



FEDERAL TRADE COMMISSION PROTECTING AMERICA'S CONSUMERS

FTC and Pennsylvania Office of Attorney General Challenge Penn State Hershey Medical Center's Proposed Merger with PinnacleHealth System

FOR RELEASE

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The Federal Trade Commission has authorized an action to block Penn State Hershey Medical Center's (Hershey) proposed merger with PinnacleHealth System, alleging that the combination of the two health care providers would substantially reduce competition in the area surrounding Harrisburg, Pennsylvania, and lead to reduced quality and higher health care costs for the area's employers and residents.

The FTC, jointly with the Pennsylvania Office of the Attorney General, will file a complaint in federal district court on Wednesday seeking a preliminary injunction to stop the deal pending an administrative trial.

According to Debbie Feinstein, Director of the FTC's Bureau of Competition, "The proposed merger would eliminate the significant competition between these hospitals, resulting in higher prices and diminished quality."

The merger would create a dominant provider of general acute care inpatient hospital services sold to commercial health plans in the area of south-central Pennsylvania consisting of Dauphin, Cumberland, Perry, and Lebanon counties. According to the administrative complaint, (a public version of which will be available and linked to this news release as soon as possible) the merged entity would control approximately 64 percent of this market, likely leading to increased healthcare costs and reduced quality of care for more than 500,000 local residents and patients.

The Commission has also authorized staff to seek a temporary restraining order and a preliminary injunction in federal court to prevent the parties from consummating the merger, and to maintain the status quo pending the administrative proceeding. The Pennsylvania Office of Attorney General will join the FTC in the federal court complaint.

Hershey is a 551 bed, not-for-profit health care system in Dauphin County. Hershey also owns and operates the Penn State Hershey Cancer Institute and the Penn State Hershey Children's Hospital. Hershey's total revenues in FY2014 were \$1.39 billion.

Pinnacle is a not-for-profit three hospital system in Dauphin County. Pinnacle operates three acute care hospitals, Harrisburg Hospital, Community General Osteopathic and West Shore Hospital with a combined total 610 beds. Pinnacle had total revenues in fiscal year 2015 of \$1.07 billion.

The Commission votes to issue the administrative complaint and to authorize staff to seek a temporary restraining order and preliminary injunction in federal court were both 4-0. The federal district court complaint will be filed Wednesday in the U.S. District Court for the Middle District of Pennsylvania. The administrative trial is scheduled to begin on May 17, 2016.

NOTE: The Commission files a complaint when it has "reason to believe" that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The issuance of the administrative complaint marks the beginning of a proceeding in which the allegations will be tried in a formal hearing before an administrative law judge.

The FTC's Bureau of Competition works with the Bureau of Economics to investigate alleged anticompetitive business practices and, when appropriate, recommends that the Commission take law enforcement action. To inform the Bureau about particular business practices, call 202-326-3300, send an e-mail to antitrust@ftc.gov, or write to the Office of Policy and Coordination, Bureau of Competition, Federal Trade Commission, 600 Pennsylvania Ave., NW, Room CC-5422, Washington, DC 20580. To learn more about the Bureau of Competition, read [Competition Counts](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), and [subscribe to press releases](#) for the latest FTC news and resources.

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