866	145
Bloomington, IN	5241	5378	137
Kansas			
Lawrence, KS	4606	4742	137
Louisiana		••••••	•
Baton Rouge, LA	6064	6227	163
Houma-Bayou Cane-Thibodaux, LA	6498	6611	114
Monroe, LA	6662	6764	102
Lafayette, LA	6020	6122	102
Missouri		•••••	
Joplin, MO	2476	2674	198
Mississippi			····
Jackson, MS	4919	5093	175
Tennessee	•		·····
Clarksville, TN-KY	3015	3186	171
Texas			
San Angelo, TX	5529	5728	200
Lubbock, TX	5596	5786	190
Beaumont-Port Arthur, TX	4614	4801	187
Waco, TX	4165	4350	186
Dallas-Plano-Irving, TX	4393	4575	182
Brownsville-Harlingen, TX	5418	5570	153
McAllen-Edinburg-Mission, TX	5737	5872	135
Tyler, TX	6108	6237	129
Sherman-Denison, TX	5195	5308	114
College Station-Bryan, TX	6097	6204	107
Abilene, TX	6437	6543	105
Wisconsin	0737		103
	1061	2460	498
Appleton, WI	1961	•••••	••••
Green Bay, WI	1899	2203	304
Janesville, WI	1776	2056	280
Eau Claire, WI	2206	2384	178
Madison, WI	1711	1831	120

POS markets

Table 12. MSAs where an Aetna-Humana merger will be presumed likely to enhance market power

MSA name	POS HHI	POS HHI post-merger	Change in POS HHI
Georgia			
Macon, GA	2615	2878	263

Table 13. MSAs where an Aetna-Humana merger potentially raises significant competitive concerns and often warrants scrutiny, by state

MSA name	POS HHI	POS HHI post-merger	Change in POS HHI
Georgia			
Gainesville, GA	2664	2783	118