

California Attorney General Conditionally Approves Merger of Dignity Health and Catholic Health Initiatives

On November 21, 2018, the California Attorney General conditionally approved the Dignity Health and Catholic Health Initiatives (CHI) merger. The new merger would result in a new \$28.4 billion organization called CommonSpirit Health.^[1] CommonSpirit will operate 139 hospitals and 700 care sites nationwide, including 30 hospitals in California.^[2]

According to the California Attorney General's [press release](#), CommonSpirit Health must maintain emergency services and women's healthcare services for ten years, and the AG has the right to review the impact of any changes to these services. CommonSpirit Health must also create a \$20 million Homeless Health Initiative. Finally, all former Dignity Health hospitals must offer a 100% discount to patients up to the 250% federal poverty limit. The 351 page letter detailing the conditions for each California-based Dignity Health hospital can be found [here](#).

We underscore the importance of this merger, as Dignity Health is one of the nation's largest healthcare systems. More importantly, 12 of the 17 counties in which Dignity Health hospitals operate are already highly concentrated. Of those, five counties triggered a high level of concern due to increasing hospital concentration in an already highly concentrated market.^[3] The map below provides an overview of the location of all 30 Dignity Health hospitals, the level of hospital concentration, and the level of anticompetitive concern based on UC Berkeley's Nicholas C. Petris Center on Health Care Markets and Consumer Welfare's formula.^[4]

[MAP 1: How Consolidated are the Counties Dignity Hospitals Operate in?](#)^[5]

Legend:

- **Black:** Counties that have no Dignity Health Hospital
- **Green:** Counties that have one or more Dignity Health Hospital and has a moderately or not at all concentrated hospital market
- **Yellow:** Counties that have one or more Dignity Health Hospital, has a highly concentrated hospital market, but considered a low or medium anticompetitive concern based on the Petris Center's Level of Concern Table
- **Red:** Counties that have one or more Dignity Health Hospital and has a highly concentrated hospital market, and considered a high anticompetitive concern based on the Petris Center's Level of Concern Table

[1] Cathie Anderson, *California attorney general approves merger of Dignity, CHI but sets conditions*, Sacramento Bee (Nov. 21, 2018).

[2] Tina Reed, *Catholic Health Initiatives-Dignity Health megamerger gets green light from Vatican*, FierceHealthcare (Oct. 18, 2018).

[3] The level of concern is based on the Petris Center's formula (Herfindahl-Hirschman Index (HHI) >2,500 (2016) + HHI change >200 (2010-2016) = High Concern) for counties where Dignity Health hospitals operate.

[4] *See footnote 3.*

[5] Used data from Figure 1 and Figure 2 of the Petris Center's March 2018 report, *Consolidation in California's Health Care Market 2010-2016: Impact on Prices and ACA Premiums*. The concern level is based on Table 1 from the same report. The thirty hospitals affected are:

- Marian Regional Medical Center, Arroyo Grande (Arroyo Grande, CA)
- French Hospital Medical Center (San Luis Obispo, CA)
- Marian Regional Medical Center (Santa Maria, CA)

- St John's Pleasant Valley Hospital (Camarillo, CA)
- St John's Regional Medical Center (Oxnard, CA)
- Bakersfield Memorial Hospital (Bakersfield, CA)
- Mercy Hospital (Bakersfield, CA)
- Mercy Medical Center (Merced, CA)
- Mercy Southwest Hospital (Bakersfield, CA)
- Joseph's Behavioral Health Center (Stockton, CA)
- Joseph's Medical Center (Stockton, CA)
- Mary's Medical Center (San Francisco, CA)
- Methodist Hospital of Sacramento (Sacramento, CA)
- Mercy General Hospital (Sacramento, CA)
- Mercy Hospital of Folsom (Folsom, CA)
- Mercy San Juan Medical Center (Carmichael, CA)
- Sierra Nevada Memorial-Miners Hospital (Grass Valley, CA)
- Woodland Memorial Hospital (Woodland, CA)
- Mercy Medical Center Redding (Redding, CA)
- Mercy Medical Center Mt. Shasta (Mt. Shasta, CA)
- California Hospital Medical Center (Los Angeles, CA)
- Elizabeth Community Hospital (Red Bluff, CA)
- Glendale Memorial Hospital and Health Center (Glendale, CA)
- Community Hospital of San Bernardino (San Bernardino, CA)
- Bernardine Medical Center (San Bernardino, CA)
- Northridge Hospital Med Center - Roscoe (Northridge, CA)
- Saint Francis Memorial Hospital (San Francisco, CA)
- Mary Medical Center Long Beach (Long Beach, CA)
- Sequoia Hospital (Redwood City, CA)
- Dominican Hospital (Santa Cruz, CA)