

# Late bid stoked antitrust worries

## Concerns 'limited' until med center entered race

By John Ferro  
Poughkeepsie Journal

On a snowy night in December, a senior executive from Health Quest expressed confidence that regulatory authorities would not get in the way of its bid to acquire Saint Francis Hospital.

"We know what happened 10 years ago," Health Quest Senior Vice President David Ping said on Dec. 17. "We don't want a repeat of that."

But as was the case a decade ago, a deal that would have joined Poughkeepsie's two hospitals, Saint Francis and Health Quest-owned Vassar Brothers Medical Center, has been scuttled by antitrust

concerns.

On Tuesday, Health Quest waved a white flag, releasing a statement that it would not participate further in the bidding process for the bankrupt Poughkeepsie hospital.

Westchester Medical's late entry into the bidding process, court documents show, changed the position of the Federal Trade Commission and stoked concerns that had prompted the state Attorney General's Office to block a merger in the 1990s.

"Up until (Monday), our concerns with a potential Saint Francis / Health Quest transaction had been limited by the absence of an alternative bidder willing to commit to the continued operation of the hospital," Eric

**"(Westchester Medical Center's) bid envisions the continuation of services currently provided by Saint Francis and does not appear to raise a significant risk of anticompetitive effects."**

**ERIC STOCK**, chief of the state Attorney General's Office's antitrust bureau

Stock, chief of the state Attorney General's Office's antitrust bureau, wrote in a letter dated Tuesday and filed with the court.

"(Westchester Medical Center's) bid envisions the continuation of services currently provided by Saint Francis," Stock wrote, "and does not appear to raise a significant risk of anticompetitive effects."

Preliminary opinions are rarely issued by the Attorney General's Of-

fice, a law enforcement agency that typically issues opinions in the form of lawsuits and indictments.

Stock said the office was making an exception in light of the tight timeline and Saint Francis' financial condition.

Stock's letter came nearly 10 years after Vassar Brothers and Saint Francis agreed to dissolve a shared-services agreement after a federal court concluded the deal violated the Sherman Antitrust Act.

Tuesday, the state Attorney General's Office expressed concerns that having one entity owning Vassar Brothers, Saint Francis, Northern Dutchess Hospital in Rhinebeck and Putnam Hospital Center in Carmel would create a "significant risk" of reduced competition.

Those concerns were echoed by the Federal Trade Commission.

As recently as Dec. 17, court documents show, the

commission said it "would not recommend a challenge" to Health Quest's acquisition of Saint Francis.

Again, that changed after Westchester Medical joined the bidding.

In a letter dated Monday, FTC attorney Susan Raitt wrote the commission had "significant concerns" that a Health Quest acquisition of Saint Francis would result in a substantial loss of competition in acute-care inpatient services.

Such a merger, Raitt wrote, could potentially result "in higher prices and reduced quality and access."

Had Health Quest emerged as the winning bidder, the FTC said it would have requested the parties delay the closing while it continued its investigation.

In a statement, Health Quest CEO Luke McGuinness said the position taken by regulatory authorities

runs counter to the goals of the Affordable Care Act, recommendations from the state Berger Commission, public policy declared by the state Legislature in recent statutory enactments and state and federal efforts to reduce duplication, promote preventative care and improve patient outcomes.

"We remain convinced," McGuinness said, "that making Saint Francis Hospital part of the Vassar Brothers Medical Center and Health Quest family would have helped to drive down medical costs for our entire region and would lead to better access to enhanced medical services for the entire service area."

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## Public welcomes Westchester's bid

### Top priorities: jobs, services

By Emily Stewart  
Poughkeepsie Journal

Local residents and lawmakers want jobs and core services at Saint Francis Hospital to remain intact, however its situation shakes out.

Health Quest announced Tuesday that it would not participate further in the bidding process for bankrupt Saint Francis.

On Monday, Westchester Medical Center made its bid to take over the ailing hospital. Saint Francis canceled its auction Thursday and said in court documents that it intended to go with Westchester Medical.

"I think Westchester would be a good deal," said Tom Loguidice, 61, of Hyde Park.

Loguidice said he hadn't followed the hospital news too closely, but he said Westchester Medical has a good reputation.

City of Poughkeepsie resident Susan Berger, 64, said it is important that the town and city hospitals have different owners and not be a monopoly.

"I think it will be good," she said, of news that Westchester Medical had placed a bid. "As long as they save the hospital and the jobs."

Regarding the future of Saint Francis, Dutchess County Executive Marc Molinaro said in a written statement Tuesday that the hospital has served a critical role in the community, particularly in the areas of mental health services, chemical dependency and detox, preschool and early intervention services and level two trauma and emergency services.

"We must see those vital services preserved," he said. "Westchester Medical Center has made clear they intend to maintain these services and wants to grow in our community."

"The speedy and orderly transition forward can provide a much-needed opportunity to improve our economic condition, enhance critical services and keep workers employed," he said. "We look forward to working with Westchester Medical Center to ensure they are successful in Dutchess County, as they seek to preserve and expand job opportunities for the delivery of the highest quality of care and services."

Town of Poughkeepsie Supervisor Todd Tancredi



**"I think it will be good ... as long as they save the hospital and the jobs."**

**SUSAN BERGER**, 64, City of Poughkeepsie



**"I think Westchester would be a good deal."**

**TOM LOGUIDICE**, 61, Hyde Park

said his thoughts are the same as when he first heard about Saint Francis filing for bankruptcy — it's a blow to the town and the area.

"I try to be positive and think that maybe the outcome will be one that works for the community," he said. "If it ends up being Westchester, I hope they do pledge to keep jobs in the area and provide services that otherwise may not be provided."

State Sen. Terry Gipson, R-Rhinebeck, said, "I commend all of those involved for keeping the best interests of the community in the forefront during this process. Since first hearing of Saint Francis' financial troubles, my top concern has been, and remains, ensuring the retention of the services, jobs and quality of care offered at Saint Francis Hospital."

State Assemblywoman Didi Barrett, D-Hudson, said that her priorities are the preservation of jobs and services.

"The need is clearly there," she said. "The jobs are critical not only for the families whose loved ones hold them, but for the services they've been providing."

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# How Saint Francis chose Westchester



The front of Westchester Medical Center in Valhalla. Saint Francis filed a notice with the Bankruptcy Court asking for approval of its sale to Westchester Medical. COURTESY PHOTO

## Papers show how contest evolved into a solo sale

By Journal staff

Health Quest said Tuesday it decided "not to participate further" in the bidding process to acquire Saint Francis Hospital in Poughkeepsie after the bankrupt Saint Francis made clear it plans to go with Westchester Medical Center.

This was a dramatic change in a story that looked like it would focus on a bidding war between Health Quest and Westchester Medical. Instead, Saint Francis filed a notice with the Bankruptcy Court late Monday, canceling the planned auction between the two bidders and asking for approval of its sale to Westchester Medical.

These are a selection of statements, quotes and items from the documents over the course of the past two days that depict the evolution of the story:

**From a statement issued Monday from Health Quest CEO Luke McGuinness:**

"Our bid is designed to fulfill the commitment we made to Saint Francis when its board asked us to take it over: maintain mental health, chemical dependency and detox, early childhood development, and trauma services. ... At the same time we would maintain medical surgical beds at Saint Francis,



**Luke McGuinness**

**"The prospect of holding a 'sham' auction between two bidders ... would be a tremendous waste of time and estate resources."**

**A NOTICE FILED MONDAY IN BANKRUPTCY COURT BY SAINT FRANCIS HOSPITAL**

as well as its emergency room. It's vital that patients have access to these services in Dutchess County and aren't forced to travel great distances to receive them."

**From a statement issued Monday by Westchester Medical Center:**

"Our vision for Saint Francis Hospital is simple: from day one to work together to enhance and strengthen all of their fine services including the Level Two Trauma Center, emergency department, intensive care units and critical psychiatric services, while introducing additional advanced-care offerings locally to more patients in areas such as orthopedics, cancer, neurosciences, trauma and critical care, and cardiovascular."

**From a letter sent Monday, Feb. 10, to Saint Francis from the Federal Trade Commission:**

"Although our investigation is ongoing, based on our review of the evidence to date, (the Federal Trade Commission) staff has significant concerns that a potential

Health Quest acquisition of Saint Francis violates the antitrust laws."

**From a notice filed Monday in federal Bankruptcy Court by Saint Francis Hospital:**

"(Saint Francis Hospital gives) notice that the Auction scheduled for February 13, 2014 is canceled and that (Saint Francis intends) to seek the approval of a sale of substantially all of their assets to Westchester Country Health Care Corporation."

"Based upon conversations with both the Federal Trade Commission and the New York State Office of the Attorney General (collectively, the "Regulators") it is apparent to (Saint Francis Hospital) and their professionals that (Health Quest) would either never be permitted to close a sale with (Saint Francis), or would face significant difficulties in doing so, in light of the fact that (Saint Francis) received a bid for the Purchased Assets from a party other than (Health Quest)."

"The prospect of holding a 'sham' auction between two bidders (one of whom, in (Saint Francis') opinion, could not obtain the requisite regulatory approvals — i.e. (Health Quest)) would be a tremendous waste of time and estate resources."

"During the course of discussions with the Regulators, it became apparent that there was a significant risk that the Stalking Horse would be unable to close on any offer it made, regardless of the purchase price."

"(Westchester Medical Center) informed

(Saint Francis Hospital) that it intended to submit only the minimum overbid at the auction, and that it would not add any further consideration during the auction because it believed that (Saint Francis) would determine, under their business judgment, that any bid submitted by (Westchester Medical Center) would be "better" than (Health Quest's) bid, regardless of whether or not it was higher."

"If (Health Quest) failed to obtain the necessary regulatory approvals, (Saint Francis Hospital) would be forced to convert these cases to ones under chapter 7 and cease its operations under a plan of closure. This would be a catastrophe not only for (Saint Francis') creditors, but also for (the entire) Hudson Valley community which receives services from (Saint Francis)."

**From a statement issued Tuesday from Health Quest CEO Luke McGuinness:**

"It is important to note that Health Quest's involvement, substantial financial commitment and comprehensive plan for saving Saint Francis were responsible for keeping the hospital open in the days and weeks since its declaration of bankruptcy. While we are disappointed that Saint Francis Hospital will not become part of the Health Quest family, we are proud that it was our willingness to step forward on behalf of the community that allowed Saint Francis Hospital to remain financially solvent and in a position to continue to provide care during this bankruptcy process."