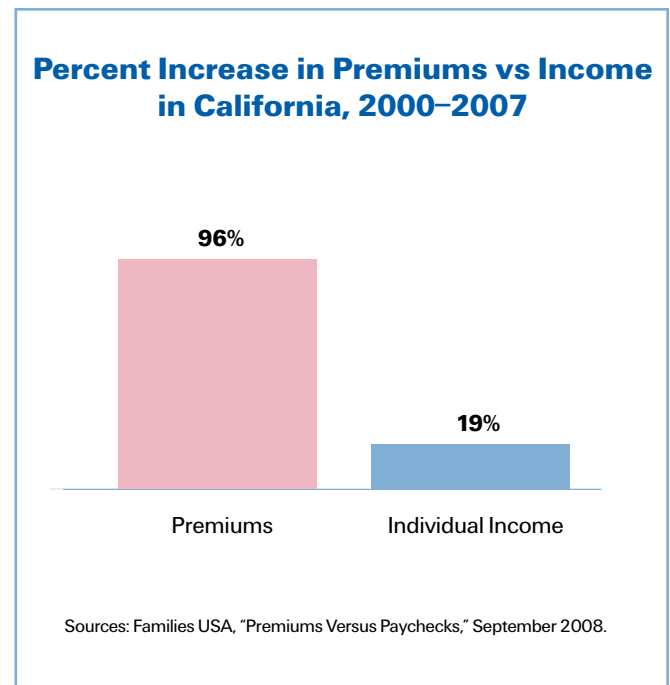
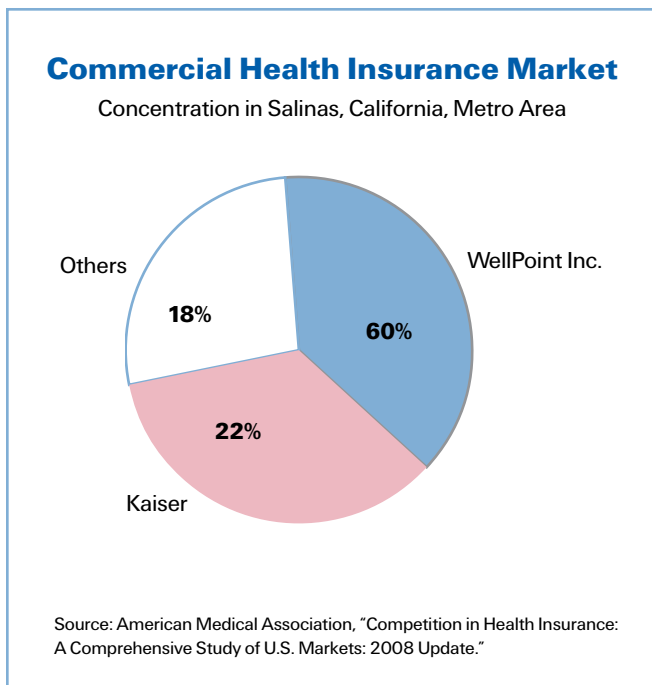


# California Consumers Pay the Price For Health-Insurance Market Failure

- In 2008, WellPoint Inc., the state's largest insurer, controlled 30 percent of the commercial market. Together with Kaiser Permanente, they hold 58 percent of the market.<sup>1</sup>
- Local markets are even more concentrated. In Salinas, WellPoint Inc. controls 60 percent of the market.<sup>2</sup>
- Health insurance premiums for California working families have skyrocketed, increasing 96 percent from 2000 to 2007.<sup>3</sup>
- For family health coverage in California during that time, the average annual combined premium for employers and employees rose from \$6,227 to \$12,194.<sup>4</sup>
- For family health coverage in California, the average employer's portion of annual premiums rose 91 percent, while the average worker's share grew by 111 percent.<sup>5</sup>
- From 2000 to 2007, the median earnings of California workers increased 19 percent, from \$25,740 to \$30,702. During that time health insurance premiums for California working families rose five times faster than median earnings.<sup>6</sup>

When a firm has more than a 42 percent share of a single market, the U.S. Justice Department considers that market to be "highly concentrated."<sup>7</sup> This means that an insurer could raise premiums and/or reduce the variety of plans or quality of services offered to customers with little fear of resistance.<sup>8</sup>



## ENDNOTES

<sup>1</sup>AMA data in this report are based on combined enrollment in preferred provider organizations (PPOs) and health maintenance organizations (HMOs) in states and metropolitan statistical areas (MSAs) as defined by the U.S. Census Bureau. The AMA calculates market share by dividing an insurer's enrollment in a given product by the total enrollment across all insurers in a market multiplied by 100. Total enrollment is for commercial products only, including self-insured employer-sponsored PPO plans and individual coverage, and does not include Medicare, Medicaid, or Children's Health Insurance Program enrollments. Self-insured employer plans refer to PPOs only. American Medical Association, "Competition in health insurance: A comprehensive study of U.S. markets: 2008 update."

<sup>2</sup>Ibid.

<sup>3</sup>Families USA, "Premiums versus Paychecks," September 2008. Accessed at <http://www.familiesusa.org/resources/publications/reports/premiums-vs-paychecks-2008.html>.

<sup>4</sup>Ibid.

<sup>5</sup>Ibid.

<sup>6</sup>Ibid.

<sup>7</sup>US Department of Justice, "The Herfindahl-Hirschman Index." Accessed at <http://www.usdoj.gov/atr/public/testimony/hhi.htm>.

<sup>8</sup>American Hospital Association, "The Case for Reinvigorating Antitrust Enforcement for Health Plan Mergers and Anticompetitive Conduct to Protect Consumers and Providers and Support Meaningful Reform," May 11, 2009. Accessed at <http://www.aha.org/aha/content/2009/pdf/09-05-11-antitrust-rep.pdf>.

This report makes use of data published by the American Medical Association (AMA), which is not a member of the Health Care for America Now coalition. The AMA did not collaborate with HCAN on this report.