



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Justin R. Erickson
Assistant Attorney General
Office of the Attorney General
Suite 1400
445 Minnesota Street
St. Paul, Minnesota 55101

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Mr. Erickson:

Thank you for your comment submitted on behalf of the Office of the Minnesota Attorney General regarding the proposed consent agreement involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

Your comment expresses the view that the Commission “should withdraw from the consent agreement and seek to enjoin the acquisition.” As we understand your comment, you doubt St. Cloud Medical Group is failing financially and do not believe the consent agreement will “rectify” the anticompetitive effects from the acquisition. You also believe that the acquisition poses greater risks than bringing an action to enjoin the acquisition.

The Commission has carefully considered all the facts in this investigation, during which your office worked with Commission staff. While we understand your concerns about the acquisition, St. Cloud Medical Group produced evidence that it is a financially failing physician group that is unlikely to remain in business on its own. A lender froze the practice’s only line of credit after reviewing the practice’s recent financial statements and there is compelling evidence that physicians will leave 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 threaten the continued survival of the practice.

Despite a good-faith, multi-year search, St. Cloud Medical Group was unable to find a buyer other than CentraCare for the entire practice. But one local provider expressed interest in expanding its practice by hiring some of the practice’s physicians. And a number of physicians may be interested in joining that provider or other independent practices in the area. The consent agreement is designed to facilitate former St. Cloud Medical Group physicians securing alternative local employment in the area by suspending enforcement of any non-compete agreements. It also encourages the creation of new competitors and the strengthening of smaller competitors by requiring CentraCare to make sizeable departure payments to the first five

physicians who leave CentraCare. The goal of the consent agreement is to help mitigate the competitive effects of the acquisition by preserving, to the extent possible, competition for the relevant physician services.

The Commission also carefully considered bringing an enforcement action. But challenging the acquisition could destabilize St. Cloud Medical Group and lead to disruptions to patient care and possible physician shortages. We believe the consent agreement presents the best opportunity to keep the St. Cloud Medical Group physicians in the St. Cloud market, ensuring ongoing access to care for St. Cloud area patients, while allowing local competitive alternatives to CentraCare for the relevant physician services to expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission's website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. See Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Mr. Robert Ahles
State of Minnesota

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Mr. Ahles:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare’s acquisition of St. Cloud Medical Group will lessen competition and increase the likelihood that consumers will have to leave St. Cloud to find more affordable health care. You recommend that “[i]f SCMG is truly failing and there is no hope for its recovery” then the Commission should “just let that happen.”

The consent agreement is designed to help mitigate the anticompetitive effects that would result from the CentraCare’s acquisition of St. Cloud Medical Group. The Commission’s willingness to accept the consent agreement is premised on the fact, among others, that St. Cloud Medical Group is a financially failing physician medical practice. At least one lender froze the practice’s only line of credit after reviewing the practice’s recent financial statements. There is compelling evidence that physicians will leave the practice and potentially the St. Cloud area if the acquisition is not consummated. Those physician departures would lead to lower revenues that could further destabilize the group. The Commission is concerned that allowing St. Cloud Medical Group to fail may result in disruptions to patient care and possible physician shortages in the St. Cloud area. The Commission believes the consent agreement presents the best opportunity to keep the St. Cloud Medical Group physicians in the St. Cloud area, while allowing local competitive alternatives to CentraCare for the relevant physician services to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. *See* Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Garrett Black
Blue Cross Blue Shield of Minnesota
State of Minnesota

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Mr. Black:

Thank you for your comment regarding the proposed consent agreement involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

Your comment expresses the view that “further consolidation is not the answer to solving the underlying health care cost issue we have in this country and Minnesota in particular.” You also note that “competition has long been a driver across different industries as a key catalyst to spurring innovation and maintaining low prices.”

Promoting and preserving competition in health care markets is a priority for the Commission because competition among health care providers encourages lower prices and better service, cost containment, and innovative solutions for improving the quality of care. We continue to monitor healthcare market consolidation and will not hesitate to challenge mergers that are likely to decrease competition and lead to higher prices, lower quality, or fewer services for consumers. Given the unique circumstances in this matter, the consent agreement is designed to help mitigate the anticompetitive effects that would result from the acquisition. The Commission’s willingness to accept the consent agreement is premised on the fact that St. Cloud Medical Group is a financially failing physician practice group that has been unable to find an alternative purchaser for the entire practice as well as concerns regarding disruption to patient care and possible physician shortages.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. *See* Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Ms. Mary King
State of Minnesota

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Ms. King:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare’s proposed acquisition of St. Cloud Medical Group will result in higher insurance premiums. The consent agreement is designed to help mitigate the anticompetitive effects that would result from CentraCare’s acquisition of St. Cloud Medical Group. The Commission decided to accept this consent agreement based on the fact that St. Cloud Medical Group is a financially failing practice group and is unlikely to survive on its own. The Commission believes the consent agreement presents the best opportunity to keep St. Cloud Medical Group 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 to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission’s analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. See Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Andrew Mulder, M.D.
St. Cloud Orthopedics
1901 Connecticut Avenue South
Sartell, Minnesota 56377

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Dr. Mulder:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare’s “near monopoly on primary and specialty medical care in Central Minnesota will result in reduced choice for the consumer,” and even though CentraCare may not compel its employees to refer patients exclusively to providers within the CentraCare health system, CentraCare can create barriers to out-of-system referrals.

The goal of the consent agreement is to help mitigate the anticompetitive effects that would result from CentraCare’s acquisition of St. Cloud Medical Group. The Commission decided to accept this consent agreement based on the fact that St. Cloud Medical Group is a financially failing practice group and on the interest of one local provider to employ some of the former St. Cloud Medical Group physicians, as well as concerns regarding disruptions to patient care and possible physician shortages. The consent agreement is designed to facilitate these physicians finding alternate local employment or forming their own independent practices in the area. The Commission believes the consent agreement presents the best opportunity to keep the St. Cloud Medical Group physicians in the St. Cloud area, while allowing local competitive alternatives to CentraCare for the relevant physician services to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. *See* Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Michael Murphy, M.D.
St. Cloud Orthopedics
1901 Connecticut Avenue South
Sartell, Minnesota 56377

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Dr. Murphy:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare will control the majority of the primary care physicians in the St. Cloud area following the acquisition and these physicians will not refer any patients to your orthopedic practice or surgical center.

The goal of the consent agreement is to help mitigate the anticompetitive effects that would result from CentraCare’s acquisition of St. Cloud Medical Group. The Commission decided to accept this consent agreement based on the fact that St. Cloud Medical Group is a financially failing practice group and on the interest of one local provider to employ some of the former St. Cloud Medical Group physicians, as well as concerns regarding disruptions to patient care and possible physician shortages. The consent agreement is designed to facilitate these physicians finding alternate local employment or forming their own independent practices in the area. The Commission believes the consent agreement presents the best opportunity to keep the St. Cloud Medical Group physicians in the St. Cloud area, while allowing local competitive alternatives to CentraCare for the relevant physician services to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. *See* Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Kim S. Schaap, M.D.
St. Cloud Orthopedics
1901 Connecticut Avenue South
Sartell, Minnesota 56377

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Dr. Schaap:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare will control the majority of the primary care physicians in the St. Cloud area following the acquisition and, as a result, CentraCare will be able to direct patients away from your surgical center to a CentraCare facility for orthopedic surgery.

The goal of the consent agreement is to help mitigate the anticompetitive effects that would result from CentraCare’s acquisition of St. Cloud Medical Group. The Commission decided to accept this consent agreement based on the fact that St. Cloud Medical Group is a financially failing practice group and on the interest of one local provider to employ some of the former St. Cloud Medical Group physicians, as well as concerns regarding disruptions to patient care and possible physician shortages. The consent agreement is designed to facilitate these physicians finding alternate local employment or forming their own independent practices in the area. The Commission believes the consent agreement presents the best opportunity to keep the St. Cloud Medical Group physicians in the St. Cloud area, while allowing local competitive alternatives to CentraCare for the relevant physician services to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. *See* Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Rusty Trevino
University of Colorado
Boulder, Colorado

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Mr. Trevino:

Thank you for your comment regarding the proposed consent agreement involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

To increase the incentive to create new competition in the St. Cloud area, you recommend modifying the Decision and Order to award the \$500,000 CentraCare deposits into an escrow fund as follows: \$350,000 as a departure payment to three physicians who start a new practice together in the area, and \$50,000 for the first three physicians who join a small, competing practice.

The Decision and Order is designed to help mitigate the anticompetitive effects that would result from CentraCare’s acquisition of St. Cloud Medical Group by requiring CentraCare to allow a number of physicians to leave CentraCare and establish a new practice in the area or work for other local providers. To encourage physicians to create new competitors and strengthen smaller competitors, the Decision and Order requires CentraCare to deposit \$500,000 into an escrow account to be awarded as \$100,000 as departure payments to the first five physicians who leave CentraCare to either to start a new medical practice or join a third-party medical practice that has five or fewer physicians in the St. Cloud area.

The Decision and Order permits physicians to combine their individual departure payments to form a practice together. The Commission contemplates that two or more physicians may decide to do so. The \$100,000 departure payment to an individual physician provides an incentive to join an existing practice and thereby strengthen existing competition.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.

Donald S. Clark
Secretary of the Commission

Enclosure



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Edward Ward, M.D.
State of Minnesota

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Dr. Ward:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System (“CentraCare”) and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare’s proposed acquisition of St. Cloud Medical Group will result in higher costs. The Decision and Order is designed to help mitigate the anticompetitive effects that would result from CentraCare’s acquisition of St. Cloud Medical Group. The Commission decided to accept this consent agreement based on the fact that St. Cloud Medical Group is a financially failing practice group and is unlikely to survive on its own. The Commission believes the consent agreement presents the best opportunity to keep St. Cloud Medical Group 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 to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission’s website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission’s analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. See Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.



Office of the Secretary

UNITED STATES OF AMERICA
Federal Trade Commission
Washington, D.C. 20580

January 18, 2017

Mohamed Yassin, M.D.
Allergy, Asthma, & Pulmonary Associates, P.A.
1511 Northway Drive Suite 101
St. Cloud, Minnesota 56303

Re: *In the Matter of CentraCare Health System, FTC File No. 161 0096*

Dear Dr. Yassin:

Thank you for your comment regarding the proposed consent order involving CentraCare Health System ("CentraCare") and St. Cloud Medical Group. The Commission has placed your comment on the public record, and given your comment careful consideration in connection with its decision whether to give final approval to the Decision and Order.

As we understand your comment, you are concerned that CentraCare's proposed acquisition of St. Cloud Medical Group will result in a reduction of referrals from CentraCare primary care physicians to non-CentraCare physicians such as yourself. Consequently, you are concerned that you may have to either join CentraCare or leave the market.

The goal of the consent agreement is to help mitigate the anticompetitive effects that would result from CentraCare's acquisition of St. Cloud Medical Group. The Commission decided to accept this consent agreement because St. Cloud Medical Group is a financially failing practice group and because one local provider is interested in employing some of the former St. Cloud Medical Group physicians, as well as concerns regarding disruptions to patient care and possible physician shortages. The consent agreement is designed to facilitate these physicians finding alternate local employment or forming their own independent practices in the area. The Commission believes the consent agreement presents the best opportunity to keep the St. Cloud Medical Group physicians in the St. Cloud area, while allowing local competitive alternatives to CentraCare for the relevant physician services to develop or expand.

In light of this consideration, among others, the Commission has determined that the public interest would be best served by issuing the Decision and Order without modification. A copy of the final Decision and Order is enclosed for your information. Relevant materials are also available from the Commission's website at <https://www.ftc.gov/enforcement/cases-proceedings/161-0096/centracare-health-system>.

It helps the Commission's analysis to hear from a variety of sources regarding its work on antitrust and consumer protection issues, and we appreciate your interest in this matter.

By direction of the Commission.¹

Donald S. Clark
Secretary of the Commission

Enclosure

¹ Commissioner Ohlhausen does not join in this letter. *See* Concurring Statement of Maureen K. Ohlhausen, *In the Matter of CentraCare Health System*, Oct. 6, 2016, available at <https://www.ftc.gov/public-statements/2016/10/concurring-statement-maureen-k-ohlhausen-matter-centracare-health-system>.