



**Written Comments of America's Health Insurance Plans
Submitted to the Southwest Virginia Health Authority
September 30, 2016**

On behalf of America's Health Insurance Plans (AHIP), we write to reiterate our request that the Southwest Virginia Health Authority (the Authority) take all actions necessary to protect consumers from anticompetitive hospital consolidation in the Commonwealth of Virginia. AHIP is the national trade association representing the health insurance community. AHIP's members provide health and supplemental benefits through employer-sponsored coverage, the individual insurance market, and public programs such as Medicare and Medicaid. AHIP advocates for public policies that expand access to affordable health care coverage to all Americans through a competitive marketplace that fosters choice, quality, and innovation.

AHIP and its members have a strong interest in ensuring that consumers benefit from competitive provider markets. AHIP has previously expressed concern about anticompetitive hospital consolidation, noting the impact of such consolidation on the cost of care, the quality of services, and the pace of innovation.

We have previously raised concern to the Authority, and to other agencies in Virginia and Tennessee, about the proposed merger of Mountain States Health Alliance (MSHA) and Wellmont Health System (Wellmont). Reports have indicated that the merger will lead to a hospital monopoly in certain portions of Virginia and Tennessee. We also have noted the likely harm to consumers if a Cooperative Agreement/Certificate of Public Advantage (COPA) were granted in the Wellmont-MSHA transaction. A COPA here would harm consumers by indicating that the transaction has "state action" immunity from antitrust laws, impeding the normal antitrust review process conducted by the federal antitrust agencies.

As noted in our previous submission to the Authority, we are able to offer more information about the likely harm to consumers from the transaction through a detailed economic analysis conducted by two leading competition economists, Michael Doane and Luke Froeb. The report utilizes several modes of analysis, each of which documents the likely competitive harm that would follow from this transaction. Specifically, the report concludes that:

- In the Southwest Virginia and Northeast Tennessee areas that comprise the 90 percent inpatient draw area of the merged hospitals, the proposed merger creates a firm with over

a 77 percent share.

- An analysis of inpatients' hospital choices shows that the merged hospitals are each other's closest competitors. If Wellmont were to close, 75 percent of its patients would go to a Mountain States hospital. Similarly, if Mountain States were to close, 72 percent of its patients would go to a Wellmont facility.
- The "willingness to pay" modeling framework routinely used by competition agencies to evaluate the competitive effects of hospital mergers predicts price increases from this merger ranging from 12 percent at the low end to 130 percent at the high end.

Based on these analyses, the report concludes that "the merger is likely to significantly reduce competition and raise prices for consumers." The full report is included again with these comments for your convenience.

While COPAs may have the worthy goal of attempting to prevent, through regulation, harm to consumers from hospital mergers, COPA regulation cannot substitute fully for competition. The Federal Trade Commission (FTC) has advised states that COPAs are unnecessary to allow pro-competitive activities and instead are likely to lead to "increased health care costs and decreased access to health care services."

We respectfully repeat our suggestion to the Authority that the FTC's guidance, the record of consumer harm from past anticompetitive hospital consolidations, and the conclusion reached by health care economists that this transaction will significantly reduce competition and raise prices for consumers should weigh significantly in its considerations.

The best approach is to prevent anticompetitive mergers and preserve competition in Virginia. Thus, we encourage the Authority and other entities in Virginia to ensure that COPAs are not used to allow transactions that will harm consumers of Virginia. More specifically, we encourage the Authority not to support the grant of a COPA to Wellmont-MSHA, but rather to let the transaction be analyzed by the federal antitrust agencies under the standard antitrust review process. A standard antitrust review process will ensure that consumers are protected from anti-competitive behavior, increased health care cost and reductions in access to care.

We thank the Authority for the opportunity to submit these comments.



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