

WHA Spotlights Scope of Insurer and Middlemen Consolidation in Letter to HHS, FTC

In response to a request for information (RFI) on consolidation and competition in the health care field, WHA encouraged policymakers to recognize the scope and impact of horizontal and vertical consolidation among dominant health insurers and the emergence of big middlemen intermediaries in the health care sector.

“The number of entities sitting between patients and their treatments, many of which are now vertically consolidated with health insurer conglomerates, has dramatically increased in the past decade,” wrote WHA President and CEO Eric Borgerding.

The letter to the federal Department of Health and Human Services (HHS), Department of Justice and the Federal Trade Commission (FTC) provided details on the stark contrast between the largest health insurance companies in the U.S. and the largest health systems.

For example, five insurers controlled 54% of the national health insurance market share in 2022, while 10 health systems accounted for 24% of the hospital market share.

The letter details the growth in vertical and horizontal insurer integration among large insurers, and that such insurer integration has not correlated to a reduction in premiums. In 2022—the last year for complete data and first year post-pandemic—medical inflation was 4.0%; hospital prices went up 2.2%, but insurer prices increased 5.9% per Bureau of Labor Statistics data.

Further, insurer integration allows insurers to bypass medical loss ratio requirements, as the profit insurers make through their acquisitions does not count toward the medical loss ratio.

Additional key facts in the letter included:

- Based on market cap and revenue, insurer-based United Health Group is not only the biggest health care conglomerate in the United States, but it is bigger than even the nation’s largest bank, JPMorgan Chase.
- The six largest for-profit health insurers’ revenue as a share of U.S. health spending has grown from 10% in 2011 to nearly 30% in 2023.
- Optum, a subsidiary of insurer-based United Health Group, is now the largest employer of physicians in the U.S., employing or affiliated with 90,000 physicians.
- Between 2019 and 2023, private equity and health insurers accounted for 76% of all acquired physicians nationally, compared to only 9% of physician acquisitions by hospitals and health systems during that time.
- Prior authorization and claims review processes are costing physicians and hospitals more than \$1.6B per month, with average-size health systems experiencing 110,000 claim denials due to prior authorization and other factors in 2021.

WHA suggested that policymakers recognize the financial drivers of consolidation for not-for-profit hospitals. Administrative burdens enabled by insurer market power such as increasing prior authorizations, care and payment denials, and other paperwork are leading to higher administrative costs for providers.

In addition, as labor shortages and supply costs grow, the role of chronic underfunding the Medicaid and Medicare programs creates an unlevel playing field between not-for-profit hospitals and investor-driven providers. This in turn may ultimately lead to an acceleration of closures of key services such as labor and delivery, emergency department, behavioral health and intensive care units.

The letter suggests that it is imperative that any discussion of integration recognize the operational impacts on hospitals of consolidation among dominant health insurers, demands on health care providers to find and implement efficiencies, and the

financial pressures that are fueled by rising costs and exacerbated by losses from government program reimbursement shortfalls.

Other Articles in this Issue

- [WHA Spotlights Scope of Insurer and Middlemen Consolidation in Letter to HHS, FTC](#)
- [GAO Recommends CMS Enhance Prior Authorization Oversight in Medicaid Managed Care](#)
- [WHA-Backed Federal Prior Auth Legislation Reintroduced as New GAO Report Exposes Further Prior Auth Abuse](#)
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- [Health Care Emergency Readiness Planning: Innovations in Health Care Surge Capacity Management](#)
- [WHA Information Center Welcomes New Employee, Phyo Aung](#)
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