

Insurers say hospital merger in far southwest Virginia would drive up costs

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A merger of far southwest Virginia's predominant health care systems would create a monopoly that would price patients out of affordable care, according to economists hired by the nation's insurers.

America's Health Insurance Plans on Friday released a report that says a merger by Wellmont Health System and Mountain States Health Alliance would give the combined company more than a 77 percent share of the market covering far southwest Virginia and east Tennessee and raise prices by at least 20 percent.

"Concentration would increase well beyond the thresholds considered anticompetitive by competition agencies," the report written by Michael Doane and Luke Froeb of Competition Economics said.

Wellmont and Mountain States plan to combine their systems, which together serve about two dozen mountainous counties in the two states. Proponents think the merger would better position the rural hospitals to withstand a changing marketplace, and protect communities from losing their hospitals as happened in Lee County in 2013 when Wellmont, without warning, closed the hospital.

Opponents believe that the merger would decrease access by making health care unaffordable, and that it would not inoculate against hospital closures.

Wellmont and Mountain States issued a joint statement in response to the insurers' association, which they called "a D.C.-based lobbying group whose efforts and advocacy have led to double digit increases in health insurance premiums for consumers this year."

The health care companies said that they have "overwhelming support from the business community, the public and our local elected officials," and that the merger would improve community health and reduce the growth in costs.

"We plan to submit documents to the states and to the public in just a few weeks, which will outline the facts of our commitments. At that time, we will fully respond to the study paid for by AHIP, and the public will have the opportunity to reflect on the actual facts," the joint statement said.

Virginia and Tennessee have set up unique processes to advance this merger. The cooperative agreement skirts traditional certificate of public need requirements by allowing systems to join together when the state agrees that a lack of competition is better for the public.

Whether Wellmont and Mountain States would also require approval of the Federal Trade Commission is unknown.

The FTC last week challenged a similar merger by two hospital systems in West Virginia. The agency said competition would be eliminated, resulting in higher prices and reduced quality.

America's Health Insurance Plans believes the same thing would occur in Virginia and Tennessee.

Executives of both health systems have said they would seek out-of-market partners if the merger fails.

The systems serve the same mountainous region, with Mountain States having 13 hospitals and Wellmont six. They both have a network of clinics, physicians and specialized care.

The Virginia Hospital and Healthcare Association supports the merger as a rational response to market conditions.

“In the current climate, many hospitals face tremendous financial pressure. Health care providers in southwestern Virginia and eastern Tennessee know this from first-hand experience delivering care in a region where economic conditions are challenging and patient reliance on government-payer health programs is increasing,” said spokesman Julian Walker.

Until the merger negotiations began, Wellmont and Mountain States were rivals. Lee County's government officials maintain that their hospital remained profitable but was closed by Wellmont so it could better compete against Mountain States and capture a greater market share at its other hospitals.

Lee County officials have since bought the building from Wellmont and are working with Mountain States to reopen some services, though ultimately Wellmont maintains the right of first refusal to offer services.

The insurers question the need for the rivals to merge. AHIP spokeswoman Clare Krusing said the health plans are willing to work with each system to improve patient access and to offer technology support that would ease financial pressure.

Doug Gray, executive director of Virginia Association of Health Plans, said both health systems survived a long time and could continue to do so.

“The fundamental question is, why is a monopoly necessary?” Gray asked. “Other hospitals expressed an interest in purchasing Wellmont, but the parties sought a monopoly anyway. Even in

a place as poor as Lee County, the local owners didn't need to close that facility. They wanted to do it. Who's to say they won't do it again and leave consumers with no alternatives?"