

Lifespan-Care New England Merger Hits Roadblock as Rhode Island AG Joins FTC Challenge

Updated February 23, 2022: The entities withdrew their application and abandoned the proposed merger in the face of federal and state antitrust challenge. A [temporary restraining order](#) was granted on February 18 halting merger proceedings pending court ruling on the request for preliminary injunction.

Rhode Island's two largest nonprofit hospital systems, Lifespan and Care New England, will face a challenging road ahead to their proposed merger. On February 17, the Federal Trade Commission (FTC) voted to file a lawsuit to block the proposed merger in court. Separately, Rhode Island Attorney General Peter Neronha [denied their application](#) to merge and announced the decision to join the FTC lawsuit.

The entities submitted application in February 2021 to state and federal regulators, including the FTC, Rhode Island AG, and the Rhode Island Department of Health, of their plan to merge into an integrated academic health system with Brown University's medical school. State regulators made the application public in December 2021 and held three public meetings and received over 200 public comments. While the entities argue there could be significant positive economic impact from the merger, an [independent economic report](#) commissioned by Brown indicated the merger would result in a combined entity that accounts for nearly 80% of the inpatient market and that would also largely control the physician market. Rhode Island's insurance commissioner [issued a 25-page report](#) warning of the risks to competition and urged strong regulatory oversight, including proposing a model that includes comprehensive price caps, quality incentive requirements, adoption of advanced value-based purchasing, and health equity improvement requirements.

In the [decision](#) issued by the AG's office denying the proposed merger, the Rhode Island AG expressed concern that because "Lifespan and CNE compete aggressively with each other across many inpatient and outpatient service lines," the proposed merger would result in extraordinary market power for the new hospital system,

allowing it to “control an unprecedented amount of healthcare in Rhode Island, taking the state’s healthcare market from one in which there is healthy competition to a virtual monopoly.” The lessened competition would in turn negatively impact healthcare costs, quality and access to care. According to expert analysis, the merged entity’s increased leverage could drive up prices by “at least 9% *over and above* regular cost increases,” which would be passed on to consumers in the form of higher insurance premiums and out-of-pocket costs.

The FTC filed an [administrative complaint](#) after conducting its own investigation and finding that the merged entity would control at least 70 percent of the markets for inpatient general acute care hospital services and inpatient behavioral health services in Rhode Island. The FTC also [voted to file a lawsuit](#) for preliminary injunction in federal court to block merger, which will be joined by the Rhode Island AG, pending the administrative trial.

Stay tuned to the Source Blog on the latest development in this merger challenge.