Attorney General, FTC move to protect healthcare consumers in the Reading area.

Harrisburg - Pennsylvania Attorney General Linda Kelly announced today that, in conjunction with the Federal Trade Commission (FTC), the Commonwealth will challenge the proposed merger of two Reading area healthcare providers.

Reading Health System (“RHS”) announced in May 2012 that it would acquire the Surgical Institute of Reading L.P., a smaller competitor that provides certain inpatient and outpatient surgeries. Kelly said the sale of SIR to RHS would be bad for consumers because it would reduce competition.

“The proposed acquisition would result in substantially higher prices for many kinds of medical procedures,” according to Kelly. “It would be bad not just for patients but also for employers in the Reading area.”

Reading Health System is located in Berks County, Pennsylvania. Overall, it has a staff of 970 doctors and more than $1 billion in cash and investments. It owns and operates Reading Hospital, a 700-bed facility in West Reading.
SIR is physician-owned and opened its doors in 2007. It specializes in certain procedures, mostly orthopedic, spine, and ear nose and throat general surgeries. It has 15 licensed beds.

Kelly said SIR has consistently charged 30-40 percent less than Reading Hospital for many medical procedures, and has produced “outcomes” as good as or better than its competitors.

Kelly says St. Joseph Medical Center is the only other significant competitor in the Reading healthcare market, besides Reading Hospital and SIR.

Today, FTC commissioners voted (XX-XX) to oppose the acquisition of SIR by RHS. (A copy of the FTC news release and administrative complaint is attached.) On Monday, according to Kelly, OAG lawyers will ask a federal judge for a temporary injunction to block the sale.

Kelly says Monday’s filing is necessary to place the sale on hold. The matter will then be argued before an administrative law judge and (if necessary) an appeals process.

Kelly says reducing the number of competitors in Reading’s healthcare marketplace would be bad for the consumer. It would potentially raise costs, lower the quality of care, and add to RHS’s already considerable negotiating leverage, enabling it to raise rates further on commercial health plans.

“In the complaint, you’ll see that RHS was already offering discounts to people who would ‘cut out’ their competition,” said Kelly.

“This issue is of vital importance to all of us,” said Kelly. “Healthcare is so expensive. Differences of 20 or 30 or 40 percent can add up to thousands and thousands of dollars.”

Kelly noted that her office and the staff of the FTC worked closely in jointly investigating this case.