1410231

UNITED STATES OF AMERICA BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS:	Edith Ramirez, Chairwoman Julie Brill	
	Maureen K. Ohlhausen Terrell McSweeny	
In the Matter of		
Advocate Health Care Network, a corporation;)) Docket No. 9369)
Advocate Health and Hos a corporati))) DDOVISIONALLY DEDACTED
and) PROVISIONALLY REDACTED PUBLIC VERSION
	ersity HealthSystem, on.	/))

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act ("FTC Act"), and by the virtue of the authority vested in it by the FTC Act, the Federal Trade Commission ("FTC" or "Commission"), having reason to believe that Respondents

NATURE OF THE CASE

- 1. Advocate and NorthShore are the two leading providers of general acute care ("GAC") inpatient hospital services in the northern suburbs of Chicago, Illinois The proposed ansactior between Respondents ("Transaction") would join these two hospital system to create by far the largest hospital system of County and southern Lake County.
- 2. The proposed Transaction will substantially lessen competition and cause significant harm to consumers. If Respondents consummate the Transaction, healthcare costs will rise, and the incentive to increase service offerings and improve the quality of healthcare will diminish
- 3. Advocate and NorthShore are close, if not each other's clossespetitors in the North Shore area

Moreover, both Advocate and NorthShore have a history of upgrading medical facilities, investing in new technologies, a**ad**justing their approach to managed care contracting because competition from each other

- 4. The Transactionvill substantially lessen competition in the market for GAC inpatient hospital services sold and provided to commercial payershealth plans) and their insured members, respectively ("GAC inpatient hospital services"). The relevant geographic market in which to analyze the effects of the Transactions the area in northern Cook County and southern Lake County, defined as the "Noth Shore Area." The North Shore Area is boundled in the market in which to spitals—NorthShore Evanston Hospital, Swedish Covenant Hospital, Presence Resurrection Medical Center, Northwest Community Hospital, Advocate Condell Medical Center, and Vista Medical Center Eaand contains five additional hospitals—NorthShore Glenbrook Hospital, NorthShore Highland Park Hospital, NorthShore Skokie Hospital, Advocate Lutheran General Hospital, and Northwestern Lake Forest Hospital Collectively, Respondents own and operate more han half the GAC hospitals located within the North Shore Area.
- 5. Responderst are already the two largest providers admissions, of GAC inpatient hospital services the North Shore Area. Respondents employated affiliated with large networks of physicians, offer a vast suite of GAC inpatient hospital services, and operate with additional competitive advantages over other hospitals in the North Shore Area. PostnactionRespondents would control 55% of the GAC inpatient hospital services are postnaction and period.

revenue in 2014 exceeded \$173 million. Both Advocate Lutheran General and Advocate Condell are Licensed Level I Adult Trauma Centers

14. Advocate employs approximately 1,375 physicians as part of its employed physician group, the Advocate Medical Group, and clinically integrates with an additional 3,825 non-

The Transaction

18. In early 2014, NorthShore initiated discussions with Advocate regazding potential affiliation. On September 11, 2014, Responsementered into the Affiliation Agreement, according to which HACN will

GAC INPATIENT HOSPITAL SERVICES

Share of CommercialGAC Inpatient Admissions for Hospitals Within North Shore Area Limited to commercial patients residing in the 6county Chicagoland metropolitan area

	Share of Admissions		
Hospital	Pre-Transaction	PostTransaction	
NorthShore Evanston Hospital NorthShore Glenbrook Hospital NorthShore Highland Park Hospital NorthShore Skokie Hospital	35%		

commercial payers. This increase in leverage is greater when the merging hospitals are closer substitutes for (and competitors to) each other.

38. Changes in the reimbursement terms negotiated between a hospital and commercial payeincluding increases in reimbursement rasis, if in the

substitutes, the Transaction would eliminate a significant incentive for the Respondents to compete on price and other reimbursement terms

expansion of current facilitiesObtainingCON approvals a timeconsuming process Moreover, construction of a new hospital would take substantially longerthan two years from initial planning stages to opening

54. Potential entry or expansion would also be insufficient to counteract the anticompetitive effects of the TransactionEntrants would face significant challenges in replicatingne competitivenessend reputation of either Advocate or NorthShore, both of whom offer a broad cluster of GAC inpatient hospital services, have multiple hospitals in the relevant magenterate billions of dollars in annual revenue, and provide healtenservices to tens of thousands of inpatients per year

VIII.

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such answer, you may, however, reserve the right to submit proposed findings and conclusions under Rule 3.46 of the Commission's Rules of Practice for Adjudicationeeed dings.

Failure to file an answer within the time above provided shall be deemed to constitute a waiver of your right to appear and to contest the allegations of the complaint and shall authorize the Commission, without further notice to you, to find the facts to be as alleged in the complaint and to enter a final decision containing appropriate findings and conclusions, and a final order disposing of the proceeding.

5. Any other relief appropriate to correct or remedy the anticompetitive effects of the transaction or to restore NorthSlasre viable, independent competitor in the relevant service and geographickets

IN WITNESS WHEREOF, the Federal Trade Commission has caused this complaint to be signed by its Secretary and its official seal to be hereto affixed, at Washington, D.C., this seventeenth day of Decemb2015.

By the Commission.

Donald S. Clark Secretary

SEAL: