

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

**COMMISSIONERS: Lina M. Khan, Chair
 Rebecca Kelly Slaughter**

**John Muir Health,
a corporation**

known for charging high prices. For example, a 2020 New York Times article stated: “John Muir Health. . . [is] the most costly system in the nation. Private insurers pay its hospitals four times what Medicare reimburses for care.” Multiple insurers who offer health plans to individuals along the I-680 corridor confirm that John Muir’s hospitals are more expensive than other facilities in the area.

3. John Muir can extract these high prices from insurers because competition in the area is so limited. Just a handful of hospitals other than John Muir’s sit within the I-680 corridor; one of those hospitals is SRRMC. As a result, insurers need John Muir’s hospitals in their health plan networks to market a successful product to consumers who live along the I-680 corridor.

4. John Muir now seeks to enhance and expand its commanding position in the I-680 corridor by acquiring SRRMC, a nearby hospital operated by Tenet. Today, SRRMC is one of John Muir’s few meaningful competitors. SRRMC sits just 14 miles south of John Muir’s flagship hospital in Walnut Creek and provides high quality care.

5. If John Muir were permitted to acquire SRRMC, insurers would have fewer competing alternatives for inpatient GAC services in the I-680 corridor. As a result of this substantial lessening of competition, John Muir would be able to demand higher rates from

III. RESPONDENTS

10. Respondent Tenet Healthcare Corporation is a public company incorporated in Nevada with its headquarters in Dallas, Texas. Tenet operates 61 general acute care hospitals and hundreds of outpatient facilities nationally, including numerous facilities in California. Tenet operates SRRMC, a 123-bed hospital located just off of I-680 in San Ramon, California, and roughly 14 miles south of John Muir's Walnut Creek Medical Center. Before 2013, Tenet was the sole owner of SRRMC. In 2013, pursuant to a series of joint venture agreements, Tenet transferred a 49% non-controlling interest in San Ramon Regional Medical Center, LLC, the entity that owns SRRMC, to John Muir. Tenet currently holds a 51% controlling interest in San Ramon Regional Medical Center, LLC and continues to operate SRRMC. As operator of SRRMC, Tenet is solely responsible for SRRMC.

11. Respondent John Muir Health is a California non-profit corporation headquartered in Walnut Creek, California. John Muir operates two hospitals that provide inpatient GAC services along the I-680 corridor. John Muir's Walnut Creek Medical Center, a 554-bed facility, is the area's largest hospital. John Muir's Concord Medical Center is a 244-bed facility located less than 10 miles from its Walnut Creek Medical Center. John Muir also manages physician practices of approximately 300 physicians and negotiates contracts on behalf of approximately 700 additional physicians through the John Muir Health Physician Network. John Muir further operates an array of outpatient facilities including urgent care clinics, imaging centers, and an outpatient surgery center. John Muir holds a 49% non-controlling interest in San Ramon Regional Medical Center, LLC, the entity that owns SRRMC.

IV. THE PROPOSED ACQUISITION

12. On January 10, 2023, John Muir and Tenet entered into the Purchase Agreement whereby John Muir agreed to acquire Tenet's controlling interest in San Ramon Regional Medical Center, LLC, together with other assorted assets, for approximately \$142.5 million.

V. COMPETITION BETWEEN HOSPITALS BENEFITS PATIENTS

13. Hospital competition to provide inpatient GAC services for commercially insured patients occurs in two distinct but related stages. In the first stage of hospital competition, the hospital with the highest market share in the area (the "dominant hospital") typically negotiates contracts with commercial payers on behalf of other hospitals in the area. In the second stage, the dominant hospital negotiates contracts with commercial payers on behalf of other hospitals in the area.

15. From the insurer's perspective, having a hospital network enables the insurer to assemble a health plan provider network in a particular geographic area that is attractive to current and prospective enrollees, typically local employers and their employees.

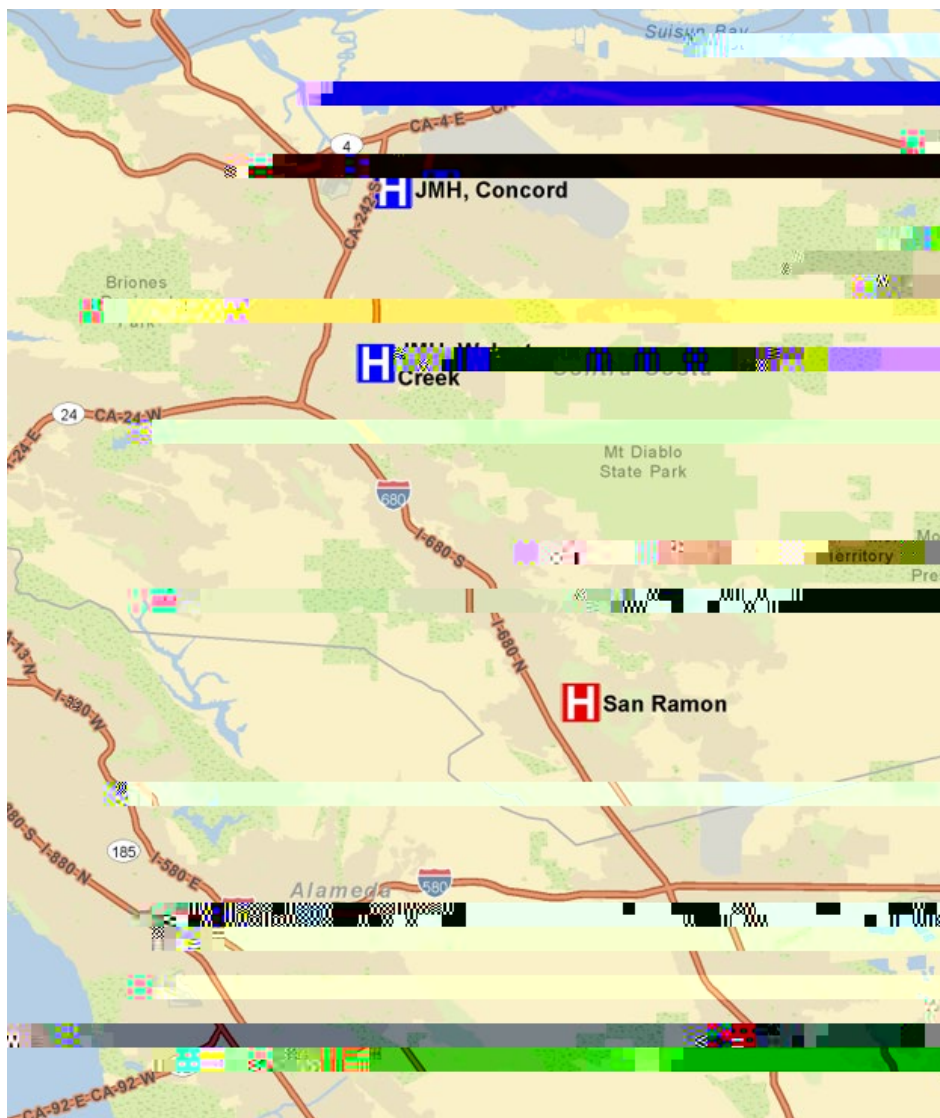
16. A hospital has significant bargaining leverage with insurers if its absence would make an insurer's health plan network substantially less attractive (and therefore less marketable) to its current and prospective enrollees. This relative attractiveness to the insurer depends largely on whether other nearby hospitals could serve as viable in-network substitutes in the eyes of the plan's enrollees. The presence of alternative, conveniently located, high-quality competitors thus limits the bargaining leverage of a hospital in negotiations with the insurer. Where there are fewer meaningful alternatives and therefore less competition, a hospital will have greater bargaining leverage to demand and obtain higher reimbursement rates and other advantageous contract terms.

17. A merger involving hospitals that insurers and their enrollees consider substitutes increases the combined hospitals' bargaining leverage because it eliminates a previously available alternative for the insurers and enrollees. Such a merger may substantially lessen competition by increasing the merged entity's incentive and ability to raise prices or reduce quality, because the merger eliminates an available alternative that an insurer could otherwise

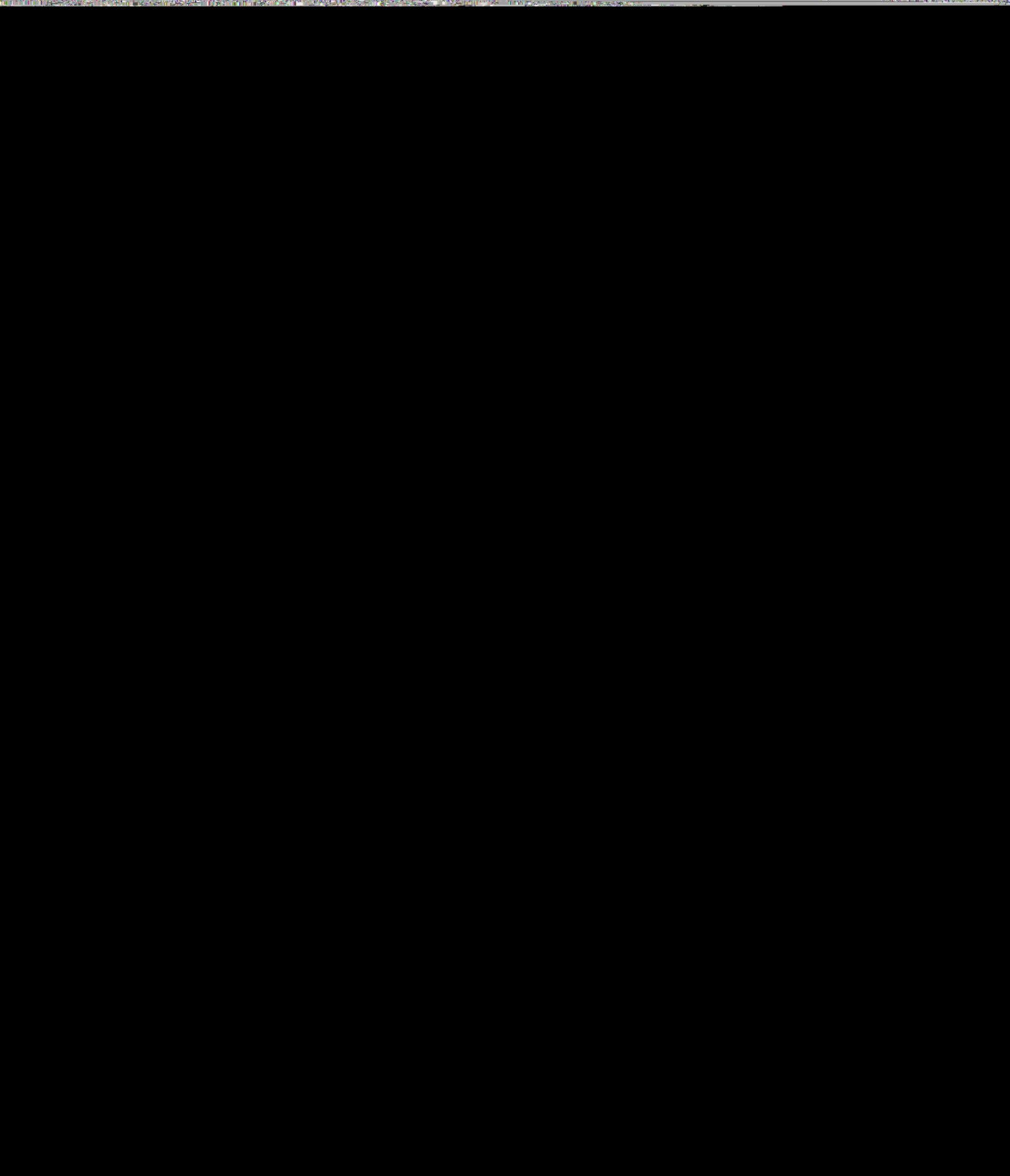
to their homes. John Muir's hospitals are large, conveniently located facilities in the I-680 corridor. John Muir also faces limited competitive pressure from the handful of other hospitals in the I-680 corridor. As a result, most insurers view John Muir's hospitals as vital to successfully marketing health plans to consumers who live in the I-680 corridor and satisfying California's health insurance network adequacy requirements. Insurers' views regarding the importance of John Muir's hospitals provides John Muir with significant leverage when negotiating rates with insurers. John Muir's high rates demonstrate this leverage in action.

22. In contrast, SRRMC is a smaller hospital within the I-680 corridor that lacks the leverage over insurers to demand the rates that John Muir charges. This dynamic drives SRRMC to compete and provide a meaningful alternative for insurers seeking to market health plans in the I-680 corridor.

23. The following map illustrates where John Muir's Walnut Creek and Concord Medical Centers and SRRMC sit along highway I-680:



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30. For example, in 2022, SRRMC management requested approval to acquire a [REDACTED] facilities, capital expenditures, decisions by hospitalists and emergency room physicians with [REDACTED]

To justify this capital expenditure, SRRMC's CEO [REDACTED]

improvement to services and facilities [REDACTED]

facilities.

VII. THE PROPOSED ACQUISITION WILL SIGNIFICANTLY INCREASE CONCENTRATION IN A HIGHLY CONCENTRATED MARKET.

35. In addition to evidence of direct competition between SRRMC and John Muir's [REDACTED] that the Proposed Acquisition will significantly increase concentration in the already highly [REDACTED]

concentrated market for inpatient GAC services sold to commercial insurers and their enrollees in the I-680 corridor and therefore is presumptively unlawful.

A.

whether a hypothetical monopolist of a proposed market likely would impose at least a small but significant and non-transitory increase in price. In practical terms, this requires an examination of whether a hypothetical monopolist of the proposed market could profitably impose a small but significant and non-transitory increase in price.

43. Here, a hypothetical monopolist of inpatient GAC services sold to commercial insurers and their enrollees could profitably impose a small but significant and non-transitory increase in price of those services. Inpatient GAC services sold to commercial insurers and their enrollees therefore satisfies the hypothetical monopolist test.

B. The Relevant Geographic Market: The I680 Corridor

44. An appropriate relevant geographic market in which to analyze the effects of the Proposed Acquisition is no broader than the I-680 corridor in California's Contra Costa and Alameda Counties. The I-680 corridor is the main area where SRRMC and John Muir's Walnut Creek and Concord Medical Centers compete.

45. The I-680 corridor is bounded by geographical features that make travel out of the area cumbersome and unpredictable in terms of transit time. The corridor runs parallel to the I-680 highway approximately from Pleasanton, California in the south to Pacheco, California in the north. A body of water, the Carquinez Strait, restricts travel at the north of the I-680 corridor. The I-680 corridor is bounded to the west by the East Bay Hills, which separate the area from the Oakland and Berkeley population centers. A limited number of congested tunnels, passes, and circuitous routes are the only options for motorists seeking to cross these hills and natural areas to travel west from the I-680 corridor into Oakland or Berkeley. Mountains, hills, and natural areas of the Diablo Range restrict transit from the I-680 corridor to the east and south.

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C. The Proposed Acquisition Leads to a

66. The Proposed Acquisition, if consummated, may substantially lessen competition

NOTICE OF CONTEMPLATED RELIEF

Should the Commission conclude from the record developed in any adjudicative proceedings in this matter that the Proposed Acquisition and/or Purchase Agreement challenged in this proceeding violates Section 5 of the Federal Trade Commission Act, as amended, and/or Section 7 of the Clayton Act, as amended, the Commission may order such relief against Respondents as is supported by the record and is necessary and appropriate, including, but not limited to:

SEAL:
ISSUED: 11/17/2023