

U.S. Investigates Health Network for Possible Antitrust Violations

A large healthcare system provider and three large health insurers doing business in Massachusetts, have until May 19, 2010 to respond to inquiries by the U.S. Department of Justice (DOJ) regarding potential anticompetitive behavior in the Eastern Massachusetts healthcare market.¹ The inquiry, related to Partners Healthcare System Inc. (Partners), Blue Cross Blue Shield of Massachusetts, Tufts Health Plan and Harvard Pilgrim Health Care, follows the release of a March 16, 2010 report published by Massachusetts Attorney General Martha Coakley, indicating that health insurance premium costs increased mainly due to increases in prices negotiated with healthcare providers for services, where the highest-paid practices and hospitals by major insurers were paid approximately twice as much as the lowest-paid providers for the same services.² The report further found that price variations for healthcare services in Massachusetts are correlated to the relative market leverage a provider has within a specified geographic region.³

The Boston Globe reported that the DOJ was investigating whether Partners' health insurance plan negotiation practices violated the Sherman Antitrust Act, which prohibits companies from using market power to manipulate prices for goods or services.⁴ Partners, founded in 1994 by Brigham and Women's Hospital and Massachusetts General Hospital, operates as an integrated health system, including primary and specialty care physicians; community hospitals; specialty facilities; and, other health related entities.⁵

As of April 1, 2010, Massachusetts has placed a premium cap on what can be charged by insurer to individuals and small company members.⁶ Additionally, Massachusetts state law requires insurance plans to accept applicants without regard to health status.

Demand by insurance plan members for Partners affiliated hospitals is high due to the name recognition and the Harvard-affiliated physicians in its network.⁷ Hospital executives have argued that insurance plans have held down the rates for services for years while the

cost of providing care has grown and that⁸ the prices demanded in the current market simply reflect the costs that hospitals have absorbed in providing care that now require higher reimbursements.⁹

¹ "US Investigates Partners' Contracts" By Robert Weisman and Liz Kowalczyk, Boston Globe, April 29, 2010, www.boston.com/business/healthcare/articles/2010/04/29/justice_department_launches_antitrust_review_of_partners_healthcare?mode=PF (accessed May 3, 2010).

² "Examination of Health Care Cost Trends and Cost Drivers" By Office of Attorney General Martha Coakley, Report for Annual Public Hearing, March 16, 2010, http://www.mass.gov/Cago/docs/healthcare/final_report_w_cover_appendices_glossary.pdf (accessed May 3, 2010); "US Probes Boston Hospital Chain" By Avery Johnson and Suzanne Sataline, Wall Street Journal, April 29, 2010, <http://online.wsj.com/article/SB10001424052748703572504575214582360443938.html> (Accessed May 4, 2010).

³ "Examination of Health Care Cost Trends and Cost Drivers" By Office of Attorney General Martha Coakley, Report for Annual Public Hearing, March 16, 2010, http://www.mass.gov/Cago/docs/healthcare/final_report_w_cover_appendices_glossary.pdf (accessed May 3, 2010).

⁴ "US Investigates Partners' Contracts" By Robert Weisman and Liz Kowalczyk, Boston Globe, April 29, 2010, www.boston.com/business/healthcare/articles/2010/04/29/justice_department_launches_antitrust_review_of_partners_healthcare?mode=PF (accessed May 3, 2010).

⁵ "What is Partners?", Partners Healthcare, http://www.partners.org/about/about_what.html (Accessed May 4, 2010).

⁶ "US Investigates Partners' Contracts" By Robert Weisman and Liz Kowalczyk, Boston Globe, April 29, 2010, www.boston.com/business/healthcare/articles/2010/04/29/justice_department_launches_antitrust_review_of_partners_healthcare?mode=PF (accessed May 3, 2010).

⁷ "US Probes Boston Hospital Chain" By Avery Johnson and Suzanne Sataline, Wall Street Journal, April 29, 2010, <http://online.wsj.com/article/SB10001424052748703572504575214582360443938.html> (Accessed May 4, 2010).

⁸ "US Probes Boston Hospital Chain" By Avery Johnson and Suzanne Sataline, Wall Street Journal, April 29, 2010, <http://online.wsj.com/article/SB10001424052748703572504575214582360443938.html> (Accessed May 4, 2010).

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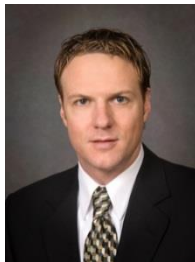
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Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states 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.

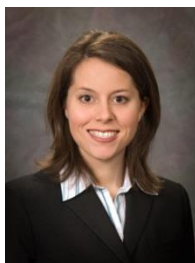
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master 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.