

**ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS  
TO AID PUBLIC COMMENT**

*In the Matter of CentraCare Health System  
File No. 161-0096*

**I. Overview**

On February 29, 2016, CentraCare entered a definitive agreement to acquire all outstanding shares of stock in SCMG (“the Acquisition”). Under the terms of the Acquisition, CentraCare is to directly employ all of SCMG’s physicians and advanced practice providers (“APPs”). The Commission’s Complaint alleges that the Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, by substantially lessening competition for the provision of adult primary care, pediatric, and OB/GYN services in St. Cloud, Minnesota.

As the Complaint alleges, however, SCMG has recently lost its sole remaining line of credit and appears unlikely to be able to improve its financial condition. Physicians are leaving the group, and there is compelling evidence that others will depart the practice (and potentially the St. Cloud area) if the Acquisition is not consummated. Such physician departures would cause an immediate decline in revenues that could further destabilize the group. Although SCMG made a good-faith, but ultimately unsuccessful, multi-year effort to find an alternative buyer for the entire medical group, one local provider has recently expressed interest in employing a subset of the group, and other smaller, independent practitioners

The Consent Agreement includes an Order to Suspend Enforcement of CentraCare Non-Competes and Maintain Assets, which is final immediately, and a Decision and Order, which is subject to the Commission's final approval. The Consent Agreement has been placed on the public record for 30 days to receive comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again

#### **IV. The Consent Agreement**

The goal of the Consent Agreement is to mitigate the competitive effects of the Acquisition by preserving, to the extent possible, competition for adult primary care, pediatric, and OB/GYN services in the St. Cloud area. At least one local provider may be a viable alternative purchaser to CentraCare for a portion of the practice in that they have the capacity and the desire to employ some SCMG physicians. Likewise, some SCMG physicians appear interested in these opportunities. Those parties need additional time to pursue such an arrangement, and other interested local providers looking to add physicians may be identified during this time as well.

The Commission believes that the Consent Agreement presents the best opportunity to keep the SCMG physicians in the St. Cloud market, ensuring ongoing access to care and minimal disruption for St. Cloud area patients, while allowing local competitive alternatives to CentraCare for the relevant physician services to expand. The Consent Agreement will allow current SCMG physicians to accept alternative local employment opportunities post-acquisition without the risk of violating non-compete provisions in their employment contracts.

Specifically, the Consent Agreement provides that following the issuance of a final Decision and Order and during the 90-day First Release Period, former SCMG physicians can terminate their employment with CentraCare without penalty if the physician:

- (1) Submits notice of an intention to terminate employment with CentraCare to a monitor who has been appointed by the Commission to assist in implementing the Consent Agreement in a manner that assures each physician's confidentiality;
- (2) States the intention to continue to practice in the St. Cloud area for at least two years;
- (3) Is among the first 14 physicians to submit a notice to terminate employment; and
- (4) Leaves employment with CentraCare within 60 days of CentraCare receiving notice from the monitor.

CentraCare may request that the First Release Period be terminated as soon as the monitor has determined that 14 physicians have met the requirements to terminate.

If, at the end of the First Release Period, fewer than

To encourage the creation of