October 31, 2012

Ralph T. Hudgens, Commissioner
Office of Insurance and Safety Fire
708 West Tower, Floyd Building
Two Martin Luther King, Jr. Drive
Atlanta, GA 30334

RE: BlueCross and BlueShield of Georgia Amerigroup Acquisition

Dear Commissioner Hudgens,

I am writing in my capacity as the president of the Medical Association of Georgia (MAG), which is the leading voice for the medical profession in the state with more than 7,000 physician members that represent every specialty in every practice setting. MAG urges you to reject BlueCross and BlueShield of Georgia’s (BCBSGA) proposal to acquire Amerigroup, which is one of the companies that the Georgia Department of Community Health (DCH) uses to manage the Medicaid program in the state. MAG is concerned about this acquisition because it...

- Would expand and solidify BCBSGA’s unfair market share
- Could effectively force physicians to participate in Amerigroup’s Medicaid plan given the potential for BCBSGA to use “all products clauses”
- Would complicate the state’s efforts to redesign the Medicaid program

According to a report by the American Medical Association, BCBSGA had a 37 percent share of the combined HMO and PPO insurance market in Georgia and a 42 percent share of the PPO product market in the state in 2009 and according to the FTC’s HHI, Georgia’s HMO/PPO and PPO markets are highly concentrated. The lack of competition in the state will continue to result in higher health insurance premiums. And given even greater size and scale, BCBSGA will be able to manipulate the marketplace (i.e., physician services and hospital care) to reduce pay for physicians and other health care providers to below-market levels — something that will ultimately reduce the amount of access that patients have to care.

Of course, BCBSGA has enjoyed some of its highest profits in a decade as a result of its monopoly in Georgia while patients in the state struggle with rising health insurance premiums and health care costs.

It is also worth noting that nearly half of these patients receive care at practices that have less than five physicians, plus physicians cannot negotiate with insurers across practices on a
collective basis. This competitive disadvantage will only grow worse for physicians if the BCBSGA/Amerigroup deal is allowed to go through.

Like any commercial health plan, BCBSGA could potentially include “all products clauses” in its contracts with physicians in Georgia—so physicians in greater numbers will effectively be forced to enroll in secondary programs like Medicaid when they sign a contract with BCBSGA.

Finally, the Medicaid program in Georgia is in flux as a result of the multitude of changes that are occurring as a result of the Patient Protection and Accountable Care Act (PPACA), including the possible addition of more than 600,000 patients beginning in 2014; broadening eligibility levels; standardizing and streamlining health insurance claims processing requirements; and the elimination of co-payments for preventive services. With that backdrop in mind, the timing couldn’t be worse for the BCBSGA/Amerigroup deal.

The bottom line is that allowing BCBSGA to acquire Amerigroup would be bad for patients and physicians in Georgia. MAG does not believe that this transaction would be in the state’s best interests, and for the reasons that we have outlined in this letter we urge you to reject the pending acquisition.

Thank you for your time and consideration. Please contact MAG Executive Director Donald J. Palmisano Jr. at dpalmisano@maq.org or 678.303.9250 in the event you have questions or need additional information.

Sincerely,

W. Scott Bohlke, M.D.
President
WSB/cg