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The FTC vs. Lake Wobegon

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Best known as the home to Lake Wobegon, where all the women are strong, all the men are good looking, and all the children are above average, it is one of the most sparsely settled parts of the country.

Like all areas in rural America, this region faces daunting challenges in the delivery of adequate health care: diminishing population, vulnerable high-use citizens and the difficulty of retaining physicians or keeping community hospitals in operation.

In the mid-1990s, the state passed a cooperative health care statute, and a group of 23 critical access care hospitals and numerous physician groups formed the Minnesota Rural Health Care Cooperative.

The co-op served its purpose. It stemmed the loss of providers, secured more reasonable reimbursement, helped keep hospitals operating and improved health care. Even the insurers were happy—a market dominated by one insurer was transformed into a competitive one. For years, MRHC lived with little fanfare or attention, improving the level of service to residents by delivering care, credentialing members and assisting members in negotiations with insurance companies. It all seemed too good to be true … and for the FTC, it was.

Negotiating with insurers? The FTC wouldn't have it. To them this was no "cooperative" at all; this was a "cartel." According to the FTC, MRHC was a small-town OPEC: a group of unintegrated competitors illegally setting prices. The FTC conducted an exhaustive five-year investigation, and threatened to sue to break up the co-op.

But as in all Lake Wobegon stories, Right and Justice were not far away. MRHC sought to amend the co-op statute to grant an antitrust exemption for their collective negotiations.
Still, the FTC was not going down without a fight. In a letter to the legislature, it claimed the bill "would harm Minnesota consumers through higher prices for health care services, higher insurance premiums, lower levels of insurance coverage and lower wages." Of course, the higher

prices they were looking at were paid by the insurance companies, not necessarily the consumers; nor did the FTC consider MRHC's overall impact on improving health care in this underserved area.

Managed care representatives from across the country flocked to Minnesota to block this alleged cartel. But after careful deliberation, the House sided with MRHC by a bipartisan vote of 95-38; the Senate followed (48-19), and Gov. Pawlenty signed the bill into law. (The FTC also secured a consent order that requires MRHC to abide with the Minnesota statute.)

This is a familiar battle. The FTC's concern is simply whether competition leads to the lowest reimbursement rate. Period. State legislatures are more interested in the overall delivery of health care. If the FTC broke up the co-op, many of the CAHs would face substantially decreased reimbursement, which, ultimately, would diminish their ability to provide services. An antitrust exemption was the right action to benefit consumers, not just insurers.

At least in Lake Wobegon they understand a cooperative is no cartel. Perhaps this is a lesson Washington policymakers should learn.

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