

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.¹ In its defense, Memorial Hermann claimed that it acted fairly and aggressively in reacting to a reasonable competitive threat from the smaller hospital.² 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.³

The terms of the settlement have not yet been released, but the attorney representing Stealth said his clients are very satisfied.⁴ 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.⁵ 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.⁶ 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.⁷

- 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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Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

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].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser's Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



Anne P. Sharamitaro, Esq., is the Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.