Tennessee COPA Public Hearing Testimony
June 7, 2016

Good Evening. I'm Mark Seidman, Deputy Assistant Director for the Mergers IV Division at the Federal Trade Commission. I appreciate the opportunity to appear before the Tennessee Department of Health today and discuss some preliminary thoughts about the proposed merger between Mountain States Health Alliance and Wellmont Health System. The Federal Trade Commission has authorized me to appear. However, my remarks are my own, and are based on the views of FTC staff. They do not necessarily represent the views of the Federal Trade Commission or any individual Commissioner.

The FTC's mission is to promote competition and protect consumers. Competition provides consumers with the benefits of lower prices, higher quality goods and services, and innovation. As part of its mission, the FTC regularly evaluates hospital mergers, assessing whether the potential benefits of a proposed merger outweigh the potential harm from the loss of competition. Our analysis is similar to the review that the Department of Health is required to perform as part of the Certificate of Public Advantage (or "COPA") process. If we determine that the harm to consumers from a merger outweighs the merger's benefits, the FTC may challenge the merger. But the FTC challenges very few hospital mergers—only about 1% of announced hospital mergers in the last decade—and only challenges them when a thorough economic analysis and real world evidence demonstrate that the merger would substantially lessen competition.

In this case, the FTC staff has been analyzing the proposed merger of Mountain States and Wellmont for over a year. While our analysis is ongoing and we look forward to receiving additional information regarding the parties' COPA application, there appear to be few local alternatives to Mountain States and Wellmont. This means that most of the competition that each of these two systems currently face comes from each other. A merger between them would eliminate this competition and would lead to a single dominant health system in the area. Many studies have shown that when hospital mergers have substantially reduced competition, prices for health care services have increased significantly. Public and private local employers, as well as patients, pay for these price increases in the form of higher premiums, higher co-pays, higher deductibles, less insurance coverage, and potentially in other ways.

Our investigation to date suggests that local consumers have benefitted from the close competition that currently exists between Mountain States and Wellmont in the form of lower prices and higher quality care. This competition has created incentives for both hospital systems to improve the quality of their existing services and to make investments that expand the medical technology options for area patients. Competition creates these benefits. When patients have a choice of provider, hospitals must offer high quality health care services to attract these patients. If a merger diminishes or eliminates competition and patient choice, the merged hospital system's incentive to maintain or improve quality generally diminishes as well.

Similar to the Department of Health's review of the COPA application, as part of our merger analysis, we also evaluate the likely benefits of mergers to determine whether those benefits will offset the likely harm from the merger. To this end, we are currently examining the possible cost savings and quality-of-care benefits that this merger may provide to the local community.

We are also examining the commitments proposed by Mountain States and Wellmont to mitigate the potential harm from the lost competition caused by the merger. Although our analysis is ongoing, experience shows that the kinds of commitments proposed by the parties to