



Testimony of
Melodie Peters, President
AFT Connecticut

Judiciary Committee Public Hearing
March 25, 2015

***SB 1120 An Act Concerning Application of the State's Antitrust Laws
to Hospital Mergers and Acquisitions***

Good afternoon Senator Coleman, Representative Tong and members of the Judiciary Committee. My name is Melodie Peters and I am the President of AFT Connecticut, a diverse union of 30,000 members. We are proud to represent approximately 7,000 healthcare workers in 10 acute care hospitals across the state. It is on their behalf that submit this testimony in support of SB 1120 An Act Concerning Application of the State's Antitrust Laws to Hospital Mergers and Acquisitions.

We have a particular interest in hospital mergers. AFT Connecticut represents more than 700 nurses, technicians and healthcare workers in four bargaining units at Manchester and Rockville Hospitals, which make up Eastern Connecticut Healthcare Network (ECHN). Last year, ECHN was a party to a failed for-profit conversion by Tenet Health Care Corporation and Yale-New Haven Health Services Corporation.

Rapid changes in our healthcare landscape caused ECHN and three other hospitals to seek a more stable financial partner. The Affordable Care Act, increased reliance on expensive technology, economies of scale and profit-taking opportunities have spurred the growth of large multi-state for-profit healthcare corporations. These corporations have set their sights on Connecticut hospitals, while large in-state non-profit hospital systems also seek to expand their market shares.

How will hospital conversions, mergers and other acquisitions affect Connecticut's patients, communities and healthcare workers? Will Connecticut residents continue to receive high quality, affordable care, or will efforts to consolidate hospitals and/or hospital systems reduce competition and raise consumer prices? We believe that SB 1120 will ensure that our state puts patients before profits.

The current conversion statute, CGS §19a-486, gives authority to the Office of Health Care Access (OHCA) and to the Attorney General to review the merits of any proposed conversion. OHCA's role is to protect patient access to quality healthcare, while the Attorney General's primary role is to review a number of provisions related to the financial transaction between the two parties, including how charitable assets will be treated. SB 1120 would expand these roles and require OCHA and the Attorney General to evaluate if any proposed hospital merger or acquisition would reduce competition among hospitals or raise prices for inpatient and outpatient services.

By reviewing whether hospital mergers violate antitrust statutes, OHCA and the Attorney General would put the focus on healthcare quality and cost. Patients would be the greatest beneficiaries from this improved transparency and oversight. If hospitals or hospital systems are allowed to acquire greater market share in the name of efficiency, they must demonstrate that they are not at the same time creating monopolies that drive up costs.

Nationally, the Federal Trade Commission (FTC) has been an ardent advocate for consumers in this area. Using the Clayton Antitrust Act of 1914, the FTC has won several high-profile hospital merger cases in recent years.

- In Albany, Georgia, the FTC successfully challenged the combination of Phoebe Putney Memorial Hospital and Palmyra Park Hospital, a for-profit hospital owned by HCA Holdings Inc. It argued the merger would create a local monopoly, leading to higher prices for patients and health insurers.ⁱ
- In Toledo, Ohio, the FTC ruled that the merger of the ProMedica Health System and St. Luke's Hospital would substantially lessen competition, allowing the hospitals to charge higher prices.ⁱⁱ
- A U.S. District Court judge in Rockford, Illinois, halted the acquisition of Rockford Health System by OSF Healthcare System, after the FTC demonstrated that acquisition would substantially reduce competition among hospitals and primary care physicians and significantly harm local businesses and patients.ⁱⁱⁱ
- The U.S. Court of Appeals for the Ninth Circuit upheld Idaho district court's determination that the combination of St. Luke's Health System and the Saltzer Medical Group would have a huge share of the market for primary care physician services and could charge higher prices.^{iv}

SB 1120 would provide important authority for OHCA and the Attorney General to assess similar arrangements while they are in the CON process and before the proposed transaction advances. It would save time and money for all involved and would protect Connecticut's healthcare consumers from the negative impacts of monopolistic behavior. We urge you to act favorably on SB 1120.

ⁱ <http://www.nytimes.com/2013/02/20/business/justices-back-ftc-on-blocking-hospital-mergers.html>

ⁱⁱ <http://www.nytimes.com/2012/04/03/us/in-ohio-ftc-bans-promedica-st-lukes-merger.html>

ⁱⁱⁱ <http://www.modernhealthcare.com/article/20120405/NEWS/304059974/judge-blocks-rockford-health-osf-merger>

^{iv} <http://www.lexology.com/library/detail.aspx?g=6aaf271d-4732-494e-af96-796493870a9d>