131 0202

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Edith Ramirez, Chairwoman**
Julie Brill
Maureen K. Ohlhausen
Joshua D. Wright

In the Matter of	)	
Community Health Systems, Inc., a corporation;	)	
and	)	**Docket No. C-4427**
Health Management Associates, Inc., a corporation.	)	

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act ("FTC Act"), and by virtue of the authority vested in it by said Acts, the Federal Trade Commission ("Commission"), having reason to believe that Respondent Community Health Systems, Inc. ("CHS"), a corporation subject to the jurisdiction of the Commission, has agreed to acquire Respondent Health Management Associates, Inc. ("HMA"), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent CHS is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its offices and principal place of business located at 4000 Meridian Boulevard, Franklin, Tennessee 37067-6325.

2. CHS owns or leases 135 hospitals, comprised of 131 general acute care hospitals and four stand-alone rehabilitation or psychiatric hospitals, located in 29 states. CHS is the second-largest U.S. hospital chain and one of the largest publicly-traded operators of hospitals in

the United States. CHS generated approximately $13 billion in revenue in 2012. CHS is, and at all times relevant herein has been, engaged in the sale and provision of general acute care inpatient services ("GAC services").

3. Respondent HMA is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its offices and principal place of business located at 5811 Pelican Bay Boulevard, Suite 500, Naples, Florida 34108-2710.

4. HMA operates 71 hospitals located in 15 states. In 2012, HMA generated $5.9 billion in revenue. HMA is, and at all times relevant herein has been, engaged in the sale and provision of GAC services.

II. THE PROPOSED MERGER

5. Pursuant to an Agreement and Plan of Merger dated July 29, 2013, CHS proposes to purchase all of the issued and outstanding common stock of HMA (the "Merger").

III. JURISDICTION

6. Respondents, and each of their relevant operating subsidiaries and parent entities, are, and at all times relevant herein have been, engaged in commerce, or in activities affecting commerce, within the meaning of Section 1 of the Clayton Act, 15 U.S.C. § 12, and Section 4 of the FTC Act, 15 U.S.C. § 44.

7. The Merger constitutes an acquisition under Section 7 of the Clayton Act, 15 U.S.C. § 18.

IV. THE RELEVANT PRODUCT MARKET

8. The relevant line of commerce in which to analyze the Merger is the sale and provision of GAC services to commercial health plans and commercially insured patients, respectively. GAC services consist of a broad cluster of routine inpatient services that require an overnight hospital stay.

9. GAC services do not include services related to psychiatric care, substance abuse, and rehabilitation services. Likewise, outpatient services are not included in the GAC services market because such services are characterized by different competitive conditions (e.g., different competitors, lower entry barriers) and because health plans and their members generally cannot and would not substitute those services for inpatient services in response to a small but significant and non-transitory increase in price.

V. THE RELEVANT GEOGRAPHIC MARKETS

10. One relevant geographic market in which to assess the competitive effects of the Merger is the area that approximates Etowah County and includes the City of Gadsden, Alabama, or, the "Gadsden Area."

11. In general, patients prefer to obtain GAC services close to home or work. Accordingly, most residents of the Gadsden Area receive GAC services from two locally-situated providers—CHS's Gadsden Regional Medical Center and HMA's Riverview Regional Medical Center. Gadsden Area residents are unlikely to seek GAC services from more distant providers, even in response to a small but significant and non-transitory increase in price.

12. A second relevant geographic market in which to assess the competitive effects of the Merger is the area that approximates Darlington County and includes the City of Hartsville, South Carolina, or, the "Darlington County Area."

13. As in the Gadsden Area, patients prefer to obtain GAC services close to home or work. Accordingly, most residents of the Darlington County Area receive GAC services from three locally-situated providers—CHS's Carolinas Hospital-Florence, HMA's Carolina Pines Regional Medical Center, and third-party McLeod Regional Medical Center ("McLeod Regional"). Darlington County Area residents are unlikely to seek GAC services from more distant providers, even in response to a small but significant and non-transitory increase in price.

VI. MARKET CONCENTRATION

14. The Gadsden Area market for the provision and sale of GAC services is highly concentrated, and the Merger will substantially increase concentration in this market. The Merger would combine the only two competitively meaningful providers of GAC services to commercially insured patients. Respondents CHS and HMA each own and operate a general acute care hospital that serves this area. Respondents compete on a number of price and non-price factors, including a range of available services, quality of service, name recognition, reputation, location, and associated product offerings. Post-merger, patients in the Gadsden Area would have only CHS's hospitals as meaningful options to obtain GAC services.

15. The Darlington County Area market for the provision and sale of GAC services is highly concentrated, and the Merger will substantially increase concentration in this market. The Merger would combine two of the three competitively meaningful providers of GAC services to commercially insured patients. Respondents CHS and HMA each own and operate a general acute care hospital that serves this area. Respondents compete on a number of price and non-price factors, including a range of available services, quality of service, name recognition, reputation, location, and associated product offerings. Post-merger, patients in the Darlington County Area would have only two meaningful options for GAC services—either a Respondent-owned hospital or third-party McLeod Regional.

VII. ENTRY CONDITIONS

16. Entry into the relevant geographic markets would not be timely, likely, or sufficient to prevent or deter the likely anticompetitive effects of the Merger. Significant entry barriers include the time and costs associated with constructing or expanding a general acute care hospital, as well as the need to satisfy regulatory and licensing requirements that govern the provision of GAC services, including Certificate of Need requirements.

VIII. EFFECTS OF THE ACQUISITION

17. The Merger, if consummated, may substantially lessen competition for the sale and provision of GAC services to commercial health plans and commercially insured patients in the relevant geographic markets, identified in Paragraphs 10 and 12, in the following ways, among others:

(a) by eliminating direct and substantial competition between Respondents CHS and HMA; and

(b) by increasing the likelihood that Respondent CHS will unilaterally exercise market power.

18. The ultimate effect of the Merger would be to increase the likelihood that prices of GAC services provided to commercially insured patients would rise above competitive levels, and/or that there would be a decrease in the quality or availability of GAC services, in the relevant geographic markets.

IX. VIOLATIONS CHARGED

19. The agreement described in Paragraph 5 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and the Merger, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-first day of January, 2014, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: