

## Houston's Largest Hospital System Reaches Antitrust Settlement Agreement

Memorial Hermann, Houston's largest hospital system, settled an antitrust action on January 11, 2010, brought by Stealth LP, a limited partnership physician group that owned one of Memorial Hermann's former competitors, Town & Country Hospital. After Town & Country closed in 2007, Stealth filed an antitrust suit alleging that Memorial Hermann improperly threatened to raise prices or pull business from health insurers who worked with Town and Country.<sup>1</sup> In its defense, Memorial Hermann claimed that it acted fairly and aggressively in reacting to a reasonable competitive threat from the smaller hospital.<sup>2</sup> The attorney for Memorial Hermann claims that while his client has in fact told insurance companies it would change rates if insurers elected to do business with a competitor, it is not unfair, wrong, or illegal for Memorial Hermann to exercise its contractual right to do so.<sup>3</sup>

The terms of the settlement have not yet been released, but the attorney representing Stealth said his clients are very satisfied.<sup>4</sup> A growing number of settlements of this nature indicate a heightened level of scrutiny regarding hospital billing practices. In January 2009, Memorial Hermann had been questioned about other anti-competitive behavior towards Town & Country.<sup>5</sup> In that investigation, the Texas Attorney General alleged that Memorial Hermann had threatened costly contract terminations or rate increases to punish insurers that signed on with Town & Country.<sup>6</sup> Memorial Hermann again settled, agreeing to pay \$700,000 to the state for the cost of the investigation, and suffered an injunction

requiring them to refrain from similar anti-competitive actions, such as those alleged in the lawsuit, for a minimum of five years.<sup>7</sup>

- 1 "Memorial Hermann Settles Part of Antitrust Lawsuit" by Mary Flood, Houston Chronicle, January 11, 2010, <http://www.chron.com/disp/story.mpl/metropolitan/6810199.htm> (Accessed January 22, 2010)
- 2 "Memorial Hermann Settles Part of Antitrust Lawsuit" by Mary Flood, Houston Chronicle, January 11, 2010, <http://www.chron.com/disp/story.mpl/metropolitan/6810199.htm> (Accessed January 22, 2010)
- 3 "Views Differ Starkly in Hospital Clash" by Mary Flood, Houston Chronicle, January 12, 2010, <http://www.chron.com/disp/story.mpl/business/6812450.html> (Accessed January 22, 2010)
- 4 "Memorial Hermann Settles Part of Antitrust Lawsuit" by Mary Flood, Houston Chronicle, January 11, 2010, <http://www.chron.com/disp/story.mpl/metropolitan/6810199.htm> (Accessed January 22, 2010)
- 5 "Memorial Hermann, Texas Attorney General Settle Dispute", Memorial Hermann, January 26, 2009, <http://www.memorialhermann.org/newsroom/content.aspx?id=5218> (Accessed January 22, 2010)
- 6 "Texas Hospital Settles Charges of Boycotting Physician-Owned Hospital" by Amy Lynn Sorrel, American Medical News, March 16, 2009, <http://www.ama-assn.org/amednews/2009/03/16/gvsc0316.htm> (Accessed February 1, 2010)
- 7 "Memorial Hermann Settles Part of Antitrust Lawsuit" by Mary Flood, Houston Chronicle, January 11, 2010, <http://www.chron.com/disp/story.mpl/metropolitan/6810199.htm> (Accessed January 22, 2010)



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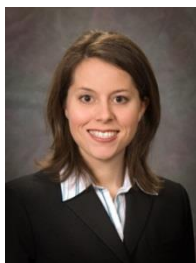
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

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