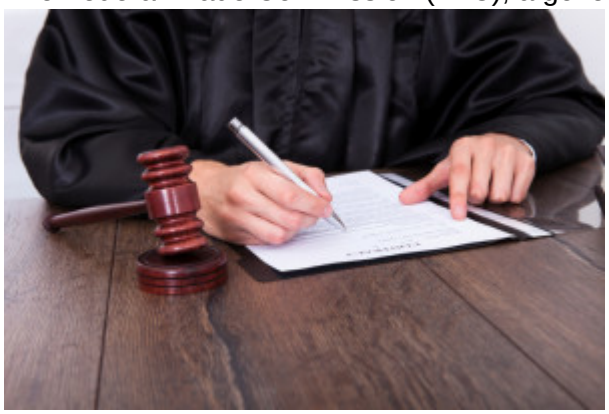
Court Orders Divestiture Following Anti-Competitive Acquisition of Idaho Medical Group

The Federal Trade Commission (FTC), a government agency tasked with



protecting consumers' rights in the U.S., recently exercised its power in a case filed in Idaho, asserting that a healthcare acquisition within the state threatened competition, and pushed for the divestiture of the acquired group. **Background of the Case** In 2012, St. Luke's Health System, Ltd., which operates hospitals and employs physicians throughout the greater Boise area, contracted to acquire Saltzer Medical Group, a practice group that employed 41 physicians. In response to this, Saint Alphonsus, a rival health system within the area, filed suit against the proposed acquisition, alleging that it violated anti-trust laws. St. Luke's acquired Saltzer shortly thereafter. In early 2013, the FTC joined sides with Saint Alphonsus, with both acting as co-plaintiffs in the case. After a bench trial was conducted on the issue, the presiding judge ruled that the acquisition was, in fact, in violation of U.S. anti-trust law, specifically Section 7 of the Clayton Act, which prohibits acquisitions where the resulting entity would substantially lessen competition, or create a monopoly. To remedy this violation, the judge ordered St. Luke's to divest the Saltzer Medical Group that St. Luke's had acquired. St. Luke's appealed to the Ninth circuit, which upheld the trial court's ruling. **What Was in Violation of Section 7?** The trial court rule, and Ninth Circuit Court affirmed, that the acquisition of Saltzer Medical Group by St. Luke's significantly lessened competition for adult primary care physician services in Nampa, a town near Boise. The court chose the more narrow geographic market over St. Luke's request that the relevant geographic area be "Treasure Valley" in its entirety. Why did the court rule as it did? Primarily because insurers testified that a healthcare plan could not be successfully marketed without including primary physicians within the town of Nampa, and that many residents chose physicians in this town based on factors other than price. Following its purchase of Saltzer, St. Luke's employed approximately 80 percent of the physicians in Nampa, leaving few other options for those seeking healthcare services. This control over the primary care physician services available in the relevant Nampa market was held by the court to be anti-competitive and in violation of federal law. **Significance of the Case** This case is significant as the first occasion on which the FTC litigated an antitrust challenge to acquisition of a medical group practice. It is also important because it shows that these decisions often hinge on how the geographic market in which the parties to the transaction operate is defined. Anti-trust law seeks to protect consumers from monopolistic practices in the United States, ensuring no one entity acquires too large of a market share in a relevant product or service. The St. Luke's case shows that parties to sale of a physician practice, particularly one of significant size in its market need to consider potential application of the antitrust laws. If you have questions about anti-trust law or mergers and acquisitions as they relate to medical practices, please contact one of the Kansas City based Seigfreid Bingham Health Care Lawyers to learn more about your situation. Image: Thinkstock/AndreyPopov *This article is very general in nature and does not constitute legal advice.

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