



# Department of Justice

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## **BLUE CROSS BLUE SHIELD OF MICHIGAN AND PHYSICIANS HEALTH PLAN OF MID-MICHIGAN ABANDON MERGER PLANS**

### ***Decision to Abandon Deal Follows Justice Department's Decision to Challenge the Acquisition***

WASHINGTON — Blue Cross Blue Shield of Michigan's (Blue Cross-Michigan) subsidiary, Blue Care Networks of Michigan, abandoned its attempt to purchase Physicians Health Plan of Mid-Michigan (PHP) after the Department of Justice informed the companies that it would file an antitrust lawsuit to block the acquisition. The department said that, had the acquisition gone forward, it would have given Blue Cross-Michigan control of nearly 90 percent of the commercial health insurance market in the Lansing, Mich., area, which would have resulted in higher prices, fewer choices, and a reduction in the quality of commercial health insurance plans purchased by Lansing area residents and their employers. The acquisition also would have given Blue Cross-Michigan the ability to control physician reimbursement rates in a manner that could harm the quality of health care delivered to consumers.

Blue Cross-Michigan and PHP are the two largest providers of commercial health insurance in the Lansing area. Blue Cross-Michigan has almost a 70 percent market share in Lansing, and PHP is its largest competitor with approximately a 20 percent market share. PHP is owned by Sparrow Health Systems Inc., the largest hospital system in Lansing. Competition between the two companies has led them to offer lower prices, better service, and more innovative products to employers and their employees.

"We welcome the decision by Blue Cross-Michigan and Physicians Health Plan of Mid-Michigan to abandon their deal, which will preserve competition among health insurance companies in Lansing," said Christine Varney, Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "The merger would have likely led to higher prices, lower levels of service and decreased quality of health care for consumers."

The Justice Department worked closely with the Michigan Attorney General's office in its investigation of the proposed Blue Cross-Michigan-PHP merger.

Blue Cross Blue Shield of Michigan Inc., is a Michigan nonprofit corporation headquartered in Detroit, and is the largest health insurer in Michigan. In 2008, Blue Cross-Michigan reported revenues of approximately \$21 billion.

Physicians Health Plan of Mid-Michigan is a nonprofit corporation headquartered in Lansing and is owned by Sparrow Health Systems Inc., the largest hospital system in Lansing. PHP is the second largest health insurer in Lansing and in 2008, reported revenues of approximately \$250 million.

Sparrow Health System is a Michigan nonprofit corporation headquartered in Lansing. Sparrow owns and operates PHP, as well as Edward W. Sparrow Hospital, the largest hospital in the Lansing area.

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