COMMISSIONERS:  Joseph J. Simons, Chairman
                 Noah Joshua Phillips
                 Rohit Chopra
                 Rebecca Kelly Slaughter
                 Christine S. Wilson

In the Matter of

Hackensack Meridian Health, Inc.,
a corporation,

and

Englewood Healthcare Foundation,
a corporation.

Docket No. 9399

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act (“FTC Act”), and by the virtue of the authority vested in it by the FTC Act, the Federal Trade Commission (“Commission”), having reason to believe that Respondents Hackensack Meridian Health, Inc. (“HMH”) and Englewood Healthcare Foundation, d/b/a Englewood Health (“Englewood”) have executed an affiliation agreement in violation of Section 5 of the FTC Act, 15 U.S.C. § 45, which if consummated would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint pursuant to Section 5(b) of the FTC Act, 15 U.S.C. § 45(b), and Section 11(b) of the Clayton Act, 15 U.S.C. § 21(b), stating its charges as follows:

I.

NATURE OF THE CASE

1. HMH, the largest healthcare system in New Jersey, seeks to acquire Englewood, an independent hospital and health system (the “Proposed Transaction”) located in Bergen County, New Jersey (“Bergen County”) less than ten miles away from two HMH hospitals, including HMH’s flagship hospital.

2. The Proposed Transaction would enhance HMH’s dominant position in Bergen County by giving it control of three of the six inpatient general acute care (“GAC”) hospitals in Bergen County. Englewood is the third-largest provider of inpatient GAC hospital
services in Bergen County and competes head-to-head with HMH for patients and inclusion in insurer networks. The Proposed Transaction would eliminate this competition, leading to higher healthcare prices and diminished incentives to compete on quality and access.

3. According to HMH’s Board minutes: "...the company's leadership recognized..." As HMH’s Chief Executive Officer
   Another HMH executive shared that view: "..."

4. The Proposed Transaction will substantially lessen competition in the market for inpatient GAC hospital services sold and provided to commercial insurers and their enrollees (including self-insured and fully insured employers and their covered lives). The relevant geographic market for evaluating the Proposed Transaction is no broader than Bergen County.

5. If the Proposed Transaction were allowed to consummate, Respondents would control approximately half of the inpatient GAC hospital services sold and provided in Bergen County to commercial insurers and their enrollees. Only two meaningful competitors would serve the market post-transaction, Holy Name Medical Center (“Holy Name”) and The Valley Hospital (“Valley”), both with significantly smaller market shares than Respondents.

6. Under the 2010 U.S. Department of Justice and Federal Trade Commission Horizontal Merger Guidelines (“2010 Merger Guidelines”), a post-acquisition market concentration level above 2,500 points, as measured by the Herfindahl-Hirschman Index (“HHI”), and an increase in market concentration of more than 200 points renders an acquisition presumptively unlawful. Based on inpatient admissions, the Proposed Transaction would significantly increase concentration and result in a highly concentrated market for inpatient GAC hospital services in Bergen County sold and provided to commercial insurers and their enrollees. The Proposed Transaction results in an increase in concentration that is well beyond the thresholds set forth in the 2010 Merger Guidelines and therefore is presumptively anticompetitive.

7. HMH and Englewood compete to provide inpatient GAC hospital services to patients in Bergen County. For HMH, Englewood is consistently identified as a top of competitor in Bergen County. Both parties routinely track each other’s market share, performance on quality, patient transfers to each other’s hospitals, and other competitive metrics. Quantitative analysis also confirms that HMH and Englewood are close competitors.

8. Today, HMH possesses significant bargaining leverage in negotiations with health insurers who are assembling health-plan networks for commercial customers. HMH is able to secure high reimbursement rates and burdensome contract terms in network negotiations
with insurers that other hospitals providing inpatient GAC hospital services in Bergen County are not able to obtain.

9. Englewood is a high-quality, independent alternative to HMH in Bergen County because it is proximately located to both of HMH’s Bergen County facilities—Hackensack University Medical Center (“HUMC”) and Pascack Valley Medical Center (“PVMC”)—and offers very similar services as HMH’s flagship facility, HUMC. If HMH were to acquire Englewood, insurers would have few alternatives for inpatient GAC hospital services in Bergen County. HMH would be able to demand higher rates from insurers for the combined entity’s services, which, in turn, may lead to higher insurance premiums, co-pays, deductibles, or other out-of-pocket costs and/or fewer benefits for plan enrollees.

10. HMH and Englewood also compete on non-price factors such as facility improvements and service line expansion, and the Proposed Transaction would eliminate competition between the Respondents on these non-price factors.

11. Entry or expansion by other GAC hospitals will not be likely, timely, or sufficient to offset the adverse competitive effects that likely will result from the Proposed Transaction. New hospital construction or expansion is costly and takes many years to complete. New Jersey’s Certificate of Need (“CON”) process also requires hospitals to seek regulatory approval before adding any new licensed beds.

12. Respondents have not demonstrated cognizable, merger-specific efficiencies that would be sufficient to rebut the strong presumption of harm and evidence that the Proposed Transaction likely will lead to significant anticompetitive effects in the relevant market.

II.

JURISDICTION

13. Respondents, and each of their relevant operating entities and parent entities are, and at all relevant times have been, engaged in commerce or in activities affecting “commerce” as defined in Section 4 of the FTC Act, 15 U.S.C. § 44, and Section 1 of the Clayton Act, 15 U.S.C. § 12.


III.

RESPONDENTS

15. Respondent HMH, a New Jersey non-profit corporation, operates the largest health system in New Jersey. Headquartered in Edison, New Jersey, HMH is the largest employer in Bergen County and reported $5.9 billion in revenue in 2019.

16. HMH is the largest health system in New Jersey as a result of a series of recent acquisitions. On July 1, 2016, Hackensack University Health Network (“HUHN”) merged with
Meridian Health to form HMH, which was at the time the second-largest health system in the state. The merged system combined 11 GAC hospitals across seven counties. Following the HUHN-Meridian Health transaction, on January 3, 2018, HMH merged with the JFK Health System expanding HMH to 16 hospitals and over 450 patient care locations and physician offices. On January 3, 2019, HMH added yet another facility: the behavioral health provider Carrier Clinic.

17. Today, HMH operates 12 GAC hospitals, two children’s hospitals, two rehabilitation hospitals, and one behavioral health hospital spanning across eight counties in Northern and Central New Jersey. It employs over 7,000 physicians. In Bergen County, HMH operates HUMC, its 781-bed flagship academic medical center, and partially owns and operates as part of a joint venture PVMC. Both HUMC and PVMC are GAC hospitals located within Bergen County. HMH also operates Palisades Medical Center (“Palisades”) and partially owns and operates as part of a joint venture Mountainside Medical Center (“Mountainside”)—both located within fifteen miles of HUMC in counties adjacent to Bergen. PVMC, Palisades, and Mountainside are community hospitals that provide primary and secondary inpatient GAC hospital services and generally refer patients to HUMC for more complex services.

18. HMH Medical Group is a healthcare network consisting of over 1,000 physicians and advanced providers. The HMH Medical Group offers primary and specialty care at over 300 locations spanning eight counties in New Jersey. HMH Medical Group primary care physicians provide internal medicine, family medicine, pediatrics, and geriatrics among other services. The HMH Medical Group also employs specialists that provide care in a variety of specialty fields including cardiology, oncology, breast surgery, vascular surgery, neurology, neurosurgery, OB/GYN care, and orthopedics, as well as more than 25 pediatric subspecialties.

19. Respondent Englewood, a New Jersey non-profit corporation, is an independent hospital and healthcare network in Northern New Jersey. It is headquartered in Englewood, New Jersey. It is composed of Englewood Hospital and Medical Center, the Englewood Physician Network, and the Englewood Healthcare Foundation. In 2019, Englewood accumulated approximately $768.9 million in revenue.

20. Englewood Hospital is an inpatient GAC services hospital located in Bergen County. Englewood’s services include cardiac surgery and care, cancer care, orthopedic surgery, spine surgery, vascular surgery, women’s health, and bloodless medicine and surgery. Englewood Hospital has 531 licensed beds and currently operates 318 beds.

21. The Englewood Health Physician Network includes over 500 physicians who offer primary care and specialty services at more than 100 locations in six counties in New Jersey and New York. Englewood also operates two outpatient imaging centers in Bergen County and one outpatient imaging center in Essex County. Englewood has minority interests in two joint-venture outpatient surgical facilities.
IV.

THE PROPOSED TRANSACTION

22. Englewood initiated a search for a larger health system partner beginning in mid-2018. Through its consultant, the Chartis Group, Englewood principally engaged with five potential health system partners, and after receiving initial bids, continued discussions with HMH. 

23. In February 2019, Englewood’s Board of Trustees narrowed the pool of potential partners to HMH and [REDACTED PUBLIC VERSION] both of which submitted final bids in early April 2019. Englewood’s Board selected HMH, and the parties ultimately entered into a definitive affiliation agreement on September 23, 2019 (i.e., the Proposed Transaction).

24. Pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, 15 U.S.C. § 18a, and a modified timing agreement entered into between the Respondents and Commission staff, absent this Court’s action, Respondents would be free to close the Proposed Transaction after 11:59 p.m. EST on December 7, 2020.

V.

RELEVANT SERVICE MARKET

25. Inpatient GAC hospital services sold and provided to insurers and their enrollees is a relevant service market in which to analyze the Proposed Transaction. Inpatient GAC hospital services include a broad cluster of hospital services—medical, surgical, and diagnostic services requiring an overnight hospital stay—for which competitive conditions are substantially similar. Here, inpatient GAC hospital services cover all such services where both HMH and Englewood sell and provide to commercial insurers and their enrollees overlapping services. Non-overlapping services are not included in the relevant service market, as the Proposed Transaction will not substantially lessen competition.

26. Although the Proposed Transaction’s likely effect on competition could be analyzed separately for each individual inpatient GAC hospital service, it is appropriate to evaluate the Proposed Transaction’s likely effects across this cluster of inpatient GAC hospital services because these services are offered in Bergen County under substantially similar competitive conditions. Thus, grouping the hundreds of individual inpatient GAC hospital services into a cluster for analytical convenience enables the efficient evaluation of competitive effects without forfeiting the accuracy of the overall analysis.

27. Outpatient services are not included in the inpatient GAC hospital services market because commercial insurers and their enrollees cannot substitute outpatient services for inpatient services in response to a price increase on inpatient GAC hospital services. Additionally, outpatient services are offered by a different set of competitors under different competitive conditions in Bergen County.

28. The inpatient GAC hospital services market does not include services offered by a different set of competitors under different competitive conditions than, and which are not
substitutes for, inpatient GAC hospital services. For example, inpatient GAC hospital services do not include services related to psychiatric care, substance abuse, and rehabilitation services.

29. The Proposed Transaction threatens significant harm to competition in a service market for inpatient GAC hospital services sold and provided to commercial insurers and their enrollees. As a result, this service market is a relevant market for analyzing the Proposed Transaction.

V.

RELEVANT GEOGRAPHIC MARKET

30. The appropriate relevant geographic market to analyze the effects of the Proposed Transaction is no broader than Bergen County, New Jersey.

31. Located in northeast New Jersey, Bergen County is the most populous county in the state with a population of just under one million people (between the populations of the 11th- and 12th-largest cities in the United States). It is bordered by New York to the north and east, and is located just across the Hudson River from Manhattan, to which it is connected by the George Washington Bridge.

32. The Bergen County market satisfies the hypothetical monopolist test.

33. Insurers offering fully insured commercial plans must meet regulatory requirements that mandate a certain level of geographic access. Insurers likely could not meet geographic access requirements that are required for marketing commercial plans in Bergen County if those insurers did not include any Bergen County hospitals in-network.

34. Patients prefer to access inpatient GAC hospital services close to where they live. For this reason, even if an insurer could assemble a commercial plan that met the appropriate geographic access requirements, an insurer would face significant difficulty marketing a plan that did not include in network any Bergen County hospitals that provide inpatient GAC hospital services.

35. Bergen County also is the main area of competition between HMH’s Bergen County hospitals, HUMC and PVMC, and Englewood for inpatient GAC hospital services. HMH and Englewood each analyze competition within Bergen County.

VI.

MARKET STRUCTURE AND THE PROPOSED TRANSACTION’S PRESUMPTIVE ILLEGALITY

36. The Proposed Transaction will significantly increase concentration in Bergen County for inpatient GAC hospital services sold and provided to commercial insurers and their enrollees. Under the 2010 Merger Guidelines, a post-acquisition market concentration level above 2,500 points, as measured by the Herfindahl-Hirschman Index (“HHI”), and an increase in market concentration of more than 200 points renders an acquisition presumptively unlawful.
37. In a market no broader than Bergen County for inpatient GAC hospital services sold and provided to commercial insurers and their enrollees, the Proposed Transaction exceeds these thresholds and thus is presumptively unlawful.

38. HMH’s market share would increase to approximately half the inpatient GAC hospital services sold and provided to commercial insurers and their enrollees. The Proposed Transaction would combine the first- and third-largest providers of these services and increase the HHI for Bergen County by approximately 900 for a post-merger HHI of almost 3,000. The Proposed Transaction therefore is presumptively unlawful.

VII.

ANTICOMPETITIVE EFFECTS

39. HMH and Englewood compete closely today to the benefit of commercial insurers and their enrollees. The Proposed Transaction would eliminate this important head-to-head competition.

A.

Competition among Hospitals Benefits Consumers

40. Hospital competition for commercially insured patients occurs in two distinct but related stages. First, hospitals compete for inclusion in commercial insurers’ networks. Second, in-network hospitals compete to attract patients, including commercial insurers’ health-plan enrollees.

41. In the first stage of hospital competition, hospitals compete to be included in commercial insurers’ health networks. To become an “in-network” provider, a hospital negotiates with an insurer and enters into a contract if it can agree with the insurer on terms. The hospital’s reimbursement terms for services rendered to a health plan’s enrollees are a central component of those negotiations.

42. Insurers attempt to contract with local hospitals (and other healthcare providers) that offer services that current or prospective members of the health plan want. In-network hospitals are typically significantly less expensive for health-plan enrollees to seek care from than a hospital that is not included in the health plan’s network (an “out-of-network provider”). Unsurprisingly, a hospital likely will attract more of a health plan’s enrollees when it is in-network. Hospitals therefore have an incentive to offer competitive terms and reimbursement rates to induce the insurer to include the hospital in its health-plan network.

43. From the insurer’s perspective, having hospitals in-network is beneficial because it enables the insurer to create a health-plan provider network in a particular geographic area that is attractive to current and prospective enrollees, typically local employers and their employees.

44. A hospital has significant bargaining leverage if its absence would make the insurer’s health-plan network substantially less attractive (and therefore less marketable) to its current and prospective enrollees. This relative attractiveness to the insurer depends largely on whether
other nearby hospitals could serve as viable in-network substitutes in the eyes of the plan’s enrollees. The presence of alternative, conveniently located, high-quality competitors limits the bargaining leverage of a hospital in negotiations with the insurer. Where there are fewer meaningful alternatives, a hospital will have greater bargaining leverage to demand and obtain higher reimbursement rates and other more onerous contract terms.

45. A merger involving hospital facilities and services that are substitutes in the eyes of insurers and their health-plan enrollees increases the combined hospital’s bargaining leverage. Such a merger in turn may lead to higher prices and/or poorer quality because the merger eliminates an available alternative that an insurer could otherwise offer (or threaten to offer) its health-plan members. Increases in reimbursement rates significantly impact insurers’ health-plan enrollees, such as through higher cost-sharing payments and/or fewer benefits. For fully insured employers, increased healthcare costs would come in the form of higher premiums. Self-insured employers would fully bear those increased healthcare costs because they pay for claims directly. Individual consumers also could feel the burden of increased costs in the form of higher insurance premiums, co-pays, deductibles, or other out-of-pocket costs.

46. In the second stage of competition, hospitals compete to attract patients to their facilities by offering convenient, high-quality healthcare services. Patients often face similar out-of-pocket costs to access in-network providers. As a result, in-network hospitals often compete on non-price features, such as location, quality of care, access to services and technology, reputation, physicians and faculty members, amenities, conveniences, and patient satisfaction. Hospitals compete on these non-price dimensions to attract all patients, regardless of whether they are covered by insurance (including Medicare Advantage and Medicaid Managed Care), traditional Medicare and Medicaid, or are patients without any insurance. A merger of competing hospitals eliminates this form of non-price competition between the hospitals.

B.

The Proposed Transaction Would Eliminate Close Competition Between HMH and Englewood

47. In Bergen County, HMH and Englewood are close competitors. In analyzing whether to enter into an affiliation agreement with HMH, Englewood observed that a strategic benefit of such a relationship was that it—Englewood also believed, in part, that

48. Quantitative evidence confirms the closeness of competition between HMH and Englewood. It shows that, if Englewood were not available, a significant fraction of patients that previously went Englewood would seek care at a HMH hospital. Likewise, if HUMC and PVMC were to become unavailable to patients for inpatient GAC hospital services, many patients that previously went to one of one of these HMH hospitals would receive care at Englewood.

49. Today, this close head-to-head competition between Respondents incentivizes them to keep prices lower and quality of care higher than they would without this competition.
50. HMH possesses significant bargaining leverage in negotiations with insurers, which it uses to demand high reimbursement rates and burdensome contractual terms. Englewood and HMH are important alternatives for insurers constructing networks in Bergen County. But if HMH were to acquire Englewood, HMH would own three out of the six hospitals that provide inpatient GAC hospital services in Bergen County, and insurers would have few alternatives to turn to for inpatient GAC hospital services in Bergen County. As a result, post-merger, HMH will likely be able to demand higher reimbursement rates and/or more onerous contractual terms than it does today, which, in turn, will harm consumers.

C. The Proposed Transaction Will Eliminate Non-Price Competition

51. HMH and Englewood compete with one another to attract patients, which incentivizes them to improve quality, technology, amenities, equipment, access to care, and service offerings.

52. Respondents monitor each other’s quality and brand recognition. Respondents have invested in their physician networks and facilities to provide high quality services to patients in Bergen County and compete to attract Bergen County residents to their facilities. Englewood has demonstrated an interest in and a track record of expanding its ability to handle more tertiary care. And HMH is in the process of a $714 million expansion and modernization project to accommodate more complex tertiary and quaternary care.

53. Patients benefit from this non-price competition. The Proposed Transaction will diminish the combined firm’s incentive to compete on these non-price dimensions, including on quality of care, facilities, and service offerings, to the detriment of all patients who use these hospitals.

VIII. LACK OF COUNTERVAILING FACTORS

A. Entry Barriers

54. De novo entry into inpatient GAC hospital services in Bergen County will not be timely, likely, or sufficient enough to counteract the anticompetitive effects of the Proposed Transaction. Expansion by current market participants is also unlikely to deter or counteract the Proposed Transaction’s likely harm to competition for inpatient GAC hospital services in Bergen County.

55. Construction of a new hospital involves high costs and significant financial risks, including the time and resources it would take to conduct studies, develop plans, acquire land or repurpose a facility, garner community support, obtain regulatory approvals, and build and open a facility. New Jersey also is a Certificate of Need (“CON”) state. Building or expanding an existing hospital in a CON state is expensive and time consuming.
B. 

Efficiencies

56. Respondents have not demonstrated cognizable, merger-specific efficiencies that would be sufficient to rebut the strong presumption and evidence of the Proposed Transaction’s likely significant anticompetitive effects in the relevant market.

IX.

VIOLATION

COUNT I – ILLEGAL AGREEMENT

57. The allegations of Paragraphs 1 through 56 above are incorporated by reference as though fully set forth.


COUNT II – ILLEGAL ACQUISITION

59. The allegations of Paragraphs 1 through 56 above are incorporated by reference as though fully set forth.


NOTICE

Notice is hereby given to the Respondents that the fifteenth day of June, 2021, at 10:00 am EST, is hereby fixed as the time, and the Federal Trade Commission offices at 600 Pennsylvania Avenue, N.W., Room 532, Washington, DC, 20580, as the place, when and where an evidentiary hearing will be had before an Administrative Law Judge of the Federal Trade Commission, on the charges set forth in this complaint, at which time and place you will have the right under the Federal Trade Commission Act and the Clayton Act to appear and show cause why an order should not be entered requiring you to cease and desist from the violations of law charged in the complaint.

You are notified that this administrative proceeding shall be conducted as though the Commission, in an ancillary proceeding, has also filed a complaint in a United States District Court, seeking relief pursuant to Section 13(b) of the Federal Trade Commission Act, 15 U.S.C. 53(b), as provided by Commission Rule 3.11(b)(4), 16 CFR 3.11(b)(4). You are also notified that the opportunity is afforded you to file with the Commission an answer to this complaint on
or before the fourteenth (14th) day after service of it upon you. An answer in which the allegations of the complaint are contested shall contain a concise statement of the facts constituting each ground of defense; and specific admission, denial, or explanation of each fact alleged in the complaint or, if you are without knowledge thereof, a statement to that effect. Allegations of the complaint not thus answered shall be deemed to have been admitted. If you elect not to contest the allegations of fact set forth in the complaint, the answer shall consist of a statement that you admit all of the material facts to be true. Such an answer shall constitute a waiver of hearings as to the facts alleged in the complaint and, together with the complaint, will provide a record basis on which the Commission shall issue a final decision containing appropriate findings and conclusions and a final order disposing of the proceeding. In such answer, you may, however, reserve the right to submit proposed findings and conclusions under Rule 3.46 of the Commission’s Rules of Practice for Adjudicative Proceedings.

Failure to file an answer within the time above provided shall be deemed to constitute a waiver of your right to appear and to contest the allegations of the complaint and shall authorize the Commission, without further notice to you, to find the facts to be as alleged in the complaint and to enter a final decision containing appropriate findings and conclusions, and a final order disposing of the proceeding.

The Administrative Law Judge shall hold a prehearing scheduling conference not later than ten (10) days after the Respondents file their answers. Unless otherwise directed by the Administrative Law Judge, the scheduling conference and further proceedings will take place at the Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Room 532, Washington, D.C. 20580. Rule 3.21(a) requires a meeting of the parties’ counsel as early as practicable before the pre-hearing scheduling conference (but in any event no later than five (5) days after the Respondents file their answers). Rule 3.31(b) obligates counsel for each party, within five (5) days of receiving the Respondents’ answers, to make certain initial disclosures without awaiting a discovery request.

NOTICE OF CONTEMPLATED RELIEF

Should the Commission conclude from the record developed in any adjudicative proceedings in this matter that the Proposed Transaction challenged in this proceeding violates Section 5 of the Federal Trade Commission Act, as amended, and/or Section 7 of the Clayton Act, as amended, the Commission may order such relief against Respondents as is supported by the record and is necessary and appropriate, including, but not limited to:

1. If the Proposed Transaction is consummated, divestiture or reconstitution of all associated and necessary assets, in a manner that restores two or more distinct and separate, viable and independent businesses in the relevant market, with the ability to offer such products and services as HMH and Englewood were offering and planning to offer prior to the Proposed Transaction.

2. A prohibition against any transaction between HMH and Englewood that combines their businesses in the relevant market, except as may be approved by the Commission.
3. A requirement that, for a period of time, HMH and Englewood provide prior notice to the Commission of acquisitions, mergers, consolidations, or any other combinations of their businesses in the relevant market with any other company operating in the relevant market.

4. A requirement to file periodic compliance reports with the Commission.

5. Any other relief appropriate to correct or remedy the anticompetitive effects of the Proposed Transaction or to restore Englewood as viable, independent competitor in the relevant market.

IN WITNESS WHEREOF, the Federal Trade Commission has caused this complaint to be signed by its Secretary and its official seal to be hereto affixed, at Washington, D.C., this third day of December, 2020.

By the Commission.

April J. Tabor
Acting Secretary

SEAL: