

Case study

Lifespan–Care New England proposed merger

On April 26, 2021, Lifespan and Care New England (CNE) submitted a Hospital Conversions Act application to the Rhode Island Department of Health and the Rhode Island Attorney General (RI AG) in which they proposed to merge to create a new academic health system.

Background

Lifespan is Rhode Island’s largest health system and largest private employer. It has 1,165 combined licensed beds across four hospital facilities, including the largest hospital in the state, Rhode Island Hospital. CNE is Rhode Island’s second largest health system and third largest private employer, with 696 combined staffed beds across three hospital facilities, including the second largest hospital in the state, Kent Hospital. Through their hospitals, Lifespan and CNE each offers a broad set of inpatient general acute care (GAC) services; ambulatory services such as outpatient surgery services, radiological services, and laboratory services; and inpatient behavioral health services. They also both own employed medical groups and own and/or control accountable care organizations. The services these two systems offer overlap.

Our work

Principal [Kevin Pflum](#) was retained on behalf of the RI AG to examine the likely competitive effects of the proposed merger and to assist with the state’s investigation. He led a Bates White team in conducting comprehensive theoretical and empirical analyses of the merger across several product markets, including inpatient GAC services, inpatient behavioral health services, outpatient surgery services, and the labor market for nurse services. The work included extensive empirical analyses of inpatient discharge and ambulatory claims data. Dr. Pflum’s extensive experience analyzing healthcare mergers gave him key knowledge of the market to inform his analysis.

Based on his analysis, Dr. Pflum concluded that the merger would substantially lessen competition in the for adult inpatient GAC in Rhode Island (see the table). Dr. Pflum found that although Lifespan and CNE each have certain unique services that may cause insurance enrollees to strongly prefer health plans that have both systems in network, the systems have substantially greater service overlap, resulting in extensive head-to-head competition. He concluded that the proposed merger would foreclose insurers’ ability to leverage patient steering mechanisms to incentivize the combined entity to reduce costs. Dr. Pflum also analyzed the potential for entry, expansion, and repositioning by

current and potential competitors and concluded that their potential would be unlikely to offset the lessening of competition. In addition to the systems' overlapping inpatient services, Dr. Pflum also found that the proposed merger raised significant concerns in the market for outpatient surgery services, inpatient behavioral health services, and the labor market for nurses.

Percent of market control after proposed merger

Market	Lifespan-CNE merged system
Commercial inpatient general acute care discharges	82%
Commercial outpatient surgery services	44%
Commercial inpatient behavioral health discharges	79%
Accountable Care Organization commercial attributed lives	81%
State's registered full-time hospital nurses	67%

Outcome

Dr. Pflum submitted his report on February 14, 2022, and on February 17, Rhode Island Attorney General Peter Neronha held a press conference in which he announced that he had denied Lifespan and CNE's merger application, referencing Dr. Pflum's findings as a significant basis for the denial. The RI AG also joined the Federal Trade Commission in filing an administrative complaint to enjoin the merger. Lifespan and CNE subsequently abandoned their merger attempt, stating that they do not plan on pursuing a certificate of public advantage to merge.