

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION



COMMISSIONERS: Edith Ramirez, Chairwoman
Julie Brill
Maureen K. Ohlhausen
Terrell McSweeney

In the Matter of

Cabell Huntington Hospital, Inc.
a corporation;

and

Pallottine Health Services, Inc.
a corporation;

and

St. Mary's Medical Center, Inc.
a corporation

Docket No. 9366

Public

**JOINT EXPEDITED MOTION TO WITHDRAW THE
MATTER FROM ADJUDICATION FOR 30 DAYS**

Complaint Counsel and Respondents Cabell Huntington Hospital, Inc., Pallottine Health Services, Inc., and St. Mary's Medical Center, Inc., jointly move under Commission Rules 3.21, 3.22, and 3.41(f) to withdraw this matter from adjudication and stay the proceedings, for 30 days after the Commission issues its order on this motion. New legislation recently passed by the West Virginia legislature and pending signature by the Governor of that State raises questions as to whether the subject transaction will be eligible for an approval that may confer immunity from the federal antitrust laws under the state action immunity doctrine. In light of this significant development, Complaint Counsel and Respondents believe that it would be in the interest of the

Commission, the parties, and the public to remove the matter from adjudication to enable the Commission to evaluate this new issue, and determine whether to continue the administrative proceeding at this time. These unusual circumstances and the import of this issue generally and to the litigation specifically constitute good cause to remove the matter from adjudication. *See* 16 C.F.R. §§ 3.21(c), 3.22, and 3.41(b).

As a condition of filing this joint motion, Respondents have agreed not to consummate the acquisition of St. Mary's by Cabell while the matter is withdrawn from adjudication for 30 days after the Commission issues its order on this motion to withdraw from adjudication. Additionally, consistent with the existing timing agreement between the parties, Respondents have also agreed to provide Complaint Counsel with four days' notice, following receipt of both Certificate of Need and Vatican approvals, before they consummate the acquisition.¹

Expedited consideration of this motion is necessary because the Part 3 trial is scheduled to begin on April 5, 2016. Absent quick action, the parties will need to expend large amounts of resources preparing for the trial in the remaining days leading up to that trial date. Because of the imminent start of trial and the current posture of pre-trial proceedings, withdrawing the administrative proceeding from adjudication now is most fair to both parties and also appropriate to avoid unnecessary expenditures of resources preparing for litigation. Therefore, the parties jointly request expedited treatment of this motion under Rule 3.22, 16 C.F.R. § 3.22.²

¹ For sake of clarity, Respondents agree that they will not close the Transaction during the 30-day withdrawal period even if the other closing contingencies are satisfied. If the withdrawal from adjudication lasts longer than 30 days after the Commission issues its order on this motion, then Respondents may close the acquisition after the first 30 days of the withdrawal period, if they have received CON and Vatican approvals and given Complaint Counsel the requisite four days' notice, *unless* Respondents otherwise agree to extend the agreement not to consummate the acquisition for such longer period of time. The obligation to provide the four days' notice before closing applies whether or not the matter is withdrawn from, or in, litigation. The four days will be calculated as set forth in the parties' October 6, 2015, Timing Agreement. *See also* non-public Attachment B.

² If the Commission decides not to grant the motion to remove the matter from adjudication, the parties jointly move and request that the Commission, pursuant to 16 C.F.R. §§ 3.22, and 3.41(b), reschedule the hearing to commence no earlier than April 26, 2016, which is three weeks after the current date of April 5. In connection with

FACTUAL BACKGROUND

A. The Background of the Proposed Transaction.

Cabell is a 303-bed, not-for-profit hospital located in Huntington, West Virginia. Cabell serves as a teaching hospital affiliated with the Marshall University Schools of Medicine and Nursing; the Marshall University Medical Center is on Cabell's campus. St. Mary's is a 393-bed, Catholic-affiliated hospital, also located in Huntington, West Virginia. It is owned and operated by Pallottine Health Services, Inc. ("PHS"). PHS is overseen by the order of sisters that originally founded St. Mary's—the Pallottine Missionary Sisters. St. Mary's was founded in 1924, and over the subsequent 90-plus years has gradually expanded to its current form. Cabell and St. Mary's propose to enter into a transaction, in which Cabell will acquire St. Mary's by becoming the sole corporate member and parent entity of St. Mary's (the "Transaction").

B. The New West Virginia Legislation.

On March 12, 2016, the West Virginia Legislature passed a bill amending portions of the West Virginia Code, § 16-29B-1, *et seq.* (the "Legislation"). See Attachment A. The bill is presently pending before Governor Tomblin, but has not yet arrived for signature.³ If signed, the Legislation appears to vest the West Virginia Health Care Authority with the power to approve certain "cooperative agreements" between hospitals, including agreements to merge or consolidate hospitals like the Transaction here. W.V. Code § 16-29B-28(a)(2) ("Cooperative agreement" means an agreement between a teaching hospital which is a member of an academic

this joint motion, the parties also agreed to postpone further trial preparations and submitted a motion to the Administrative Law Judge to reschedule pre-trial deadlines to avoid the significant expense they would otherwise incur. On March 15, Administrative Law Judge Chappell granted the parties' joint motion to amend the Scheduling Order. Those rescheduled deadlines, however, would be exceedingly difficult to meet in advance of the current April 5 hearing date. Thus, if this motion is denied, the parties move and request that the Commission reschedule the start of the hearing date until April 26 or later to allow sufficient time to complete pre-trial matters, including preparing pre-trial briefs that would, by necessity, address the recently passed state legislation.

³ Governor Tomblin signed a letter of support for the Transaction.

medical center and one or more other hospitals, or other health care providers,” including by “consolidation by merger or other combination of assets”); *id.* § 16-29B-28(d)(1) (“A hospital which is a member of an academic medical center may negotiate and enter into a cooperative agreement with other hospitals or health care providers in the state.”).

The Legislation states that “[i]t is the intention of the Legislature that this chapter shall . . . immunize cooperative agreements approved and subject to supervision by the [West Virginia Health Care A]uthority and activities conducted pursuant thereto from challenge or scrutiny under both state and federal antitrust law” *Id.* § 16-29B-26. The Legislation also provides: “When a cooperative agreement, and the planning and negotiations of cooperative agreements, might be anticompetitive within the meaning and intent of state and federal antitrust laws, the Legislature believes it is in the state’s best interest to supplant such laws with regulatory approval and oversight by the Health Care Authority.” *Id.* § 16-29B-28(c). The Legislation also provides standards and procedures guiding the Authority’s decision whether to approve cooperative agreements, *id.* § 16-20B-28(d)-(f), and provides for certain post-approval regulation of such agreements, *id.* § 16-20b-28(g), (i).

If and when Respondents receive a currently-pending Certificate of Need from the Authority, the Legislation would enable the parties to file for approval of their cooperative agreement. Respondents represent that they will do so promptly, and will request an expedited decision as specifically authorized under W.V. Code § 16-29B-28(e)(5).

ARGUMENT

The highly unusual posture of this case plainly presents good cause for removing the matter from adjudication, or for staying the Part 3 trial, for at least 30 days after the Commission issues its order on this motion to withdraw from adjudication. *See* 16 C.F.R. §§ 3.21(c) and

3.41(b). The Legislation raises significant new issues about whether the Transaction may become immune from federal antitrust law under the state action immunity doctrine, and it potentially creates a defense for Respondents that did not exist at the time the Commission voted to initiate the Part 3 action. Withdrawing the matter from adjudication is appropriate for three reasons.

First, withdrawing the matter from adjudication enables the Commission to review the Legislation; hear from the parties⁴ and staff about the Legislation and Respondents' plans to apply for approval as a cooperative agreement; and gives the Commission time to assess whether to continue with the Part 3 proceedings at the end of the 30-day stay or continue to stay the proceeding for a longer period while Respondents pursue a cooperative agreement approval.

Second, if the Commission elects not to proceed with a Part 3 proceeding if Respondents obtain an approval for the Transaction to be treated as a cooperative agreement under the Legislation, then a withdrawal from adjudication for 30 days would avoid the expenditure of significant Commission, party, and third-party resources attendant to pre-trial preparations and the start of a full trial on the merits. The new immunity issues raised by the Legislation warrant consideration by the Commission, and deferring the proceedings is necessary to allow all parties and third parties the opportunity to avoid significant burden and cost if the Commission ultimately elects not to proceed.

Third, any immediate concerns about timely resolution are minimized in this case because Respondents cannot yet close the Transaction. As mentioned above, Respondents have not yet obtained a required Certificate of Need from the State of West Virginia. If and when

⁴ If this motion is granted, Respondents will seek to present their views to the Commission about the legislation and why the Commission should stay Part 3 proceedings until the cooperative agreement process concludes. The relief requested in the present motion will permit an orderly presentation of the parties' views without being overtaken by the trial.

Respondents receive that certificate, they will then need to seek approval from the Vatican in light of St. Mary's Catholic affiliation. The Vatican process alone could take longer than 30 days after the Commission issues its order on this motion to withdraw from adjudication. In any case, Respondents have agreed that they will not seek to close the Transaction during the 30 days contemplated by this motion, even if all other contingencies are satisfied. Further, Respondents have agreed to provide Complaint Counsel with four days' notice before closing following receipt of CON and Vatican approvals. Therefore, Respondents will not close the Transaction until the later of the 30-days' stay contemplated by this motion or four days after obtaining the CON and Vatican approvals.

CONCLUSION

For the reasons stated above, therefore, Complaint Counsel and Respondents respectfully request that the Commission remove the matter from adjudication for 30 days after the Commission issues its order on this motion to withdraw from adjudication. Complaint Counsel and Respondents further respectfully request expedited treatment of this motion in light of the proximity of the scheduled start of the Part 3 trial. Further, if the Commission elects not to remove this matter from adjudication, the parties jointly request that the Commission reschedule the hearing, now set to begin on April 5, 2016, to April 26 or later to give the parties and the Administrative Law Judge adequate time to complete final trial preparations.

Dated: March 17, 2016

Respectfully submitted,

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ATTACHMENT A

SB597 CC #1 3-12
Passage
Roskovensky 3338

Delegate Ellington, from the Committee of Conference on matters of disagreement between the two houses, as to

Eng. Com. Sub. for Senate Bill No. 597, Relating generally to Health Care Authority.

Submitted the following report, which was received:

Your Committee of Conference on the disagreeing votes of the two houses as to the amendments of the House to Engrossed Committee Substitute for Senate Bill No. 597 having met, after full and free conference, have agreed to recommend and do recommend to their respective houses, as follows:

That the Senate recede from its position and accept the amendments as proposed by the house, and agree to the same as follows:

“That §16-29B-26 of the Code of West Virginia, 1931, as amended, be amended and reenacted; and that said code be amended by adding thereto a two new sections, designated §16-29B-28 and §16-29B-29, all to read as follows:

ARTICLE 29B. HEALTH CARE AUTHORITY.

§16-29B-26. Exemptions from antitrust laws.

1 Actions of the board shall be exempt from antitrust action ~~as provided in section five, article~~
2 ~~eighteen, chapter forty-seven of this code~~ under state and federal antitrust laws. Any actions of
3 hospitals and health care providers under the board’s jurisdiction, when made in compliance with
4 orders, directives, rules, approvals or regulations issued or promulgated by the board, shall
5 likewise be exempt. ~~Health care providers shall be subject to the antitrust guidelines of the federal~~
6 ~~trade commission and the department of justice.~~

7 It is the intention of the Legislature that this chapter shall also immunize cooperative
8 agreements approved and subject to supervision by the authority and activities conducted
9 pursuant thereto from challenge or scrutiny under both state and federal antitrust law: *Provided,*

10 That a cooperative agreement that is not approved and subject to supervision by the authority
11 shall not have such immunity.

§16-29B-28. Review of Cooperative agreements.

1 (a) Definitions. — As used in this section the following terms have the following meanings:

2 (1) “Academic medical center” means an accredited medical school, one or more faculty
3 practice plans affiliated with the medical school or one or more affiliated hospitals which meet the
4 requirements set forth in 42 C. F. R. 411.355(e).

5 (2) “Cooperative agreement” means an agreement between a qualified hospital which is
6 a member of an academic medical center and one or more other hospitals or other health care
7 providers. The agreement shall provide for the sharing, allocation, consolidation by merger or
8 other combination of assets, or referral of patients, personnel, instructional programs, support
9 services and facilities or medical, diagnostic, or laboratory facilities or procedures or other
10 services traditionally offered by hospitals or other health care providers.

11 (3) “Commercial health plan” means a plan offered by any third party payor that negotiates
12 with a party to a cooperative agreement with respect to patient care services rendered by health
13 care providers.

14 (4) “Health care provider” means the same as that term is defined in section three of this
15 article.

16 (5) “Teaching hospital” means a hospital or medical center that provides clinical education
17 and training to future and current health professionals whose main building or campus is located
18 in the same county as the main campus of a medical school operated by a state university.

19 (6) “Qualified hospital” means a teaching hospital, which meets the requirements of 42 C.
20 F. R. 411.355(e) and which has entered into a cooperative agreement with one or more hospitals
21 or other health care providers but is not a critical access hospital for purposes of this section.

22 (b) Findings. —

23 (1) The Legislature finds that the state’s schools of medicine, affiliated universities and

24 teaching hospitals are critically important in the training of physicians and other healthcare
25 providers who practice health care in this state. They provide access to healthcare and enhance
26 quality healthcare for the citizens of this state.

27 (2) A medical education is enhanced when medical students, residents and fellows have
28 access to modern facilities, state of the art equipment and a full range of clinical services and that,
29 in many instances, the accessibility to facilities, equipment and clinical services can be achieved
30 more economically and efficiently through a cooperative agreement among a teaching hospital
31 and one or more hospitals or other health care providers.

32 (c) *Legislative purpose.* — The Legislature encourages cooperative agreements if the
33 likely benefits of such agreements outweigh any disadvantages attributable to a reduction in
34 competition. When a cooperative agreement, and the planning and negotiations of cooperative
35 agreements, might be anticompetitive within the meaning and intent of state and federal antitrust
36 laws the Legislature believes it is in the state's best interest to supplant such laws with regulatory
37 approval and oversight by the Health Care Authority as set out in this article. The authority has
38 the power to review, approve or deny cooperative agreements, ascertain that they are beneficial
39 to citizens of the state and to medical education, to ensure compliance with the provisions of the
40 cooperative agreements relative to the commitments made by the qualified hospital and
41 conditions imposed by the Health Care Authority.

42 (d) *Cooperative Agreements.* —

43 (1) A hospital which is a member of an academic medical center may negotiate and enter
44 into a cooperative agreement with other hospitals or health care providers in the state:

45 (A) In order to enhance or preserve medical education opportunities through collaborative
46 efforts and to ensure and maintain the economic viability of medical education in this state and to
47 achieve the goals hereinafter set forth; and

48 (B) When the likely benefits outweigh any disadvantages attributable to a reduction in
49 competition that may result from the proposed cooperative agreement.

50 (2) The goal of any cooperative agreement would be to:

51 (A) Improve access to care;

52 (B) Advance health status;

53 (C) Target regional health issues;

54 (D) Promote technological advancement;

55 (E) Ensure accountability of the cost of care;

56 (F) Enhance academic engagement in regional health;

57 (G) Preserve and improve medical education opportunities;

58 (H) Strengthen the workforce for health-related careers; and

59 (I) Improve health entity collaboration and regional integration, where appropriate.

60 (3) A qualified hospital located in this state may submit an application for approval of a

61 proposed cooperative agreement to the authority. The application shall state in detail the nature

62 of the proposed arrangement including the goals and methods for achieving:

63 (A) Population health improvement;

64 (B) Improved access to health care services;

65 (C) Improved quality;

66 (D) Cost efficiencies;

67 (E) Ensuring affordability of care;

68 (F) Enhancing and preserving medical education programs; and

69 (G) Supporting the authority's goals and strategic mission, as applicable.

70 (4) (A) If the cooperative agreement involves a combination of hospitals through merger,

71 consolidation or acquisition, the qualified hospital must have been awarded a certificate of need

72 for the project by the authority, as set forth in article two-d of this chapter prior to submitting an

73 application for review of a cooperative agreement.

74 (B) In addition to a certificate of need, the authority may also require that an application

75 for review of a cooperative agreement as provided in this section be submitted and approved prior

76 to the finalization of the cooperative agreement, if the cooperative agreement involves the merger,
77 consolidation or acquisition of a hospital located within a distance of twenty highway miles of the
78 main campus of the qualified hospital, and the authority shall have determined that combination
79 is likely to produce anti-competitive effects due to a reduction of competition. Any such
80 determination shall be communicated to the parties to the cooperative agreement within seven
81 days from approval of a certificate of need for the project.

82 (C) In reviewing an application for cooperative agreement, the authority shall give
83 deference to the policy statements of the Federal Trade Commission.

84 (D) If an application for a review of a cooperative agreement is not required by the
85 authority, the parties to the agreement may then complete the transaction following a final order
86 by the authority on the certificate of need as set forth in article two-d of this code. The qualified
87 hospital may apply to the authority for approval of the cooperative agreement either before or
88 after the finalization of the cooperative agreement.

89 (E) A party who has received a certificate of need prior to the enactment of this provision
90 during the 2016 regular session of the Legislature may apply for approval of a cooperative
91 agreement whether or not the transaction contemplated thereby has been completed.

92 (F) The complete record in the certificate of need proceeding shall be part of the record
93 in the proceedings under this section and information submitted by an applicant in the certificate
94 of need proceeding need not be duplicated in proceedings under this section.

95 (e) Procedure for review of cooperative agreements. —

96 (1) Upon receipt of an application, the authority shall determine whether the application is
97 complete. If the authority determines the application is incomplete, it shall notify the applicant in
98 writing of additional items required to complete the application. A copy of the complete application
99 shall be provided by the parties to the Office of the Attorney General simultaneous with the
100 submission to the authority. If an applicant believes the materials submitted contain proprietary
101 information that is required to remain confidential, such information must be clearly identified and

102 the applicant shall submit duplicate applications, one with full information for the authority's use
103 and one redacted application available for release to the public.

104 (2) The authority shall upon receipt of a completed application, publish notification of the
105 application on its website as well as provide notice of such application placed in the State
106 Register. The public may submit written comments regarding the application within ten days
107 following publication. Following the close of the written comment period, the authority shall review
108 the application as set forth in this section. Within thirty days of the receipt of a complete
109 application the authority may:

110 (i) Issue a certificate of approval which shall contain any conditions the authority finds
111 necessary for the approval;

112 (ii) Deny the application; or

113 (iii) Order a public hearing if the authority finds it necessary to make an informed decision
114 on the application.

115 (3) The authority shall issue a written decision within seventy-five days from receipt of the
116 completed application. The authority may request additional information in which case they shall
117 have an additional fifteen days following receipt of the supplemental information to approve or
118 deny the proposed cooperative agreement.

119 (4) Notice of any hearing shall be sent by certified mail to the applicants and all persons,
120 groups or organizations who have submitted written comments on the proposed cooperative
121 agreement as well as to all persons, groups or organizations designated as affected parties in the
122 certificate of need proceeding. Any individual, group or organization who submitted written
123 comments regarding the application and wishes to present evidence at the public hearing shall
124 request to be recognized as an affected party as set forth in article two-d of this chapter. The
125 hearing shall be held no later than forty-five days after receipt of the application. The authority
126 shall publish notice of the hearing on the authority's website fifteen days prior to the hearing. The
127 authority shall additionally provide timely notice of such hearing in the State Register.

128 (5) Parties may file a motion for an expedited decision.

129 (f) Standards for review of cooperative agreements. —

130 (1) In its review of an application for approval of a cooperative agreement submitted
131 pursuant to this section, the authority may consider the proposed cooperative agreement and any
132 supporting documents submitted by the applicant, any written comments submitted by any person
133 and any written or oral comments submitted, or evidence presented, at any public hearing.

134 (2) The authority shall consult with the Attorney General of this state regarding his or her
135 assessment of whether or not to approve the proposed cooperative agreement.

136 (3) The authority shall approve a proposed cooperative agreement and issue a certificate
137 of approval if it determines, with the written concurrence of the Attorney General, that the benefits
138 likely to result from the proposed cooperative agreement outweigh the disadvantages likely to
139 result from a reduction in competition from the proposed cooperative agreement.

140 (4) In evaluating the potential benefits of a proposed cooperative agreement, the authority
141 shall consider whether one or more of the following benefits may result from the proposed
142 cooperative agreement:

143 (A) Enhancement and preservation of existing academic and clinical educational
144 programs;

145 (B) Enhancement of the quality of hospital and hospital-related care, including mental
146 health services and treatment of substance abuse provided to citizens served by the authority;

147 (C) Enhancement of population health status consistent with the health goals established
148 by the authority;

149 (D) Preservation of hospital facilities in geographical proximity to the communities
150 traditionally served by those facilities to ensure access to care;

151 (E) Gains in the cost-efficiency of services provided by the hospitals involved;

152 (F) Improvements in the utilization of hospital resources and equipment;

153 (G) Avoidance of duplication of hospital resources;

154 (H) Participation in the state Medicaid program; and

155 (I) Constraints on increases in the total cost of care.

156 (5) The authority's evaluation of any disadvantages attributable to any reduction in
157 competition likely to result from the proposed cooperative agreement shall include, but need not
158 be limited to, the following factors:

159 (A) The extent of any likely adverse impact of the proposed cooperative agreement on the
160 ability of health maintenance organizations, preferred provider organizations, managed health
161 care organizations or other health care payors to negotiate reasonable payment and service
162 arrangements with hospitals, physicians, allied health care professionals or other health care
163 providers;

164 (B) The extent of any reduction in competition among physicians, allied health
165 professionals, other health care providers or other persons furnishing goods or services to, or in
166 competition with, hospitals that is likely to result directly or indirectly from the proposed
167 cooperative agreement;

168 (C) The extent of any likely adverse impact on patients in the quality, availability and price
169 of health care services; and

170 (D) The availability of arrangements that are less restrictive to competition and achieve
171 the same benefits or a more favorable balance of benefits over disadvantages attributable to any
172 reduction in competition likely to result from the proposed cooperative agreement.

173 (6) (A) After a complete review of the record, including, but not limited to, the factors set
174 out in subsection (e) of this section, any commitments made by the applicant or applicants and
175 any conditions imposed by the authority, if the authority determines that the benefits likely to result
176 from the proposed cooperative agreement outweigh the disadvantages likely to result from a
177 reduction in competition from the proposed cooperative agreement, the authority shall approve
178 the proposed cooperative agreement.

179 (B) The authority may reasonably condition approval upon the parties' commitments to:

180 (i) Achieving improvements in population health;
181 (ii) Access to health care services;
182 (iii) Quality and cost efficiencies identified by the parties in support of their application for
183 approval of the proposed cooperative agreement; and

184 (iv) Any additional commitments made by the parties to the cooperative agreement.

185 Any conditions set by the authority shall be fully enforceable by the authority. No condition
186 imposed by the authority, however, shall limit or interfere with the right of a hospital to adhere to
187 religious or ethical directives established by its governing board.

188 (7) The authority's decision to approve or deny an application shall constitute a final order
189 or decision pursuant to the West Virginia Administrative Procedure Act (§ 29A-1-1, et seq.). The
190 authority may enforce commitments and conditions imposed by the authority in the circuit court
191 of Kanawha County or the circuit court where the principal place of business of a party to the
192 cooperative agreement is located.

193 (g) Enforcement and supervision of cooperative agreements. — The authority shall
194 enforce and supervise any approved cooperative agreement for compliance.

195 (1) The authority is authorized to promulgate legislative rules in furtherance of this section.
196 Additionally, the authority shall promulgate emergency rules pursuant to the provisions of section
197 fifteen, article three, chapter twenty-nine-a of this code to accomplish the goals of this section.
198 These rules shall include, at a minimum:

199 (A) An annual report by the parties to a cooperative agreement. This report is required to
200 include:

201 (i) Information about the extent of the benefits realized and compliance with other terms
202 and conditions of the approval;

203 (ii) A description of the activities conducted pursuant to the cooperative agreement,
204 including any actions taken in furtherance of commitments made by the parties or terms imposed
205 by the authority as a condition for approval of the cooperative agreement;

206 (iii) Information relating to price, cost, quality, access to care and population health
207 improvement;

208 (iv) Disclosure of any reimbursement contract between a party to a cooperative
209 agreement approved pursuant to this section and a commercial health plan or insurer entered into
210 subsequent to the finalization of the cooperative agreement. This shall include the amount, if any,
211 by which an increase in the average rate of reimbursement exceeds, with respect to inpatient
212 services for such year, the increase in the Consumer Price Index for all Urban Consumers for
213 hospital inpatient services as published by the Bureau of Labor Statistics for such year and, with
214 respect to outpatient services, the increase in the Consumer Price Index for all Urban Consumers
215 for hospital outpatient services for such year; and

216 (v) Any additional information required by the authority to ensure compliance with the
217 cooperative agreement.

218 (B) If an approved application involves the combination of hospitals, disclosure of the
219 performance of each hospital with respect to a representative sample of quality metrics selected
220 annually by the authority from the most recent quality metrics published by the Centers for
221 Medicare and Medicaid Services. The representative sample shall be published by the authority
222 on its website.

223 (C) A procedure for a corrective action plan where the average performance score of the
224 parties to the cooperative agreement in any calendar year is below the fiftieth percentile for all
225 United States hospitals with respect to the quality metrics as set forth in (B) of this subsection.
226 The corrective action plan is required to:

227 (i) Be submitted one hundred twenty days from the commencement of the next calendar
228 year; and

229 (ii) Provide for a rebate to each commercial health plan or insurer with which they have
230 contracted an amount not in excess of one percent of the amount paid to them by such
231 commercial health plan or insurer for hospital services during such two-year period if in any two

232 consecutive-year period the average performance score is below the fiftieth percentile for all
233 United States hospitals. The amount to be rebated shall be reduced by the amount of any
234 reduction in reimbursement which may be imposed by a commercial health plan or insurer under
235 a quality incentive or awards program in which the hospital is a participant.

236 (D) A procedure where if the excess above the increase in the Consumer Price Index for
237 all Urban Consumers for hospital inpatient services or hospital outpatient services is two percent
238 or greater the authority may order the rebate of the amount which exceeds the respective indices
239 by two percent or more to all health plans or insurers which paid such excess unless the party
240 provides written justification of such increase satisfactory to the authority taking into account case
241 mix index, outliers and extraordinarily high cost outpatient procedure utilizations.

242 (E) The ability of the authority to investigate, as needed, to ensure compliance with the
243 cooperative agreement.

244 (F) The ability of the authority to take appropriate action, including revocation of a
245 certificate of approval, if it determines that:

246 (i) The parties to the agreement are not complying with the terms of the agreement or the
247 terms and conditions of approval;

248 (ii) The authority's approval was obtained as a result of an intentional material
249 misrepresentation;

250 (iii) The parties to the agreement have failed to pay any required fee; or

251 (iv) The benefits resulting from the approved agreement no longer outweigh the
252 disadvantages attributable to the reduction in competition resulting from the agreement.

253 (G) If the authority determines the parties to an approved cooperative agreement have
254 engaged in conduct that is contrary to state policy or the public interest, including the failure to
255 take action required by state policy or the public interest, the authority may initiate a proceeding
256 to determine whether to require the parties to refrain from taking such action or requiring the
257 parties to take such action, regardless of whether or not the benefits of the cooperative agreement

258 continue to outweigh its disadvantages. Any determination by the authority shall be final. The
259 authority is specifically authorized to enforce its determination in the circuit court of Kanawha
260 County or the circuit court where the principal place of business of a party to the cooperative
261 agreement is located.

262 (H) Fees as set forth in subsection (h).

263 (2) Until the promulgation of the emergency rules, the authority shall monitor and regulate
264 cooperative agreements to ensure that their conduct is in the public interest and shall have the
265 powers set forth in subdivision (1) of this subsection, including the power of enforcement set forth
266 in paragraph (G), subdivision (1) of this subsection.

267 (h) Fees. — The authority may set fees for the approval of a cooperative agreement.
268 These fees shall be for all reasonable and actual costs incurred by the authority in its review and
269 approval of any cooperative agreement pursuant to this section. These fees shall not exceed
270 \$75,000. Additionally, the authority may assess an annual fee not to exceed \$75,000 for the
271 supervision of any cooperative agreement approved pursuant to this section and to support the
272 implementation and administration of the provisions of this section.

273 (i) Miscellaneous provisions. —

274 (1) (A) An agreement entered into by a hospital party to a cooperative agreement and any
275 state official or state agency imposing certain restrictions on rate increases shall be enforceable
276 in accordance with its terms and may be considered by the authority in determining whether to
277 approve or deny the application. Nothing in this chapter shall undermine the validity of any such
278 agreement between a hospital party and the Attorney General entered before the effective date
279 of this legislation.

280 (B) At least ninety days prior to the implementation of any increase in rates for inpatient
281 and outpatient hospital services and at least sixty days prior to the execution of any
282 reimbursement agreement with a third party payor, a hospital party to a cooperative agreement
283 involving the combination of two or more hospitals through merger, consolidation or acquisition

284 which has been approved by the authority shall submit any proposed increase in rates for inpatient
285 and outpatient hospital services and any such reimbursement agreement to the Office of the West
286 Virginia Attorney General together with such information concerning costs, patient volume, acuity,
287 payor mix and other data as the Attorney General may request. Should the Attorney General
288 determine that the proposed rates may inappropriately exceed competitive rates for comparable
289 services in the hospital's market area which would result in unwarranted consumer harm or impair
290 consumer access to health care, the Attorney General may request the authority to evaluate the
291 proposed rate increase and to provide its recommendations to the Office of the Attorney General.
292 The Attorney General may approve, reject or modify the proposed rate increase and shall
293 communicate his or her decision to the hospital no later than 30 days prior to the proposed
294 implementation date. The hospital may then only implement the increase approved by the
295 Attorney General. Should the Attorney General determine that a reimbursement agreement with
296 a third party payor includes pricing terms at anti-competitive levels, the Attorney General may
297 reject the reimbursement agreement and communicate such rejection to the parties thereto
298 together with the rationale therefor in a timely manner.

299 (2) The authority shall maintain on file all cooperative agreements the authority has
300 approved, including any conditions imposed by the authority.

301 (3) Any party to a cooperative agreement that terminates its participation in such
302 cooperative agreement shall file a notice of termination with the authority thirty days after
303 termination.

304 (4) No hospital which is a party to a cooperative agreement for which approval is required
305 pursuant to this section may knowingly bill or charge for health services resulting from, or
306 associated with, such cooperative agreement until approved by the authority. Additionally, no
307 hospital which is a party to a cooperative agreement may knowingly bill or charge for health
308 services resulting from, or associated with, such cooperative agreement for which approval has
309 been revoked or terminated.

310 (5) By submitting an application for review of a cooperative agreement pursuant to this
311 section, the hospitals or health care providers shall be deemed to have agreed to submit to the
312 regulation and supervision of the authority as provided in this section.

§16-29B-29. Severability.

1 If any provision of this article or the application thereof to any person or circumstance is
2 held unconstitutional or invalid, such unconstitutionality or invalidity shall not affect, impair or
3 invalidate other provisions or applications of the article, and to this end the provisions of this article
4 are declared to be severable.

And by amending the title by inserting a new title to read as follows:

“Eng. Com. Sub. for S. B. 597- - “A Bill to amend and reenact §16-29B-26 of the Code of West Virginia, 1931, as amended; and to amend said code by adding thereto two new sections, designated §16-29B-28 and §16-29B-29, all relating generally to the Health Care Authority; exempting certain actions of the Health Care Authority from state and federal antitrust laws; setting forth intent to immunize cooperative agreements approved and subject to supervision by the Health Care Authority; establishing that a cooperative agreement that is not approved and subject to supervision by the Health Care Authority shall not have immunity; defining terms; setting out legislative findings and purpose; allowing cooperative agreements between certain hospitals and other hospitals or health care providers in the state; setting forth goals of a cooperative agreement; granting authority to the Health Care Authority to review proposed cooperative agreements; establishing a review process for cooperative agreements; requiring notification of application and public hearing to be published on Health Care Authority’s website and the State Register; providing for public comment period; requiring notice of public hearing to be provided to all persons, groups or organizations who have submitted written comments to proposed cooperative agreements and to individuals, groups or organizations designated as affected parties in certificate of need proceeding; requiring copy of application to be provided to the Attorney General; setting forth standards for review of cooperative agreements; requiring the

Health Care Authority to consult with the Attorney General regarding assessment of approval of proposed cooperative agreement; requiring approval of Health Care Authority to have written concurrence of the Attorney General; providing that the Health Care Authority evaluate the benefits and disadvantages of the proposed cooperative agreement; providing that the Health Care Authority make a determination whether the benefits likely to result from the proposed cooperative agreement outweigh the disadvantages likely to result from a reduction in competition from the proposed cooperative agreement; providing for approval with conditions; providing that the Health Care Authority's decision to approve or deny an application is a final order; granting enforcement powers over cooperative agreements to the Health Care Authority; providing for rulemaking; requiring reporting to the Health Care Authority; setting forth reporting requirements; providing for establishment and assessment of fees; providing that these new provisions shall not undermine the validity of an agreement between a hospital and the Attorney General entered into before the effective date of this legislation; requiring submission of certain proposed rate increases to be provided to the Attorney General for review; authorizing the Attorney General to approve, reject or modify certain proposed rate increases; providing that certain proposed rate increases may only be implemented with the approval of the Attorney General; providing the Health Care Authority maintain on file all approved cooperative agreements, including conditions imposed; requiring notification of termination of cooperative agreement be filed with the Health Care Authority; prohibiting billing or charging for health services resulting from or related to a cooperative agreement until approved by the Health Care Authority; providing that submission of application constitutes agreement to certain regulation and supervision of the Health Care Authority; and providing for severability.”

Respectfully submitted,

Ryan Ferns,

Chair,

Craig Blair

Robert H. Plymal

Conferees on the part

of the Senate.

Joe Ellington,

Chair,

Patrick Lane

Don Perdue

Conferees on the part of

the House of Delegates.

ATTACHMENT B

[NON-PUBLIC ATTACHMENT]

CONFIDENTIAL - REDACTED IN ENTIRETY

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Edith Ramirez, Chairwoman**
 Julie Brill
 Maureen K. Ohlhausen
 Terrell McSweeney

In the Matter of

Cabell Huntington Hospital, Inc.
a corporation;

and

Pallottine Health Services, Inc.
a corporation;

and

St. Mary's Medical Center, Inc.
a corporation

Docket No. 9366

**[PROPOSED] ORDER GRANTING JOINT EXPEDITED MOTION TO
WITHDRAW THE MATTER FROM ADJUDICATION**

On March 16, 2016, the parties filed a joint expedited motion to withdraw this matter from adjudication for 30 days after the Commission issued its order on this motion[, or in the alternative, to reschedule the start of the administrative evidentiary proceeding to April 26 or later].

The joint motion is GRANTED. [The matter is withdrawn from adjudication.] OR [The Part 3 evidentiary hearing is rescheduled to start on [April 26], 2016.]

By the Commission:

Donald S. Clark

Secretary

SEAL
ISSUED:

CERTIFICATE OF SERVICE

I hereby certify that on March 17, 2016, I filed the foregoing document electronically using the FTC's E-Filing System, which will send notification of such filing to:

Donald S. Clark
Secretary
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-113
Washington, DC 20580

I further certify that I delivered via electronic mail a copy of the foregoing document to:

The Honorable D. Michael Chappell
Chief Administrative Law Judge
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-110
Washington, DC 20580

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*Counsel for Respondent Pallottine
Health Services, Inc. and St. Mary's
Medical Center, Inc.*

March 17, 2016

/s/ Jeanine Balbach

On behalf of Complaint Counsel

CERTIFICATE FOR ELECTRONIC FILING

I certify that the electronic copy sent to the Secretary of the Commission is a true and correct copy of the paper original and that I possess a paper original of the signed document that is available for review by the parties and the adjudicator.

March 17, 2016

By: s/ Jeanine Balbach