

To: Federal Trade Commission

From: Edward Ward, Ph.D.

Re: CentraCare acquisition of St. Cloud Medical Group

I am writing to express my opposition to the acquisition of St. Cloud Medical Group (SCMG) by Centra Care in St. Cloud, Minnesota. I have copied and inserted below sections of relevant research articles regarding the increased cost to consumers as well as decreased quality of patient care following the establishment of a health care monopoly, but personally have these concerns:

1. Three years ago Centra Care listed itself as a Level Four provider of health care services for State of Minnesota employees such as myself. As that is the most expensive level, I switched to SCMG as did numerous other state employees in the area. Due to the loss of patients, Centra Care reverted to a Level Three, i.e. lower cost, provider. Without such competition from SCMG, Centra Care would have continued to increase its charges.
2. As noted below, living costs in Saint Cloud average 5% below the national average, but health care costs average 9.8% above the national average. This is due to the high billings of Centra Care, who without competition would raise their charges even more.

Summary One

In a report released by the St. Cloud Area Chamber of Commerce earlier this month, St. Cloud's overall index is 5 percentage points below the national index of 100. But data in six categories the Council for Community and Economic Research looks at for the index shows the area is experiencing above-average costs in half of the categories. **The cost for health care is 9.8 points higher than the national index.** In addition, grocery items rank at 9.2 percentage points above average and miscellaneous goods and services ran 5.3 points higher. **Compared with Minneapolis, St. Paul and Mankato, the St. Cloud index for grocery items and health care ranked highest in the state.**

Reference: www.ci.stcloud.mn.us/DocumentCenter/View/7953

Summary Two

Please note the report below as to how SCMG provides lower cost health care:

A 2014 report card from a Minneapolis-based nonprofit called Minnesota Community Measurement found **St. Cloud Medical Group was one of the eight lowest-cost medical groups in the state.**

Summary Three

Minnesota Community Measurement, an independent non-profit community organization founded in 2004, has released their 2015 Total Cost of Care Results.

The Total Cost of Care measures all costs associated with treating commercially-insured patients, including professional, facility inpatient and outpatient, pharmacy, lab, radiology, behavioral health and ancillary costs.

The 2015 results include 132 medical groups that represent 954 clinics in Minnesota, as well as neighboring communities in Wisconsin, Iowa, North Dakota and South Dakota. Groups needed at least 600 patients with claims across at least three health plans to be included in the results.

The statewide average shows the average monthly health care cost overall to be \$449 per patient. We are proud to report that *St. Cloud Medical Group, all clinics*, had a per patient, per month cost of \$385 or *14% less expensive than the statewide average*. The only clinic in the Central Region less expensive was St. Cloud State University Student Health Services at \$381 per patient per month.

Reference: <https://www.stcloudmedical.com/news-entries/st-cloud-medical-group-ranks-high-keeping-costs-low/>

Summary Four

The threat of the acquisition resulting in a monopoly is very real:

A Star Tribune analysis of primary care networks at three different health insurance companies suggests *the combined group would control a large chunk of primary care in the St. Cloud area — anywhere from 50 to 80 percent of clinics or providers, depending on the network.*

<http://www.startribune.com/st-cloud-clinic-merger-under-antitrust-review-by-state/372278581/>

Summary Five

Before continuing, I did want to note the statement by an administrator at one of the facilities:

"I would not overlook some of the things that people can do online right now," White said.
"(Or) you can go to CVS (Pharmacy) where they have their Minute Clinics, and we have some solo practitioners around our area too so there are options."

My sardonic comment is apparently any patient with a heart attack, diabetes, auto accident, kidney stones, cancer, etc., can go to a Minute Clinic as that is what this administrator states is an option to the CentraCare monolith. The truth is that as noted above by the Star Tribune, in fact CentraCare will be a monopoly.

Summary Six

I also want to bring to the attention of the FTC research regarding what happens when a hospital organization such as CentraCare has a monopoly:

A new study, conducted by Zack Cooper of Yale University, Stuart Craig of the University of Pennsylvania, Martin Gaynor of Carnegie Mellon, and John Van Reenen of the London School of Economics, confirms these concerns and sheds light on the real cost of reduced competition among hospitals: **markets where hospitals have a monopoly are exposed to massive price hikes. Hospital prices in monopoly markets are 15.3 percent higher than in markets with four or more hospitals.** Hospitals in duopoly markets charge prices that are 6.4 percent higher, and treatment in markets that have a hospital triopoly is 4.8 percent more expensive.

In other words, increased concentration in health care ultimately victimizes consumers, as mergers allow hospitals to leverage their market position and drive up prices.

Summary Seven

As CentraCare is a non-profit, here is a summary of how non-profits gouge consumers:

“One of the things we found is that not-for-profit hospitals don’t price any less aggressively than for-profits. We subsidize not-for-profits to the tune of \$30 billion annually, in the form of tax exemptions, and we have to ask what that money is getting us,” says Cooper, co-author of the study...The case for hospital consolidation, though, has been limited so far. “I have never seen the evidence that consolidation improves quality in the health care space. I have never seen a study that comes out and says that consolidation makes things better,” says Cooper. “I’ve seen a fair bit evidence that consolidation raises prices.”

Historical evidence suggest there’s a strong connection between hospital market concentration and massive price increases. Already in 1989, Jonathan B. Baker warned of the dangers of collusion in the hospital market: “a reduction in the number of hospitals in a market may allow the remaining hospitals to cooperate in a price increase for all or most services.” In the 1990s, the newly consolidated Partners HealthCare made a deal with Blue Cross Blue Shield that famously caused a health care cost crisis. **According to a 2012 study by the Robert Wood Johnson Foundation, “the magnitude of price increases when hospitals merge in concentrated markets is typically quite large, most exceeding 20 percent.”**

Source: <https://promarket.org/the-true-price-of-reduced-competition-in-health-care-hospital-monopolies-dramatically-drive-up-prices/>

Summary Eight

The effect of the FTC ruling allowing a monopoly in Saint Cloud may go beyond large price increases:

More than money is at stake. **New research at Stanford Business School shows that as health care consolidates, quality suffers (through lack of meaningful competition to make providers do their best work). More patients actually die.** Stanford professors Nicholas Bloom and Stephan Seiler studied outcomes and costs in a range of U.K. cities which had experienced different amounts of consolidation. The difference was stark: **Adding a single rival to a given market improved heart attack survival rates by 10 percent. Seiler explains why: "If you're competing with other hospitals, you actually have to be innovative and use good managerial practices."**

This year the Federal Trade Commission will be called upon to approve or block some major health care mergers on anti-trust grounds. If they judge that the mergers will make health care markets less competitive, they can turn down a proposed merger on antitrust grounds. Every year in the U.S. [735,000 people have a heart attack](#), and 610,000 people die of heart failure. Let's hope the commissioner's hearts are strong and their minds are clear as they consider the stakes.

Source: <http://www.usnews.com/opinion/economic-intelligence/2015/08/17/health-care-consolidation-is-a-disease-not-a-cure>

The above research is relevant given the mission statement of the FTC:

The Federal Trade Commission works to [promote competition](#), and protect and educate consumers. You can learn more about [how competition benefits consumers](#)...

I don't see how rates being raised and the quality of health care declining to be in any way aligned with protecting consumers.

Summary Nine

To clarify to the FTC the charges made by CentraCare, below is the chart about costs of different cost levels. SCMG is now a Cost Level 2 health care provider, while CentraCare until recently has been at Cost Level 4. Note how much more expensive CentraCare charges are, such as a single deductible of \$1,250 versus \$250 at SCMG, an office visit copayment of \$80 by CentraCare in contrast to the \$30 amount by SCMG, and CentraCare having a maximum out of pocket charge of over twice what SCMG charges, e.g. for a family \$5,200 by CentraCare in contrast to the \$2,400 amount by SCMG.

Service	Cost Level 1	Cost Level 2	Cost Level 3	Cost Level 4
Annual Deductible	Single: \$150 Family: \$300	Single: \$250 Family: \$500	Single: \$550 Family: \$1,100	Single: \$1,250 Family: \$2,500
Office Visit Copayment*	\$25/Visit	\$30/Visit	\$60/Visit	\$80/Visit
Maximum Out-of-Pocket Single/Family	\$1,200/\$2,400	\$1,200/\$2,400	\$1,600/\$3,200	\$2,600/\$5,200
PreferredOne Providers	<ul style="list-style-type: none"> • North Clinics • Northwest Family Physicians • Mayo Clinic Health System (The best cost level of any health plan - Mankato Area) 	<ul style="list-style-type: none"> • Fairview • North Memorial • HealthEast • Lake Region Healthcare • Mankato Clinic • Entira • Altru • Stillwater Medical Group • Stellis Health 		

*Assumes employee completed the Health Assessment in each open enrollment period and accepted a health coaching call.

Source: <https://www.preferredone.com/segip/providersearch/>

Summary Ten

Finally, here is the compensation that was paid to the CentraCare CEO who recently retired:

Recently filed IRS Form 990s from CentraCare Health System, St. Cloud Hospital and CentraCare Clinic obtained by Times Media show about 3.7 percent of that total — about \$23.1 million — was concentrated among the top 47 wage earners in the organization. **Recently retired CentraCare President and CEO Terry Pladson topped the list with more than \$1.6 million in salary, benefits and other compensation.**

Source: <http://www.sctimes.com/story/news/local/2015/05/24/centracare-tax-filing-reveals-pay-execs-top-docs/27895699/>

Summary of public opinion

Below are the comments that appeared in the local newspaper web site after the FTC approval was announced. As you can tell, the general public is aware of how CentraCare will gouge them if this acquisition is approved.

[Robert Ahles](#) ·

[Saint Cloud, Minnesota](#)

Are you concerned about a CentraCare Health monopoly in the health care field in this Central Minnesota area? If so please provide the FTC with your comments and concerns. Go to ftc.gov, click on “NEWS & EVENTS”, find the October 6th article entitled “Healthcare Provider in St. Cloud, MN Settles FTC Charges That Its Acquisition of Rival Provider Would Likely Lessen Competition for Certain Physician Services”, then follow the instructions in the article to provide your comments.

Note in the last paragraph of this article that “The Federal Trade Commission works to promote competition, and protect and educate consumers.”

[Like](#) · [Reply](#) · Oct 7, 2016 11:09pm



[Robert Ahles](#) ·

[Saint Cloud, Minnesota](#)

Less competition generally means fewer choices and higher prices. The Minnesota Attorney General's Office opposed this merger and was "disappointed with and puzzled by the FTC settlement." Here is another example of a Federal Agency trumping our State Government.

“The acquisition is subject to a 30-day public comment period as part of the last stages of securing the agreement from the FTC.”

If you really want your comments to be meaningful post them on the FTC's website. Go to [FTC.gov](#) and locate the CentraCare Health Merger article and post your comments there.

[Robert Ahles](#) ·

[Saint Cloud, Minnesota](#)

In the article you referenced the Star Tribune disclosed financial information for CentraCare stating that “CentraCare posted operating income of \$63.2 million on \$1.1 billion in revenue”. However, no financial information has been provided to the public for the St. Cloud Medical Group. While the FTC states that it appears unlikely that the SCMG can improve its financial condition no details are given or reasons explained for its financial struggles.

The Federal Trade Commission is suppose to promote competition and protect and educate consumers. The FTC approval of this merger, over the opposition of the Minnesota Attorney General's office, does not appear to do that but instead lessens competition and hurts the consumer. As Jodie Peschl stated in her comments the only winners to this merger will be the CEOs and stockholders of these health care providers and the consumers will ultimately be at loss. If SCMG is truly failing financially and there is no hope for its recovery then just let that happen. I just don't think that it is the FTC's place to help in the bailout of struggling health care providers.

[Like](#) · [Reply](#) · Oct 8, 2016 8:09am



[Eugene Nelson](#) ·

Works at [Business Industries Inc](#)

The StarTribune article mentioned that the SCMG could not obtain a line of credit which was one of the reasons for their approval.

I'm disappointed, as I like SCMG and had previously dealt with CentraCare with unsatisfying results.

But...you're probably right that the merger shouldn't have been approved for financial reasons...but it is possible SCMG would not be able to stay in business.

Annie Salner ·

Business System Specialist at Minnesota State Colleges and Universities System

Like another poster here, my out-of-pocket costs are based on what Cost Level the clinic has negotiated with my health plan. My family has enjoyed quality medical care at SCMG for many years. SCMG has continued to negotiate with my health plan to be a lower-cost option for area residents. CentraCare has not been willing to negotiate. They have continued to require their patients to pay more out-of-pocket. I assume now SCMG will move to the reimbursement model employed by CentraCare, meaning our out-of-pocket costs for co-pays and deductibles will go up by more than 100%. I guess we'll have to look at HealthPartners as an option for next year.

Like · Reply ·  2 · 3 hrs



Carol Seibert Freihammer

My health insurance charges are based on cost levels. When CentraCare jumped to level 4, our copay would have increased from \$26 to \$60. We left our long-term doctors at CentraCare and switched to St Cloud Medical Group which is a cost level 1, to try to keep our costs more affordable. Now, I suppose our cost level will skyrocket back up to level 4 !!! We will either have to suck it up, or once again hunt for a more affordable clinic. We have worked and contributed to this community for 45 years. Don't think we haven't noticed that the "new" residents in our area still flock to CentraCare, regardless of cost level. I guess I pay enough taxes to make it affordable for them.

In its complaint, the FTC said: "SCMG is a low-cost provider of health care in St. Cloud, and health insurers have used the competition between CentraCare and SCMG to obtain more favorable contract terms from CentraCare, which is a higher cost health care provider."

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Todd Olson

Watch for health care costs in central MN to rise higher than the national average.

Or maybe not, the article states that these providers have been colluding for years.

I think all the car companies should merge, for the best interest of the community.

It's been a few years, I wonder what my \$25,000.00 appendectomy costs now?

Jodie Peschl

I'm surprise, not surprised... they left out another significant factor - the Affordable Care Act. Doctors can no longer afford to practice because patients can no longer afford their healthcare costs. Not even the healthy. Only the sickest of the sick are going to the doctor and we all know how those costs are going through the roof! Thus, clinics are faced with an increase in delinquent accounts. No money no clinic.

This merger while necessary to keep the clinic open and afloat is causing a monopoly. Doctors are pushed for time as it is. The likelihood of someone keeping their physi...[See More](#)

Eugene Nelson ·

Works at Business Industries Inc

I did not like the idea of this merger. I've like the St Cloud Medical Group much better than Centra Care, whom I've also dealt with. Felt more like a number than a patient with Centra Care.

The StarTribune had more info on this and the reason why the merger was approved. FTC calls that level of concentration "presumptively anticompetitive." But St. Cloud Medical Group (SCMG) produced evidence that "it is financially failing, has lost its sole remaining line of credit and appears unlikely to improve its financial condition," FTC said in a statement.
<http://www.startribune.com/ftc-clears-medical.../396227371/>

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Jim Czajkowski ·

Owner at Hardline North LLC

Choice is nice.. Especially when there isnt one anymore

[Like](#) · [Reply](#) · 14 hrs

Source: <http://www.sctimes.com/story/money/2016/10/06/st-cloud-medical-group-merges-centracare-health/91214840/>

In summary, I do not see any advantage to residents of the area if this merger occurs. Charges for health care will rise as Centra Care will have no feasible competition and quality of patient care will suffer. I am asking that the FTC reverse its approval of this business transaction. CentraCare did not buy SCMG in order to benefit that organization or the public, rather CentraCare wants a monopoly that in no way will benefit the public.

Sincerely,

Edward Ward, Ph.D.

