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American Association of  
**HEALTH PLANS**

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**Federal Trade Commission and U.S. Department of Justice**

**Joint Hearing on  
Health Care and Competition Law and Policy**

**Statement of Stephanie Kanwit, Esq.  
General Counsel and Senior Vice President  
American Association of Health Plans**

**The Myth of Health Plan Monopsony Power  
April 25, 2003**

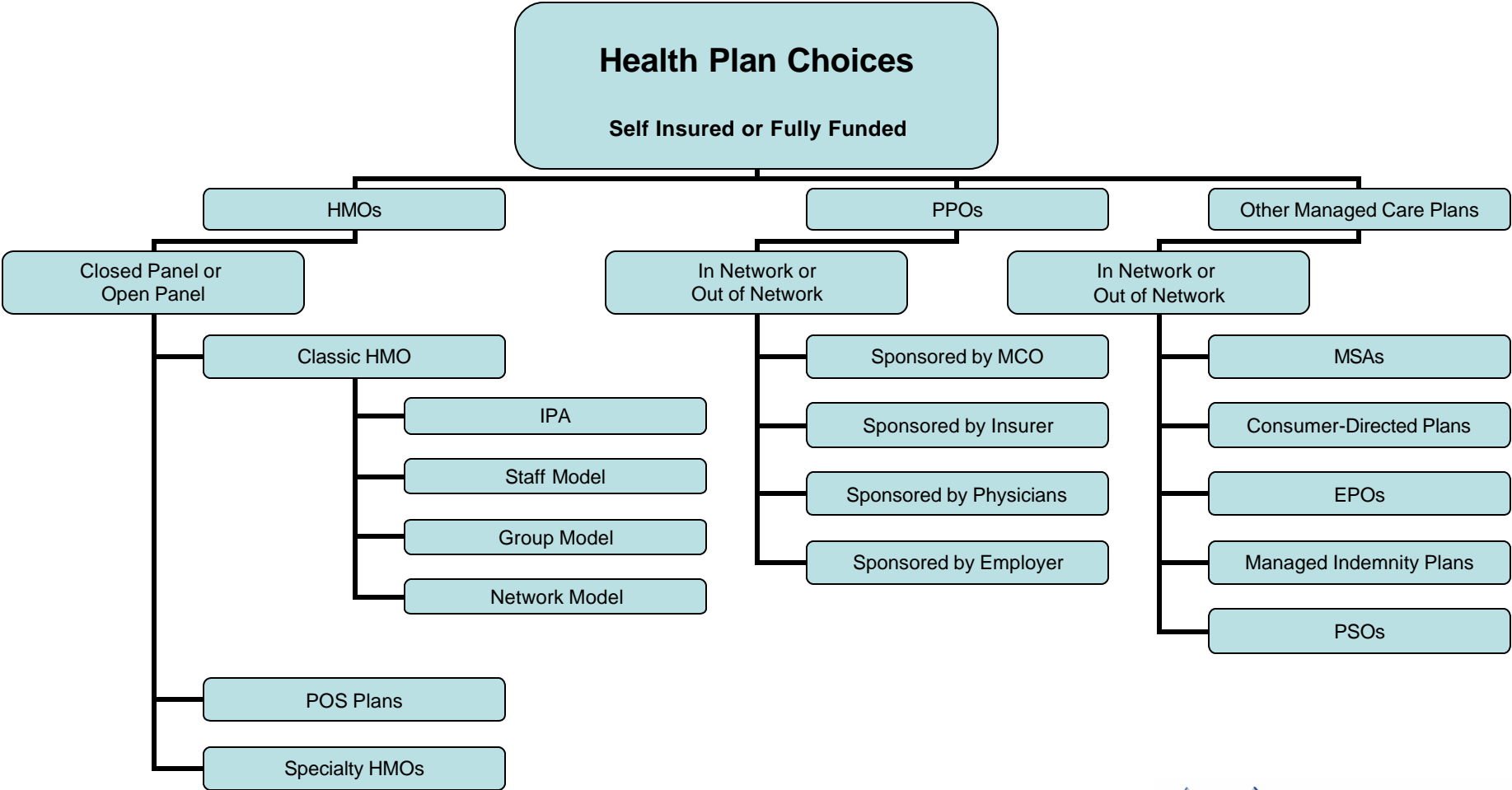
# CONSUMERS AND EMPLOYERS HAVE A VARIETY OF CHOICES AMONG HEALTH PLANS, WHICH ARE OFFERING A BROAD ARRAY OF OPTIONS

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- 8 or more managed care companies in each of the top 40 MSAs
- Each company offering multiple variations of products (HMOs, PPOs, etc.)
- Within those products, almost unlimited offerings (dental, alternative medicine, behavioral health, various co-pays and deductibles, etc.)
- Trends: Broader networks, with more doctors and hospitals included  
A wider range of product offerings



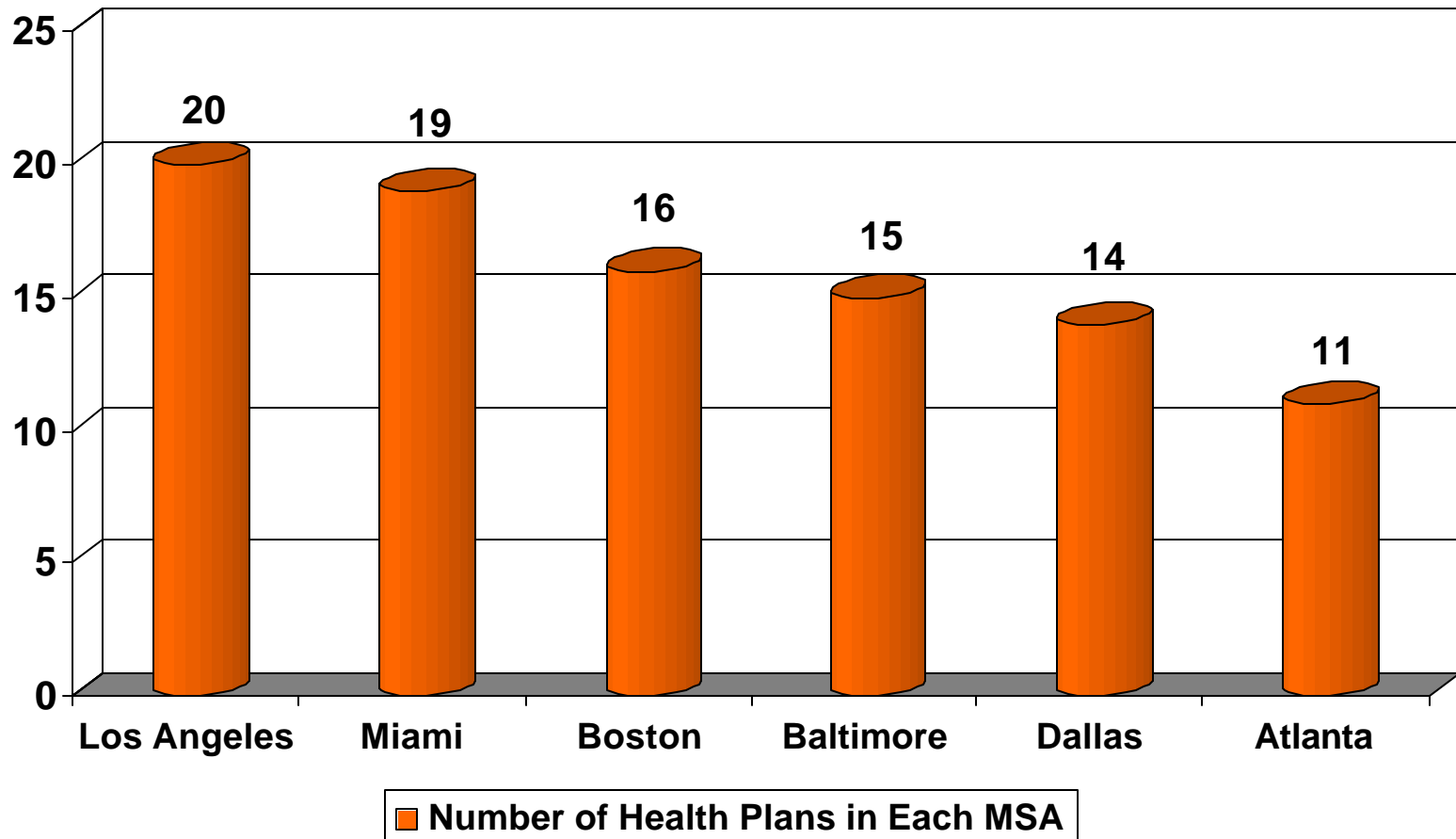
# Panoply of Health Plan Coverage Models



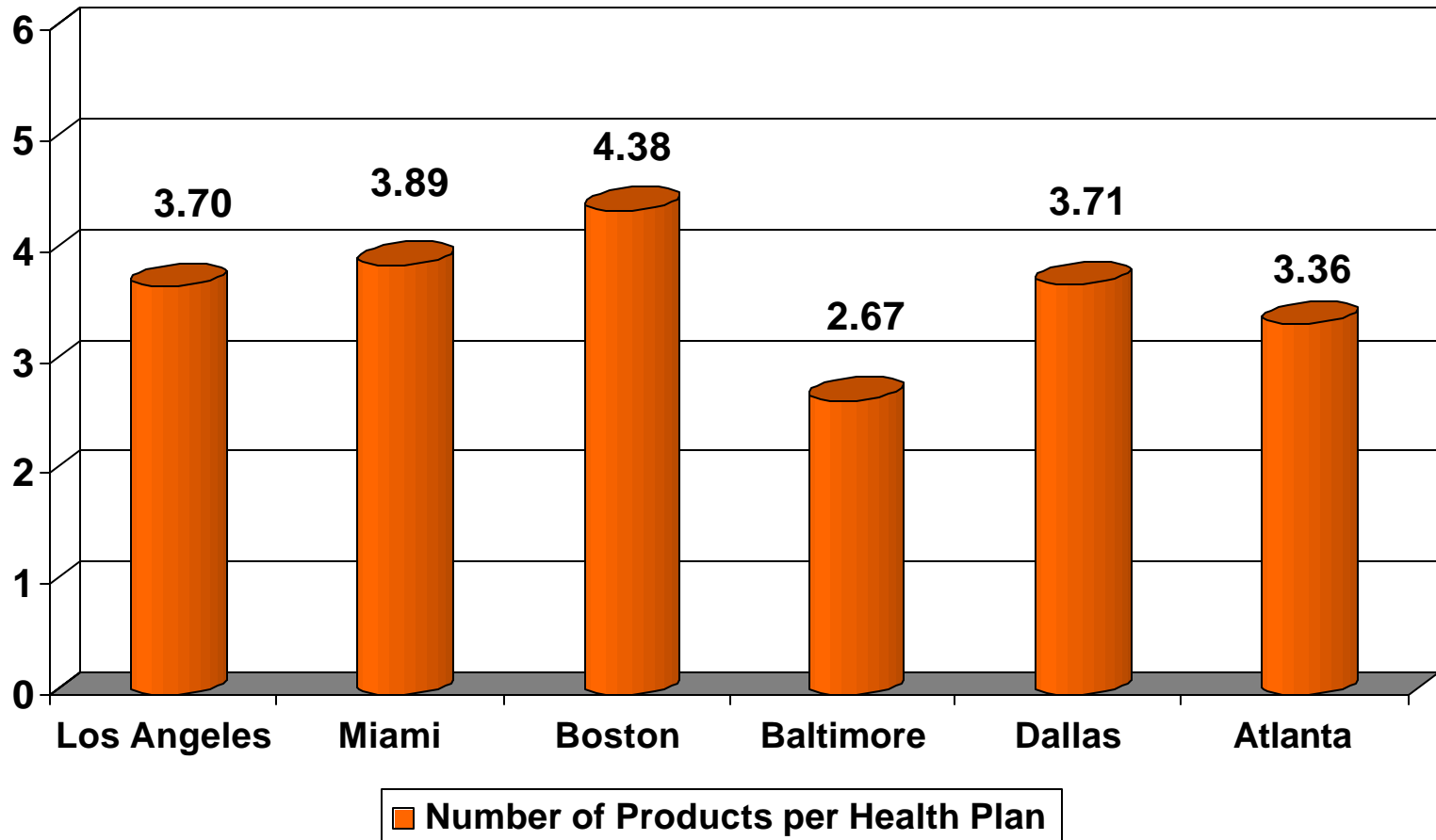
Source: Academy for Healthcare Management, *Managed Healthcare: An Introduction*, Washington DC, 2002 Edition.



# Multiple Competing Health Insurance Sellers Exist in Every Major Metropolitan Area



# Multiple Coverage Models Are Offered by Each Individual Health Plan

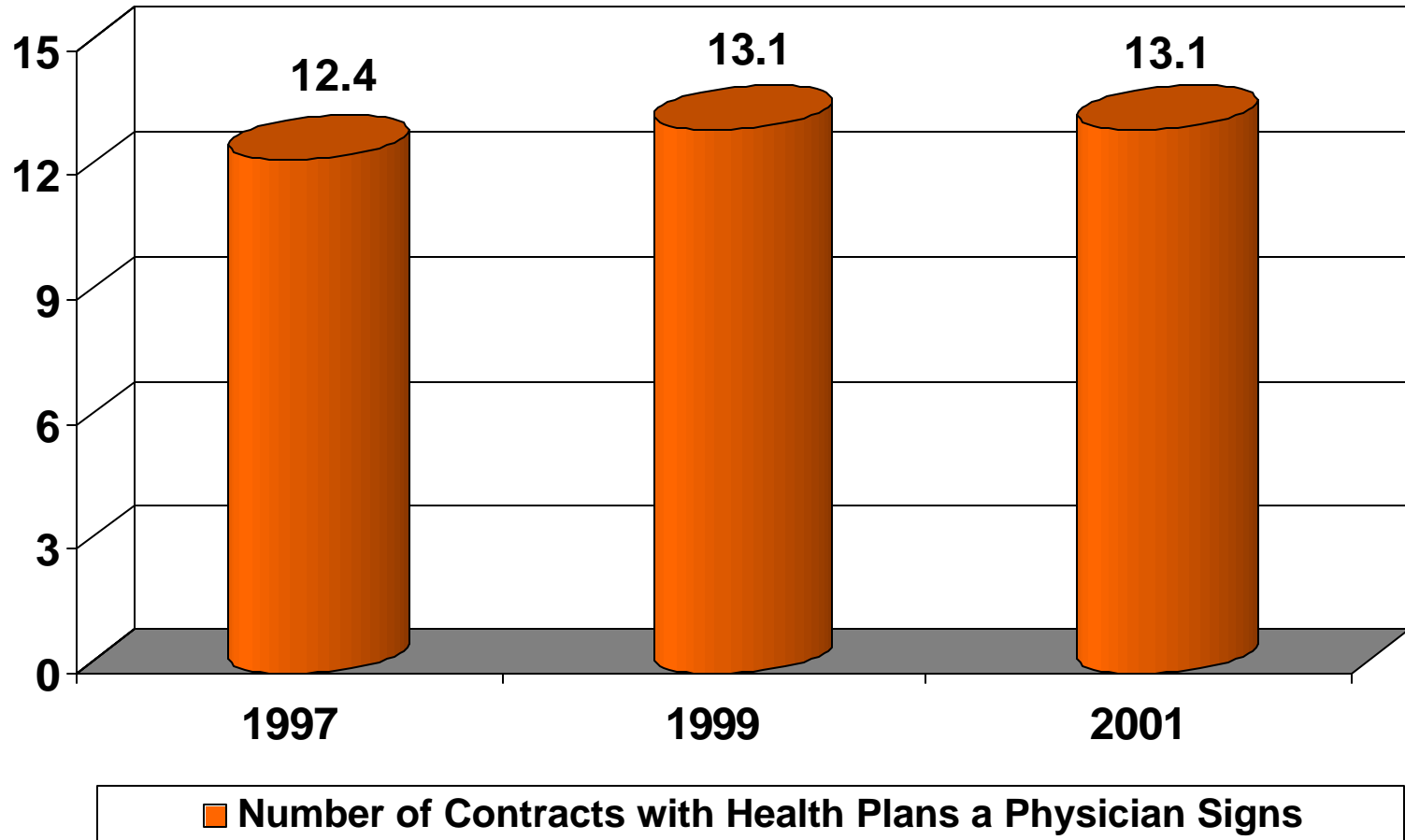


# PHYSICIANS AND OTHER PROVIDERS HAVE MARKET POWER OF THEIR OWN

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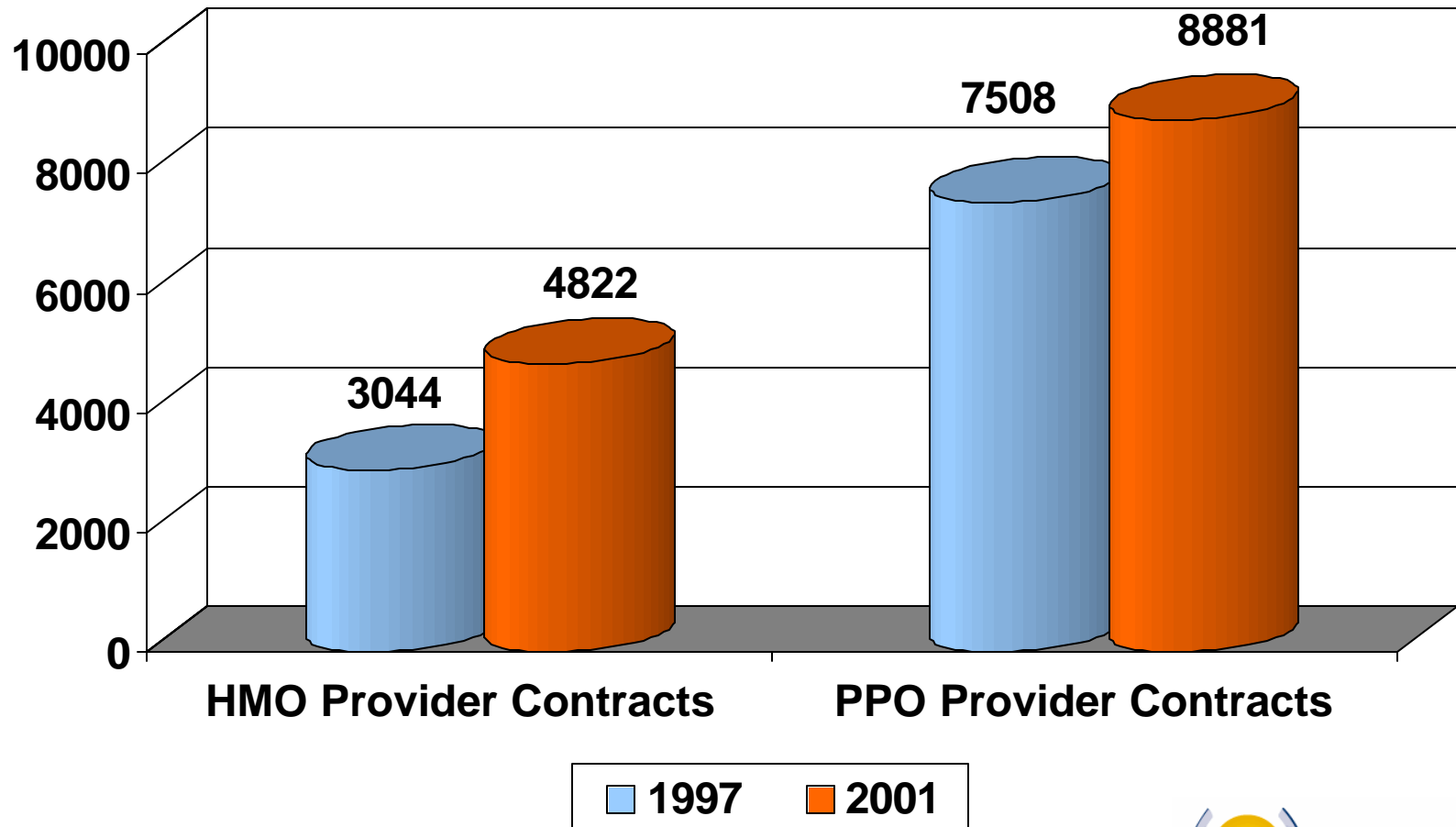
- **Less than half of revenue of average practice comes from managed care contracts**
- **Sell services to a wide variety of buyers (Government plans, self-insured, TPAs)**
- **Physicians normally contract with more than a dozen health care plans**
- **Often contract/negotiate as large groups of hospitals and hundreds of physicians**
- **Status of “must-have” provider in managed care networks**
- **Consolidation has increased negotiating leverage**

# Individual Physicians Normally Contract with Multiple Health Plans



Source: Norbut, M., "Managed Care Brings More Income, Less From Capitation," *amednews.com*, Dec. 2, 2002.

# Number of Physician and Hospital Contracts in Health Plan Networks Is Increasing



Source: Aventis Pharmaceuticals, *HMO-PPO/Medicare-Medicaid Digest*, Managed Care Digest Series, Editions 1998-2002.



# **THERE ARE NO MAJOR BARRIERS TO ENTRY IN HEALTH PLAN MARKETS THAT WOULD LIMIT THE NUMBER OF COMPETITORS OR PRODUCTS**

- **Major markets have eight or more competing plans, each with many products**
- **Multitude of small, single-state and regional plans are entering**
- **Employers/workers exercise sway in choosing type of health plan/switching to those that meet their needs**
- **Provider-owned health systems continue to flourish and take new forms (recently, physician-owned specialty hospitals)**
- **New models of health care financing emerging, e.g., consumer-directed plans**
- **Self-funding remains an employer option**

