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Justice Department Sues To Block Geisinger Health's Transaction With Evangelical Community Hospital

Transaction Reduces Hospital Competition in Central Pennsylvania

The U.S. Department of Justice sued today to block Geisinger Health's partial acquisition of its close rival, Evangelical Community Hospital. The complaint alleges that the agreement fundamentally alters the relationship between the parties, raising the likelihood of coordination and reducing Defendants' incentives to compete aggressively against each other. As a result, the transaction is likely to lead to higher prices, lower quality, and reduced access to high-quality inpatient hospital services for patients in central Pennsylvania. The lawsuit was filed in the U.S. District Court for the Middle District of Pennsylvania.

"Preserving competition in healthcare markets is a priority for the Department of Justice because of its important impact on the health and well-being of Americans," said Assistant Attorney General Makan Delrahim of the Justice Department's Antitrust Division. "This agreement between Geisinger and Evangelical threatens to harm patients in central Pennsylvania by reducing competition that has improved the price, quality, and availability of healthcare in the region."

Geisinger, a large hospital system in central and northeastern Pennsylvania, and Evangelical, an independent community hospital in Lewisburg, Pennsylvania, are close competitors for inpatient general acute-care hospital services for many patients in a six-county area in central Pennsylvania, with the two hospitals together accounting for approximately 71 percent of the market in this region.

According to the complaint, Geisinger has a history of acquiring community hospitals in Pennsylvania and initially sought to acquire Evangelical in full. Defendants recognized, however, that such an acquisition would likely violate the antitrust laws. Instead, on February 1, 2019, Geisinger and Evangelical entered into a partial-acquisition agreement, in part, to avoid antitrust scrutiny. This agreement, however, imposes significant entanglements between

Defendants, reducing their incentives to independently compete against each other and increasing the likelihood of coordination. For example, the agreement gives Geisinger a 30 percent ownership interest in Evangelical and requires it to invest \$100 million in Evangelical, much of which is earmarked for specified projects approved by Geisinger. These terms link the two organizations financially and set Geisinger up as a critical source of funding to Evangelical for the foreseeable future. According to Geisinger documents quoted in the complaint, Geisinger's investment makes Evangelical "tied to us" so "they don't go to a competitor." The agreement also gives Geisinger rights of first offer and first refusal for certain transactions and joint ventures, which, in conjunction with other provisions in the agreement, make it difficult for Evangelical to partner with other healthcare entities. The complaint alleges that the provisions in the agreement work together to substantially lessen competition and unreasonably restrain trade in the market for inpatient hospital services in central Pennsylvania. Further, the agreement is not reasonably necessary to achieve any community benefits.

Geisinger Health is a regional, not-for-profit healthcare provider that operates hospitals, physician practices, outpatient facilities, and urgent-care centers in Pennsylvania and New Jersey. Geisinger's flagship facility is Geisinger Medical Center, a 574-bed hospital located in Danville, Pennsylvania. Geisinger Health's revenues in FY2019 were approximately \$7.1 billion.

Evangelical Community Hospital is a 132-bed non-profit independent community hospital located in Lewisburg, Pennsylvania. It owns physician practices and operates an urgent-care facility and several other outpatient facilities in central Pennsylvania. Its revenues in FY2019 were approximately \$259 million.