



Department of Justice

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JUSTICE DEPARTMENT WILL NOT CHALLENGE MERGER OF ANNAPOLIS ANESTHESIOLOGISTS

WASHINGTON, D.C. -- Sixteen independent anesthesiologists who currently provide services at Anne Arundel Medical Center in Annapolis, Maryland, will be allowed to merge into a single, integrated practice group in order to contract more efficiently with managed care and other third party payers, according to a Business Review Letter issued today by the Department's Antitrust Division.

The sixteen physicians providing anesthesia services at Anne Arundel Medical Center are not under contract with the hospital, and only a few of them currently contract with third party payers. By merging into one integrated group, the doctors will be able to contract with the medical center to provide all needed anesthesia services, just as other integrated physician groups already do to provide radiology, pathology, and emergency room services.

Anne Arundel Medical Center is eager to offer managed care plans and employers global, or all-inclusive, fees covering all hospital services for certain procedures such as appendectomies. The proposed merger will facilitate such global fee arrangements. By contracting with all its anesthesiologists under a single

contract and fee schedule, the medical center will know its costs and be able to develop global pricing.

According to the business review letter from Assistant Attorney General Anne Bingaman to Dr. Terry Smith, Chief of Anesthesiology at Anne Arundel Medical Center, payers in the area have told the Department that they prefer to deal with an integrated group of anesthesiologists in order to provide full coverage for their patients, and in order to avoid complicated scheduling problems. Payers have also expressed impatience with the medical center's inability to offer global pricing, and in fact have begun to move elective surgeries to other hospitals that do offer global fees.

It does not appear that the merger of these physicians will create anticompetitive market power or substantially lessen competition in the market for anesthesia services. Payers and Anne Arundel Medical Center have both indicated that they can turn to alternative providers if the merged doctors attempt to unreasonably raise prices for anesthesia services at the hospital.

Bingaman added, "it is quite likely that the exclusive provision of anesthesia services at Anne Arundel Medical Center will create efficiencies that result when exclusive contracts for in-house physician services are appropriately implemented."

Under the Department's business review procedure, an

organization may submit a proposed action to the Antitrust Division and receive a statement whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Room 215 North, Liberty Place, Department of Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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