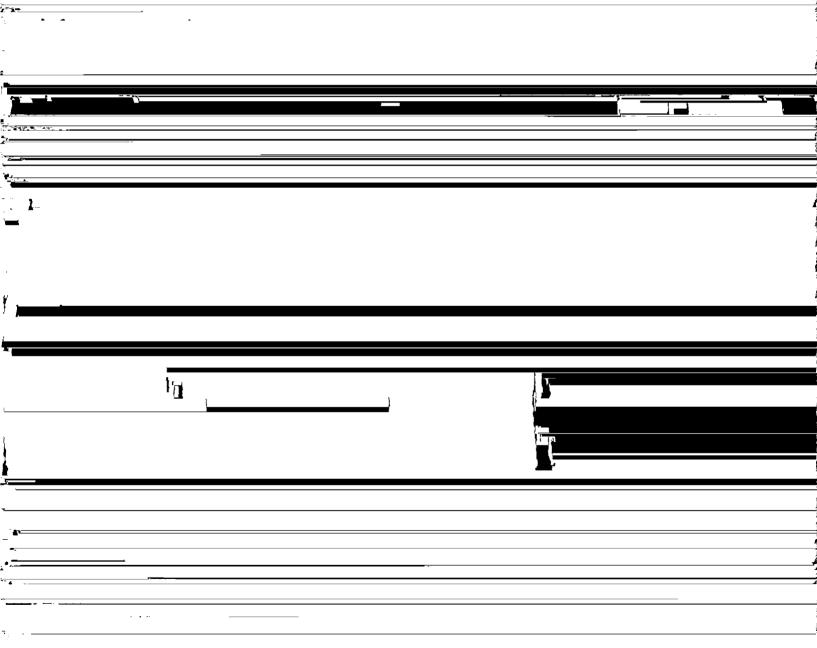


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on behalf of the three hospitals as a system. Respondents deny the remaining allegations	s in
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ANSWER: Respondents admit that ENH owns and operates Evanston, located in Evanston, Illinois; Glenbrook, a 136-bed hospital; and Highland Park. Respondents deny the remaining allegations in paragraph 5.

6. Prior to the merger Highland Park was offering a broad range of medical and surgical services. In addition, Highland Park was pursuing the offering of open heart surgery through regulatory filings with the state of Illinois and through formation of a joint venture with Evanston



and surgical services. Respondents deny the remaining allegations in paragraph 6.

7. ENH is the sole member or owner of ENH Faculty Practice Associates ("Faculty Practice

JURISDICTION

9. ENH is, and at all relevant times has been, engaged in commerce within the meaning of the Clayton Act. Before their merger with ENH, Highland Park, a non-profit Illinois corporation, and its parent Lakeland Health Services, Inc., a non-profit Illinois corporation, were engaged in commerce within the meaning of the Clayton Act. ENH's merger with Highland Park constitutes an

acquisition under the Clayton Act.

ANSWER: Paragraph 9 attempts to state a legal conclusion to which no response is required.

To the extent that a response to this paragraph is deemed necessary, the allegations are denied.

10. ENH Medical Group is, and at all relevant times has been, engaged in commerce within the meaning of the Federal Trade Commission Act.

ANSWER: Paragraph 10 attempts to state a legal conclusion to which no response is required.

To the extent that a response to this paragraph is deemed necessary, the allegations are denied.

11. ENH Medical Group is a corporation within the meaning of Section 4 of the Federal Trade Commission Act.

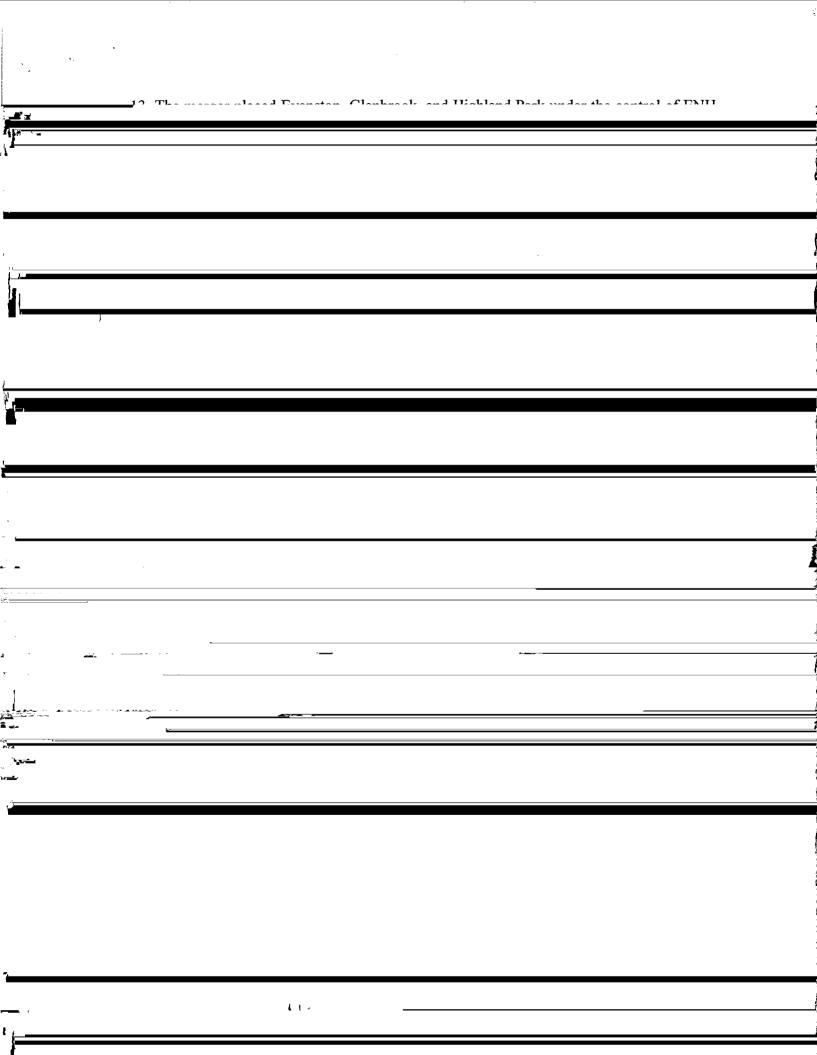
ANSWER: Paragraph 11 attempts to state a legal conclusion to which no response is required.

To the extent that a response to this paragraph is deemed necessary, the allegations are denied.

THE MERGER

12. On or about January 1, 2000, ENH and Lakeland Health Services, Inc., completed a merger by which Lakeland Health Services, Inc., and its subsidiary, Highland Park, merged with and into ENH. There was no merger or acquisition price in connection with this transaction. In August 1999, ENH estimated the fair market value of Highland Park at \$233,528,000.

ANSWED. Respondents admit that an archant January 1 2000 ENIL and I alread Uselle



PRODUCT MARKET

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16. The relevant product market is general acute care innatiant hagaital services sold to	
16. The relevant product market is general acute care inpatient hospital services sold to	
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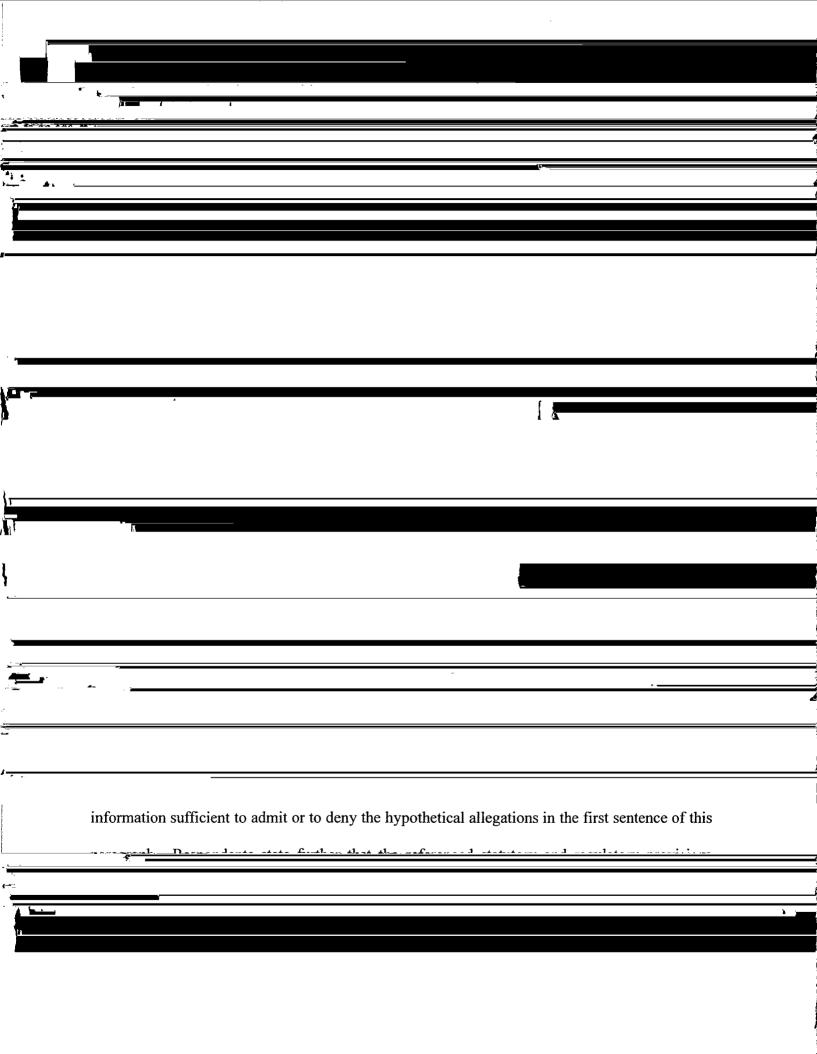
limited to, improvements in the quality of patient care throughout the ENH system, outweigh any alleged anticompetitive effects.

ENTRY CONDITIONS

19. It is unlikely that entry into the market would remedy, in a timely manner, the anticompetitive effects from the merger. Entry is difficult and likely to take more than two years

ANSWER: Paragraph 19 contains allegations entirely premised on attempts to state legal conclusions in preceding paragraphs of the complaint, and to which no response is required. To the extent that a response to this paragraph is deemed necessary, the allegations are denied.

20. Government regulations also make entry difficult. The Illinois Health Facilities Planning Act, 20 Illinois Code § 3960, restricts entry in this market. The Act prevents firms from entering the market by building a hospital without first obtaining a permit from the Illinois Health



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vindicate the establishes th Rather, the m for consumer their charges	merger was not necessary to permit the parties to achieve overriding efficiencies merger. Should the matter of efficiencies be placed properly in issue, the evidence at the merger has not led to lower costs at ENH that led to lower prices for consumer therefore has led to large cost increases at ENH that coincided with large price increases. The ability of ENH and Glenbrook hospitals to increase these operating costs are for general acute care inpatient hospital services, without a corresponding costs in quality of some forther reflects the mediant property of some forther reflects the mediant property and but the beautiful of the content of the cost of the
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ANSWER: conclusions in extent that a	Paragraph 24 contains allegations entirely premised on attempts to state leg a preceding paragraphs of the complaint and to which no response is required. To the response to this paragraph is deemed necessary, Respondents deny the allegations in
ANSWER: conclusions in	Paragraph 24 contains allegations entirely premised on attempts to state legation preceding paragraphs of the complaint and to which no response is required. To the response to this paragraph is deemed necessary, Respondents deny the allegations in

VIOLATION

	VIOLATION
	27. The merger of ENH and Highland Park has substantially lessened competition in the
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ANSWER: Respondents admit that United is a commercial payor that conducts business in the state of Illinois. Respondents further admit that ENH renegotiated its contract with United CIGNA after the merger, and that such contract documents speak for themselves. Respondents deny the characterizations of those contract negotiations, including the allegation that ENH forced CIGNA to pay on the basis of discounts from list prices. Respondents lack information sufficient to admit or deny the remaining allegations in paragraph 31(c), and therefore deny the same.

(d) Aetna Inc. ("Aetna") is a commercial payer that conducts business in the inpatient care. In 2000, ENH raised Aetna's rates by about 45-50% over three years ANSWER: Respondents admit that Preferred Plan is a commercial payor that conducts business in the state of Illinois. Respondents further admit that ENH renegotiated its contract with Preferred Plan after the merger, and that such contract documents speak for themselves. Respondents deny the characterizations of those contract negotiations, including the allegation that ENH forced Preferred Plan to pay on the basis of discounts from list prices. Respondents lack information sufficient to admit or deny the remaining allegations in paragraph 31(f), and therefore

(g) HFN, Inc. ("HFN") is a commercial payer that conducts business in the state of Illinois. As a result of the merger, HFN faced significantly higher prices for inpatient care. In 2000, ENH raised HFN's exclusive provider organization ("EPO") rates by about 21% for Highland Park and 25% at Evanston and Glenbrook hospitals and raised HFN's PPO rates by higher amounts as measured by HFN.

ANSWER: Respondents admit that HFN is a commercial payor that conducts business in the state of Illinois. Respondents further admit that ENH renegotiated its contract with HFN after

COUNT III: PRICE FIXING OF PHYSICIAN SERVICES IN VIOLATION OF FTC ACT § 5

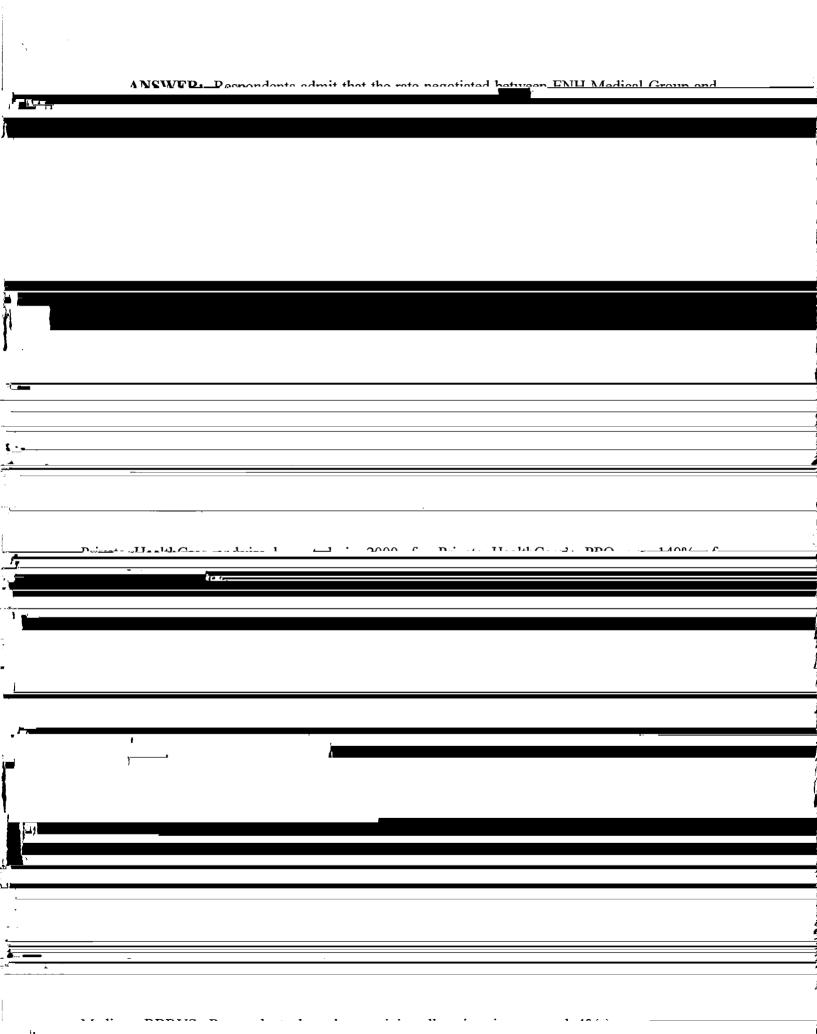
33. The allegations of paragraphs 1 through 14, 26 and 31 are incorporated by reference as though fully set forth herein.

ANSWER: Respondents incorporate by reference their answers to paragraphs 1 through 14, 26 and 31.

	and 31.
	34. In many instances, ENH also followed a strategy of negotiating hospital services and
	34. In many instances, ENH also followed a strategy of negotiating hospital services and
	
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	accept the terms offered for both hospital and physician services, or face termination of both.
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	ANSWER: Respondents admit that ENH Medical group negotiates prices for capitated contracts	
	on behalf of 471 independent physicians. Respondents deny the remaining allegations in the first	
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	40. About 300 of the 450 independent or affiliated physicians formerly contracted through the Highland Park IPA. Following the merger, the ENH Medical Group established prices for about 910 physicians - about 460 salaried physicians and 450 independent physicians, including about 300 formerly affiliated with the Highland Park IPA. Following the merger, the ENH Medical
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	ANSWER: Respondents deny the remaining allegations in paragraph 40.
	41. The prices charged for physician services are often set by reference to Medicare's
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	RBRVS. Respondents denv the remaining allegations in paragraph 43(d).
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NOTICE OF CONTEMPLATED RELIEF

Respondents deny that the FTC is entitled to any relief and deny all the allegations contained in the FTC's Notice of Contemplated Relief.

GROUNDS OF DEFENSE

	Without	assuming any b	ourden they would i	not otherwise bear	, Respondents assert	the
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appropriate as the case progresses:

First Defense

The Commission's complaint in whole or in part fails to state a claim upon which relief

Fifth Defense

The complaint fails to comply with the requirements of Section 5(b) of the Federal Trade Commission Act, 15 U.S.C. § 45(b), because the issuance of the complaint and relief sought are not in the public interest.

Sixth Defense

The merger of Highland Park into ENH yielded significant procompetitive efficiencies that outweigh any alleged anticompetitive effects.

Seventh Defense

The merger of Highland Park into ENH facilitated significant improvements in the quality of patient care throughout the ENH system that outweigh any alleged anticompetitive effects.

Eighth Defense

Prior to the merger, Highland Park was a failing firm.

Ninth Defense

