



# Department of Justice

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The Department of Justice today filed a civil antitrust suit which challenges Baxter Travenol Laboratories, Inc.'s. planned acquisition of American Hospital Supply Corporation. A proposed consent decree that would settle the suit was filed simultaneously.

The suit and proposed consent decree were filed in U.S. District Court in Chicago. The decree will become final upon approval by the court, following a 60-day waiting period for public comment.

Douglas H. Ginsburg, Assistant Attorney General in charge of the Antitrust Division, said the suit alleges that the acquisition of American Hospital Supply of Evanston, Illinois, by Baxter Travenol, of Deerfield, Illinois, would likely lessen competition in five health-care product markets:

- parenteral solutions
- fluid administration sets
- electronic flow control devices
- therapeutic hemapheresis equipment
- surgeons' gloves and procedure gloves.

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Ginsburg said that Baxter Travenol and American Hospital Supply have entered into a series of divestiture agreements that should resolve the competitive problems that otherwise would arise from the acquisition.

He said that the purpose of the consent decree is to ensure that the defendants perform each of these agreements, and, if they do not, that the assets involved be divested by a trustee in a manner that will preserve effective competition in each of the five affected markets.

Parenteral solutions are sterile intravenous (IV) fluids, including general IV solutions, premix specialty IV solutions, nutritional fluids, irrigation and urological solutions, and peritoneal dialysis solutions.

These solutions are used to provide nutrition to patients suffering from metabolic disturbances, in the treatment of kidney failure and for many other purposes.

The three largest manufacturers of parenteral solutions account for about 95% of the \$1 billion market for such solutions in the United States. Baxter Travenol and American Hospital Supply have the largest and third largest shares of this market, approximately 50% and 16%, respectively.

The Herfindahl-Hirschman Index (HHI) for this market, calculated on the basis of 1984 U. S. sales, is about 3648. (The HHI is a measure of market concentration. The Department of Justice 1984 Merger Guidelines characterize any market with an HHI above 1800 as "highly concentrated.") Baxter Travenol's

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proposed acquisition of American Hospital Supply would increase the HHI for the parenteral solutions market by about 1682 to about 5330.

Fluid administration sets are disposable devices that are attached to parenteral solutions or blood containers, and through which parenteral solutions or blood flows to patients.

The three largest sellers of fluid administration sets account for about 90% of the more than \$400 million in annual sales of such sets in the United States. Baxter Travenol and American Hospital Supply have the second and third largest shares of this market, approximately 39% and 14%, respectively.

The HHI calculated on the basis of 1984 sales in the United States is approximately 3307. The proposed acquisition would increase this HHI by about 1098 to 4405.

Electronic flow control devices are electro-mechanical devices that pump, infuse or meter fluids, including parenteral solutions and drugs, at pre-determined rates to patients during intravenous therapy.

The five largest firms in the electronic flow control devices market account for about 90% of the more than \$100 million in annual United States sales in that market. American Hospital Supply has the second largest share of this market, about 21%, while Baxter Travenol has the fifth largest share, about 9.5%.

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The HHI calculated on the basis of 1984 unit sales in the United States is about 1917. The proposed acquisition would increase the HHI by about 402 to about 2319.

Therapeutic hemapheresis equipment is used to separate blood into components for therapeutic uses.

The three largest producers of therapeutic hemapheresis equipment account for about 85% of the approximately \$23 million in annual United States sales in this market. Baxter Travenol and American Hospital Supply have the second and third largest shares of this market, approximately 28% and 23%, respectively.

The HHI calculated on the basis of 1984 sales in the United States is about 2700. The proposed acquisition would increase this HHI by about 1300 to about 4000.

Surgeons' gloves are used in gowned surgical procedures performed inside the operating room and non-gowned surgical procedures performed outside the operating room. Procedure gloves are used in non-gowned surgical procedures performed outside the operating room.

Surgeons' and procedure gloves sales are approximately \$112 million annually in the United States. The six largest producers account for about 90% of such sales. Baxter Travenol and American have the largest and second largest shares of this market, approximately 26% and 13% respectively.

The HHI calculated on the basis of 1984 sales in the United States is about 1667. The proposed acquisition would increase this HHI by about 708 to about 2375.

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Ginsburg said that the competitive problems presented by the acquisition in the parenteral solutions, fluid administration sets and electronic flow devices markets should be resolved by a signed agreement between American Hospital Supply and The Kendall Company of Boston, a subsidiary of Colgate-Palmolive Company of New York.

Under the terms of this agreement, Kendall will acquire American Hospital Supply's McGaw division of Irvine, California, which manufactures and distributes American Hospital Supply's parenteral solutions and fluid administration sets, and distributes American Hospital Supply's electronic flow control devices. Kendall also will receive the right to distribute electronic flow control devices manufactured by Baxter Travenol and American Hospital Supply and will secure the patent and technology rights necessary for Kendall to manufacture electronic flow control devices independently.

The competitive problems in the hemapheresis market should be resolved, Ginsburg said, by American Hospital Supply's sale of its Haemonetics division, based in Braintree, Massachusetts, to that division's current management, under the terms of a signed agreement.

The competitive problems in the surgeons' and procedure gloves market should be resolved by a signed agreement between American and Ansell, Inc., of Dothan, Alabama, a division of Dunlop Olympic, Ltd., of Melbourne, Australia.

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Under that agreement, Ansell will acquire American Hospital Supply's Tucson, Arizona, glove manufacturing facility, American Hospital Supply's surgeons' and procedure glove molds, and American's glove packaging facility in Juarez, Mexico.

"The consent decree ensures that the competitive problems raised by this transaction will be resolved," Ginsburg said. "Even if the affected assets are not sold in accordance with the signed divestiture agreements, the decree provides that those assets will be transferred promptly to a trustee who will sell them to a purchaser acceptable to the Department of Justice."

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