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UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of OSF HEALTHCARE SYSTEM, a corporation, and ROCKFORD HEALTH SYSTEM, a corporation, Respondents.	Docket No. 9349

NON-PARTY AETNA INC.'S CORRECTED MOTION FOR *IN CAMERA* TREATMENT OF PROPOSED EVIDENCE

Aetna Inc. ("Aetna"), submits this Corrected Motion for *In Camera* Treatment of Proposed Evidence ("Corrected Motion") to correct page/line numbers in the references to the Suzanne Hall Deposition Transcript for which Aetna seeks *in camera* treatment. This Corrected Motion supersedes and replaces the original Motion for *In Camera* Treatment of Proposed Evidence filed by Aetna on March 20, 2012 ("Original Motion"). The remainder of the Corrected Motion and all of the Exhibits thereto remain the same as in the Original Motion.

Aetna, which is not a party to the above-captioned matter, respectfully requests that this court grant *in camera* treatment to certain documents and portions of deposition testimony that Complaint Counsel and Respondents' Counsel have designated for introduction into evidence in the administrative trial in this matter:

Exhibit B: AE 0013970 (PX900); AE 0016653 – AE 0016655; AE 0045109-AE 0045110; AE 0046211; AE 0046921-AE 0046922; AE 0046926 – AE 0046927.

Exhibit C: AE 0020071-AE 0020074(PX901); AE 0040675-AE 0040676 (PX903); AE 0046359 (PX906); AE 0048934-AE 0048935 (PX909); AE 0013998; AE 0013999-AE 0014024; AE 0017022-AE 0017030; AE 0019028-AE 0019029; AE 0021242-AE 0021244; AE 0022289; AE 0028393-AE 0028394; AE 0044621; AE 0045242-AE 0045243; AE 0046236-AE 0046237; AE 0047098-AE 0047100.

Exhibit D: AE 0021654 (PX902); AE 0013746-AE 0013758 (PX910); AE 0044093-AE 0044094; AE 0046131-AE 0046132.

Exhibit E: Declaration of Suzanne Hall paras. 12, 14, 15, 16 and 20 (PX251);

Exhibit F: Suzanne Hall Deposition Transcript 23:15-24:1; 37:23-38:22; 56:25-58:24; 61:4-61:24; 77:1-77:8; 80:10-80:23; 84:25-88:1; 95:18-97:6; 99:2-107:14; 107:21-108:20; 113:5-113:24; 117:23-119:15; 128:5-130:1; and 156:14-156:25 (PX4004).

The documents and deposition testimony were designated as confidential when they were provided by Aetna. The information contained in these materials is competitively sensitive and is held in strict confidence by Aetna. Public disclosure of these documents is likely to cause direct, serious harm to Aetna's competitive position. Therefore, pursuant to 16 C.F.R. § 3.45(b), Aetna respectfully moves for *in camera* treatment of documents (Exhibits B through F) identified in the Declaration of Suzanne Hall in support of this Motion (attached as Exhibit A).

A Proposed Order is attached.

I. LEGAL STANDARD.

The documents that are described in this motion warrant *in camera* treatment as provided by 16 C.F.R. § 3.45(b). The code section provides for *in camera* treatment of certain business-related information and personal information. Relating to business issues, under 16 C.F.R. § 3.45(b), requests for *in camera* treatment will be granted where public disclosure of the document in question "will result in a clearly defined, serious injury to the...corporation requesting in camera treatment." *Id.* That showing can be made by establishing that the document in question is "sufficiently secret and sufficiently material to the applicant's business that disclosure would result in serious competitive injury." *In re Dura Lube Corp.,* 1999 F.T.C. LEXIS 255, *6 (Dec. 23, 1999) (quoting *General Foods Corp.,* 95 FTC 352, 355 (1980)). In this context, "the courts have generally attempted to protect confidential business information from unnecessary airing." *H.P. Hood & Sons, Inc.,* 58 F.T.C. 1184, 1188 (1961).

Six factors are weighed when determining whether documents and information are sufficiently material and sufficiently secret that disclosure would result in serious competitive injury:

> (1) the extent to which the information is known outside of the applicant's business; (2) the extent to which the information is known by employees and others involved in the applicant's business; (3) the extent of measures taken by the applicant to guard the secrecy of the information; (4) the value of the information to the applicant and its competitors; (5) the amount of effort or money expended by the applicant in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

Dura Lube, 1999 F.T.C. LEXIS 255 at *6-*7 (quoting *Bristol-Myers Co.,* 90 F.T.C. 455, 456 (1977)).

II. PUBLIC DISCLOSURE OF AETNA DOCUMENTS AND TESTIMONY AT ISSUE WOULD RESULT IN SERIOUS COMPETITIVE INJURY TO AETNA.

A. Aetna Has Preserved the Confidentiality of the Documents and Information in Question.

Aetna has taken substantial measures to guard the information contained in the Exhibits B through F by limiting dissemination of such information and taking every reasonable step to protect its confidentiality. (Hall Dec. at 2). Such information is only disclosed to particular Aetna employees. *Id.* The information is not known outside of Aetna except to the extent necessary to engage in contract negotiations, and it would be extremely difficult for Aetna's competitors or other outside persons to access or duplicate the information contained in the documents at issue. *Id.* These efforts demonstrate that Aetna has gone through great lengths to preserve the confidentiality of the information contained in Exhibits B through F.

B. Disclosure of the Information Contained in the Documents in Question Would Result in Serious Competitive Injury to Aetna.

Exhibit B contains emails regarding negotiations of contracts and rates with individual hospitals, including proposals for rates, counter proposals and discussions of how rates and

contract terms are determined. (Hall Dec. at 3). The e-mails reference contract terms, current status of contract negotiations, rates, and other information regarding the relationships between Aetna and specific providers. The documents reveal highly confidential and commercially sensitive information regarding how Aetna negotiates contracts and rates with the providers that are part of its network. *Id.* Their disclosure would reveal valuable information regarding the way that Aetna defines relationships with its providers and how rates are determined, processes that Aetna has expended numerous hours and many years to develop. *Id.* Aetna's negotiation efforts have allowed it to gain a competitive advantage in the marketplace and to better service its insureds. *Id.* Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace.

Exhibit C contains emails and spreadsheets showing information regarding rates, proposals, counter offers, total billings and share from specific Aetna providers, product utilization by certain providers, and provider-specific compensation schedules that list, by service bill and code, the rates Aetna pays to various hospitals for services. (Hall Dec. at 4). This is highly confidential and commercially sensitive information regarding Aetna's contracts and rates. *Id.* These documents reveal sensitive information regarding the manner in which Aetna negotiates rates and contracts with providers. Its disclosure would reveal valuable information regarding the way that Aetna negotiates contracts and determines rates for physician services, processes that Aetna has expended numerous hours and many years to develop. *Id.* This is information that could be used by Aetna's competitors for their own advantage in targeting Aetna's providers and analyzing the manner in which Aetna determines its rates. *Id.* Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace. *Id.*

Exhibit D contains documents reflecting contracts and contract terms between Aetna and providers. (Hall Dec. at 5). The contracts and contract terms reveal sensitive information regarding Aetna's negotiations and agreements with various providers. *Id.* This information is highly confidential and commercially sensitive. *Id.* Its disclosure would reveal valuable information regarding the way that Aetna negotiates contracts and determines rates for physician services, processes that Aetna has expended numerous hours and many years to develop. *Id.* Aetna's efforts to negotiate and analyze rates have allowed it to gain a competitive advantage in the marketplace and to better service its insureds. *Id.* If contracts and contract terms were disclosed, it could result in serious damage Aetna's competitive advantage in the marketplace. *Id.*

Exhibit E is a copy of the Declaration of Suzanne Hall, which was submitted in response to a Civil Investigative Demand. (Hall Dec. at 6). Paragraphs 12, 14, 15, 16 and 20 of the Declaration. This is highly confidential and commercially sensitive information regarding Aetna's contract negotiations and rates and the impact on Aetna of the proposed OSF/RHS transaction. *Id.* These paragraphs reveal sensitive information regarding the manner in which Aetna negotiates rates and contracts with providers. This is information that could be used by Aetna's competitors for their own advantage in targeting Aetna's providers and analyzing the manner in which Aetna determines its rates. *Id.* Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace. *Id.*

Exhibit F includes page and line designations from the deposition testimony of Aetna employee Suzanne Hall. (Hall Dec at 7). The depositions were taken pursuant to a stipulation that it would be designated for outside counsels' eyes only. (*See* Exhibit F at 163:22 – 164:16). The cited designations from the deposition contain highly confidential and commercially sensitive information regarding the breakdown of how Aetna members utilize various

participating providers in the Rockford area, information regarding Aetna's market share of insurance business in the area, information dealing with how Aetna determines reimbursement rates and why Aetna members may chose certain providers over others. (Hall Dec at 7). Further, the cited sections include information specific to the contract relationships Aetna has with various hospitals, detailed information regarding the factors Aetna considers when negotiating contracts, comparisons of reimbursement rates for various hospitals, and comparisons of the relative bargaining power of various providers. *Id.* The testimony designated reveals highly confidential and commercially sensitive information regarding how Aetna negotiates contracts and rates with the providers that are part of its network. *Id.* Its disclosure would reveal valuable information regarding the way that Aetna defines relationships with its providers, a process that Aetna has expended numerous hours and many years to develop. *Id.* Aetna's negotiation efforts have allowed it to gain a competitive advantage in the marketplace and to better service its insureds. *Id.* This is information that could be used by Aetna's competitors for their own advantage in targeting Aetna's providers and analyzing the manner in which Aetna determines its rates. *Id.* Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace. *Id.*

It appears that at least Complaint Counsel may intend to submit the entire transcript of Suzanne Hall as an exhibit although Complaint Counsel is only seeking to introduce into evidence certain pages/lines of that transcript. Public understanding of this proceeding necessarily does not depend on access to portions of the transcript that are not introduced into evidence. *See In the Matter of Kaiser Aluminum & Chemical Corp.*, 103 F.T.C. 500, 500 (1984). Moreover, non-party Aetna should not be put to the burden of seeking, and the Administrative Law Judge put to the burden of adjudicating, *in camera* protection for pages/lines in the transcript which are not properly put into the record. Aetna respectfully submits that the public

record should not include pages/lines of the Suzanne Hall deposition transcript upon which the decision in this matter will not be based.

C. The Public Interest in Disclosure of the Documents in Question is Outweighed by the Likelihood of Serious Competitive Harm to Aetna.

As a non-party to this matter, Aetna deserves "special solicitude" as a non-party requesting in camera treatment for its confidential business information. *In the Matter of Kaiser Aluminum & Chemical Corp.*, 103 F.T.C. 500, 500 (1984) (order directing in camera treatment for five-year-old sales statistics of non-parties). In camera treatment of information, for reasonable time periods, encourages non-parties to cooperate with future discovery requests in adjudicative proceedings. *Id.* Aetna has cooperated with the discovery demands in this case. Conversely, "public understanding of this proceeding does not depend on access to" Aetna's highly confidential information. *Id.* The balance of interests clearly favors in camera protection for Exhibits B through F. *See Bristol*, 90 F.T.C. at 456 (describing six-factor test for determining secrecy and materiality).

D. Protection for Exhibits B Through F Should Extend For 5 Years.

The nature of the highly confidential information contained in Exhibits B though F warrants lasting protection. Information contained in the documents, including but not limited to information regarding how Aetna negotiates contracts and determines rates, and financial information regarding utilization of various Aetna providers, is vital to Aetna's competitive position and business strategy. Accordingly, Aetna respectfully requests that Exhibits B through F be afforded in camera protection for a period of five years.

Respectfully submitted,

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Attorneys for Aetna Inc.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on March 26, 2012, the foregoing was served on the following in the manner indicated:

VIA ELECTRONIC MAIL
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VIA FEDERAL EXPRESS — One copy and
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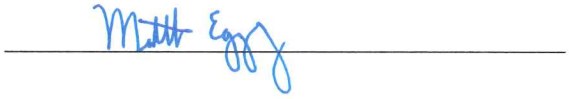


EXHIBIT A

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of OSF HEALTHCARE SYSTEM, a corporation, and ROCKFORD HEALTH SYSTEM, a corporation, Respondents.	Docket No. 9349

DECLARATION OF SUZANNE HALL IN SUPPORT OF NON-PARTY AETNA INC.'S MOTION FOR *IN CAMERA* TREATMENT OF PROPOSED EVIDENCE

I, Suzanne Hall, declare as follows:

1. I am currently Vice President of Network Management for Aetna Inc. ("Aetna"). In my position, I am responsible for managing our hospital and physician provider network in Illinois, Wisconsin, Indiana and Michigan, which includes overseeing the group of professionals who negotiate contracts with hospitals and physicians, and being personally involved in those contract negotiations as necessary and appropriate. I have been in this position for approximately ten years. Prior to that, I was Network Manager for Aetna for two years.

2. Aetna has taken substantial measures to guard the information contained in Exhibits B through F by limiting dissemination of such information and taking every reasonable step to protect its confidentiality. Such information is disclosed only to particular Aetna employees, and is not known outside of Aetna except to the extent necessary to engage in contract negotiations. Information contained in Exhibits B through F would be extremely difficult for Aetna's competitors or other outside persons to access or duplicate.

3. Exhibit B contains emails regarding negotiations of contracts and rates with individual hospitals, including proposals for rates, counter proposals and discussions of how rates are determined. The emails reference contract terms, current status of contract negotiations, rates, and other information regarding the relationships between Aetna and specific providers. The documents reveal highly confidential and commercially sensitive information regarding how Aetna negotiates contracts and rates with the providers that are part of its network. Their disclosure would reveal valuable information regarding the way that Aetna defines relationships with its providers and how rates are determined, processes that Aetna has expended numerous hours and many years to develop. Aetna's negotiation efforts have allowed it to gain a competitive advantage in the marketplace and to better service its insureds. Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace.

4. Exhibit C contains emails and spreadsheets showing information regarding rates, proposals, counter offers, total billings and share from specific Aetna providers, product utilization by certain providers, and provider-specific compensation schedules that list, by service and bill code, the rates Aetna pays to various hospitals for services. This is highly confidential and commercially sensitive information regarding Aetna's contracts and rates. These documents reveal sensitive information regarding the manner in which Aetna negotiates rates and contracts with providers. Its disclosure would reveal valuable information regarding the way that Aetna negotiates contracts and determines rates for physician services, processes that Aetna has expended numerous hours and many years to develop. This is information that could be used by Aetna's competitors for their own advantage in targeting Aetna's providers and

analyzing the manner in which Aetna determines its rates. Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace.

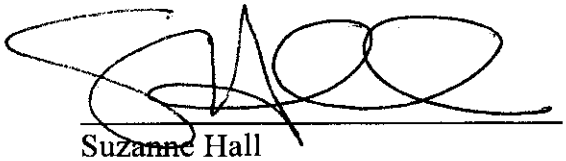
5. Exhibit D contains documents reflecting contracts and contract terms between Aetna and providers. The contracts and contract terms reveal sensitive information regarding Aetna's negotiations and agreements with various providers. Its disclosure would reveal valuable information regarding the way that Aetna negotiates contracts and determines rates for physician services, processes that Aetna has expended numerous hours and many years to develop. Aetna's efforts to negotiate contract terms and analyze rates have allowed it to gain a competitive advantage in the marketplace and to better service its insureds. If contracts were disclosed, it could result in serious damage Aetna's competitive advantage in the marketplace.

6. Exhibit E is a copy of the Declaration of Suzanne Hall, which was submitted in response to a Civil Investigative Demand. Paragraphs 12, 14, 15, 16 and 20 of the Declaration. This is highly confidential and commercially sensitive information regarding Aetna's contract negotiations and rates and the impact on Aetna of the proposed OSF/RHS transaction. These paragraphs reveal sensitive information regarding the manner in which Aetna negotiates rates and contracts with providers. This is information that could be used by Aetna's competitors for their own advantage in targeting Aetna's providers and analyzing the manner in which Aetna determines its rates. Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace.

7. Exhibit F includes page and line designations from my deposition. The cited designations from the deposition contain highly confidential and commercially sensitive information regarding the breakdown of how Aetna members utilize various participating providers in the Rockford area, information regarding Aetna's market share of insurance

business in the area, information dealing with how Aetna determines reimbursement rates and why Aetna members may chose certain providers over others. Further, the cited sections include information specific to the contract relationships Aetna has with various hospitals, detailed information regarding the factors Aetna considers when negotiating contracts, comparisons of reimbursement rates for various hospitals, and comparisons of the relative bargaining power of various providers. The testimony reveals highly confidential and commercially sensitive information regarding how Aetna negotiates contracts and rates with the providers that are part of its network. Its disclosure would reveal valuable information regarding the way that Aetna defines relationships with its providers, a process that Aetna has expended numerous hours and many years to develop. Aetna's negotiation efforts have allowed it to gain a competitive advantage in the marketplace and to better service its insureds. This is information that could be used by Aetna's competitors for their own advantage in targeting Aetna's providers and analyzing the manner in which Aetna determines its rates. Disclosure of this information could result in serious damage Aetna's competitive advantage in the marketplace.

I declare under penalty of perjury that the foregoing is true and correct.



Suzanne Hall

Signed this 20th day of March 2012.

EXHIBIT B

All Documents in Exhibit B are Redacted

EXHIBIT C

All Documents in Exhibit C are Redacted

EXHIBIT D

All Documents in Exhibit D are Redacted

EXHIBIT E

DECLARATION OF SUZANNE HALL

State of Connecticut)
)
City of Hartford)

Ms. Suzanne Hall declares as follows:

1. I am the Network Market Head for Aetna Inc. ("Aetna") for Illinois, Michigan, Wisconsin, and Indiana. In my position, I am responsible for managing our hospital and physician provider networks in these states, which includes overseeing the group of professionals that negotiates contracts with hospitals and physicians, and becoming personally involved those contract negotiations. I have been in my current position for ten years. Prior to that, I was a network manager for Aetna for two years. Before coming to Aetna, I served in a similar capacity for American HMO. I have been directly involved in Aetna's negotiations with the three large healthcare providers in Rockford, Illinois: OSF Healthcare System ("OSF"), Rockford Health System ("RHS"), and SwedishAmerican Health System ("SwedishAmerican").

2. Aetna is one of the nation's leading diversified health care benefits companies, offering a broad range of traditional and consumer-directed health insurance products and related services. These products include medical, pharmacy, dental, behavioral health, group life and disability plans, as well as medical management capabilities and healthcare management services for Medicaid plans. Our customers include employers, individuals, college students, part-time and hourly workers, health plans, governmental units, and labor groups.

3. Aetna offers a broad range of health insurance products throughout Illinois and in the Rockford area, which consists of parts of Winnebago, Boone, and Ogle counties. Aetna's commercial insurance products represent 87% of our business in that area and include a Preferred Provider Organization ("PPO") plan and open access plans. Aetna's largest customers in the Rockford area include employers such as United Parcel Service of America, Inc., SPX Corporation, Northern Illinois University, Illinois State University, Catalent Pharma Solutions, Home Depot, Lehigh Hanson, Inc., School District U-46, Esterline Technologies Corporation, and EnPro Industries, Inc., and we also provide health insurance coverage to similar local employers including RNA of Rockford, Howe Freightways, Inc., Sales & Market Service Associates, RJLink International, and Weld Safe Midwest, Inc.

4. Currently, Aetna has approximately 7,791 covered lives in the Rockford area, 7,748 of whom participate in one of our commercial products. Approximately 5,322 of the commercial members in the Rockford area participate in self-insured plans. These plans are administered by Aetna, and members have access to Aetna's provider network and negotiated rates, but the member's employer generally pays all claims directly out of its own account. As a result, self-insured employers bear the financial risk that claims will exceed both contributions to and reserves in their healthcare accounts. Also, self-insured

employers pay for any increases in rates by healthcare providers directly and immediately. Based on number of members, Aetna has approximately 3.66% share of commercial health-plan business in the Rockford area.

5. As part of my responsibilities to ensure the adequacy and competitiveness of our healthcare provider network in the Rockford area, I often evaluate the area hospitals on various criteria and the importance of these hospitals to our members. In particular, I evaluate the level and type of services provided, quality of care, including a hospital's accreditation, and location within a certain geographic area. I receive on-going feedback through Aetna's sales group about our network hospitals and any problems that could require changes in our network composition.

6. Based on my knowledge of our members in the Rockford area, the feedback I receive from various sources, and my review of utilization data, I have learned that Rockford-area residents generally do not leave the area for hospital services and instead visit one of the three local Rockford hospitals for general acute inpatient care: (1) OSF Saint Anthony Medical Center, (2) Rockford Memorial Hospital, and (3) SwedishAmerican Hospital. Rockford-area residents also typically seek outpatient physician services locally and rely on the Rockford hospitals' large employed physician groups, which each include significant numbers of primary care physicians, cardiologists, and other specialty physicians.

7. Rockford-area residents generally do not (and would not) travel to the community hospitals that are located well outside Rockford, including Rochelle Community Hospital, FHN Memorial Hospital, Kishwaukee Community Hospital, and Mercy Harvard Hospital. These hospitals are less convenient for Rockford-area residents to travel to. In addition, using these more distant hospitals would be inconvenient for friends and family visiting the patient. For these reasons, Aetna does not consider these hospitals to be substitutes for the hospitals in Rockford. For the same reasons, the hospitals located to the east in the Chicago area or to the north in Wisconsin are not substitutes for hospitals in Rockford. As a result, Aetna must contract with the Rockford hospitals to offer a viable network to Rockford area employers.

8. Hospital services are commonly divided into four categories – primary, secondary, tertiary, and quaternary – based on the complexity of the care provided. Although the precise delineation of each category is not standardized and the lines between them are somewhat blurry, these categories are generally accepted in the healthcare industry. Primary care is comprised of basic services such as emergency care, obstetrics, and minor surgery. Secondary care includes somewhat more complex and intensive services that are performed on a referral basis such as general surgery and certain orthopedic and urological procedures. Tertiary services are performed by highly specialized physicians and include major procedures such as neurosurgery, complex oncological procedures, and reconstructive plastic surgery. Quaternary services are the most complex, rare, or experimental treatments. These procedures often require very expensive equipment, require even more skill and specialized expertise than tertiary services, and are usually only performed at academic medical centers in large cities. Examples of quaternary

services include major organ transplants and implantation of ventricular assist devices. Only a small subset of hospitals offer tertiary and quaternary services. Accordingly, patients may need to travel much farther to obtain the most advanced tertiary and quaternary services, and are generally willing to do so, as these services may only be available at specialized regional medical centers far from home, address conditions that are often life-threatening, and require significant expertise to perform.

9. OSF Saint Anthony, Rockford Memorial, and SwedishAmerican generally offer comparable services that include primary, secondary, and some tertiary care. Because OSF Saint Anthony is affiliated with the Catholic Church, Catholic directives prohibit it from providing certain procedures, such as tubal ligations and many types of fertility procedures. However, all three hospitals compete for Rockford-area patients and are perceived to offer quality care.

10. The healthcare industry also distinguishes between inpatient and outpatient services. Generally, if a patient needs inpatient care, outpatient care is not an appropriate substitute from a medical perspective. Aetna does not decide whether a patient is treated on an inpatient or outpatient basis. Such decisions are made by physicians based on the needs of the patient.

11. The rates that Aetna pays to hospitals are determined through negotiations with the healthcare provider. Reimbursement rates are usually the impetus for, and the focus of, these negotiations. Typically, every two or three years, a party to the contract will give notice to the other party that it believes rates (or other terms) need to be adjusted. In my experience, negotiating these contracts takes six months or longer.

12. **REDACTED**

13. On the other side, the hospital's leverage is largely determined by the brand equity of the hospital; the size of the hospital system, with larger hospital systems having more leverage; the hospital's or system's relationship with the insurers; and how many hospitals are in the same local area. Larger hospitals or hospital systems, *i.e.*, those with

high market shares and/or a broad range of services (like OSF), have greater leverage because losing a large hospital or system makes Aetna's network less attractive and less competitive, which can result in members switching to a competing health plan that includes OSF. As a result of this leverage, larger hospital systems with local hospitals located in the same geographic area can demand higher rates from health plans and their members with a strengthened bargaining position not present in negotiations with single-hospital entities.

14. **REDACTED**

15. **REDACTED**

16. **REDACTED**

REDACTED

17. Aetna's members currently benefit from competition between RHS, OSF, and SwedishAmerican in the Rockford area. Having a second hospital in-network – OSF Saint Anthony – has improved Aetna's negotiating leverage with RHS. In addition, RHS understands that if it demands unreasonably high rates, Aetna could resist the rate increases and let RHS become a non-participating provider and instead include OSF Saint Anthony and SwedishAmerican in its network.

18. The proposed transaction will eliminate competition between OSF and RHS, and substantially increase the leverage of the combined hospitals during negotiations with Aetna and other health plans. After the proposed transaction, OSF will control a significant portion of inpatient care in the Rockford area. A hospital provider network in Rockford consisting only of SwedishAmerican – which would be our only alternative to contracting with the combined OSF/RHS system post-merger – would be far less attractive to members in the Rockford area than our existing two-hospital network. In addition, the combined OSF/RHS entity will be the only provider of certain key services not available at SwedishAmerican, for example, OSF St. Anthony and Rockford Memorial are the area's only Level One Trauma Centers. For this reason as well, the combined hospital system will essentially become a "must have" for health plans seeking to do business in the Rockford area.

19. As Aetna has already experienced first hand, our members strongly prefer having some choice, and a one-hospital network would give them no choice. Aetna frequently meets with both employers and insurance brokers to determine the needs of our members. Based on these discussions, as well as my experience developing and maintaining healthcare provider networks, a network consisting of one hospital in Rockford would not position us to grow our membership in this service area. Members place a high value on having a choice of healthcare providers, and for that reason, we would be unable to effectively market a single-hospital network as our sole product, even at a significant discount. For this reason, the proposed transaction would allow OSF/RHS to take a much tougher bargaining position with respect to the rates it demands than before the merger, because Aetna's threat of not contracting with the combined system would become far less credible. As a result, Aetna and its members could be forced to accept higher rates in order to continue offering a viable, attractive provider network to our members in the Rockford area. In addition, if the merger proceeds, and OSF/RHS demands that SwedishAmerican specifically be excluded from Aetna's network, the competitive position of Aetna and the only remaining competitor (SwedishAmerican) would be weakened.

20. # REDACTED

REDACTED

21. Primary care physicians ("PCPs") are a vital component in our provider network because a member's PCP is often the first and most important contact the member has with the healthcare system. The PCPs participating in Aetna's network include family practitioners, general practitioners, and physicians in the fields of internal medicine and pediatrics. Generally, however, adult members do not use pediatricians for their primary care. Aetna also does not consider obstetricians and gynecologists ("OB/GYN") to be PCPs, because OB/GYNs typically focus on different services and, in any case, do not generally treat male patients. Members who seek primary care services generally do not seek these services from non-PCPs because non-PCPs provide more specialized care.

22. It is my experience that patients will stay close to home when seeking primary care physician services. Because of the unwillingness of residents to travel greater distances for primary care services, Aetna could not offer a viable network in the Rockford area without PCPs in Winnebago, Boone, and Ogle counties.

23. The majority of the PCPs in the Rockford area are employed by or affiliated with at least one of the three large hospital systems: OSF Saint Anthony; RHS; and SwedishAmerican. There are few independent PCPs left in the Rockford area. Aetna's annual spend on PCP services in the Rockford area last year was over $1.72 million.

24. Much like hospital rate negotiations, the proposed merger of OSF and RHS will create additional bargaining leverage for the combined systems' PCPs and certain other physician groups. I am concerned that what little leverage Aetna has now will decrease even further if the proposed acquisition is completed because of the loss of competition between OSF and RHS for the provision of certain physician services, including primary care services. The proposed transaction between OSF and RHS will eliminate a major source of competition with respect to physicians based in the Rockford area and, may lead to negotiations that include demands for higher rates.

25. Because PCPs are often a member's first contact with a healthcare provider, they often have great influence over where the member will seek further healthcare services if necessary. PCPs refer patients to specialist physicians, for ancillary services such as imaging, and to hospitals for inpatient care. The transaction will allow a combined OSF/RHS entity to direct more volume to their preferred service locations.

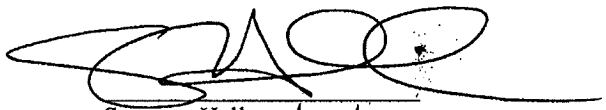
26. I have been negotiating contracts with hospitals for several years, including 12 years at Aetna. In my experience, there is no difference between contract negotiations with for-profit healthcare providers and not-for-profit healthcare providers. Both for-profit and

not-for-profit hospitals and health systems use their bargaining leverage to obtain the highest reimbursement rates possible from Aetna and its customers. Regardless of tax status, religious affiliation, or academic mission, healthcare providers always have revenue targets that they are trying to reach, so it is vital to Aetna that there be an adequate number of viable hospitals in a given local area in order to keep rates competitive for our members. I also do not perceive non-profit hospitals generally (and OSF Saint Anthony's specifically) as providing more charity care than for-profit organizations.

27. I am not aware of any proposed benefits that the potential transaction might bring to Aetna or its members in the Rockford community. Both OSF Saint Anthony and Rockford Memorial have strong reputations for providing quality patient care. Based on my experience, Rockford does not have too many hospitals for a city of its size. I also do not believe that any significant cost-savings will result for Aetna members from the proposed transaction in the form of lower reimbursement rates. In my many years negotiating hospital contracts, I have never seen a merger actually result in lower contracted rates than would normally be expected absent the merger, although I frequently hear these claims from merging hospitals. It is my belief that Aetna's members benefit from lower rates that are realized in part from competition that results from having multiple healthcare entities in any given service area.

This declaration is being provided to the Federal Trade Commission voluntarily in lieu of responding to a subpoena, and I hereby request that my identity, my company's identity, and the contents of this declaration be kept confidential and be exempt from public disclosure as provide by applicable law.

Pursuant to 28 U.S.C. §1746, I declare, under penalty of perjury, that the foregoing is true and correct.



Suzanne Hall 9/26/11

EXHIBIT F

In the Matter of:

FTC v. OSF Healthcare System and Rockford Health System

January 19, 2012
Suzanne Hall (Highly Confidential - Attorneys' Eyes Only)

Condensed Transcript with Word Index

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555

FEDERAL TRADE COMMISSION
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IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
WESTERN DIVISION

FEDERAL TRADE COMMISSION,)
Plaintiff,)
vs.) No. 3:11-cv-50344
OSF HEALTHCARE SYSTEM and)
ROCKFORD HEALTH SYSTEM,)
Defendants.)
----------)

Thursday, January 19, 2012

McDermott, Will & Emery, LLP
227 West Monroe Street
Chicago, Illinois 60606

The above-entitled matter came on for deposition, pursuant to notice, at 9:04 a.m.

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PROCEEDINGS

- - - - -

Whereupon--

SUZANNE MARIE HALL,

a witness, called for examination, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MS. CARLETTI:

Q. Ms. Hall, can you state and spell your name for the record, please.

A. Suzanne Marie Hall, S-u-z-a-n-n-e M-a-r-i-e. Last name, H-a-l-l.

Redacted

.

Redacted

Q. Okay. And who is your employer?

A. Aetna.

Q. When we refer to Aetna today, can we refer -- can we have an agreement that we're referring to Aetna, Incorporated, or your employer Aetna?

A. Yes.

Q. Great.

Is there any reason that you can think of why you wouldn't be able to answer my questions fully and truthfully today?

A. No.

Q. Okay. Tell me about your current position and title for Aetna.

A. My current title is vice president of network management. I have medical cost oversight for four markets for Aetna, Illinois, Wisconsin, Indiana, and Michigan.

Q. Okay. And how long have you held the position of VP of network management -- vice president of network management?

A. About 10 years.

Q. And when you say you have "medical cost oversight," what do you mean by that?

A. The team that reports to me and myself negotiate the provider contracts between Aetna and the provider.

Q. Okay. We'll talk about that a little bit more in depth in a little bit.

But other than being the vice president of network management, have you held any other positions for Aetna?

A. Yes. I was hired as a network manager and was in that post for two years.

Q. In total how long have you worked for Aetna?

A. 12 years.

Q. Okay. And as the network manager, what are your job responsibilities in that position?

A. I was the lead negotiator for a subset of hospitals.

Q. What subset of hospitals?

A. The market was divided geographically, north and south. I was assigned to the south territory.

Q. And where would that south territory be?

A. Probably south of the Eisenhower.

Q. So that's here in the Chicagoland area?

A. Oh, yeah. Sorry.

Q. Okay. Other than working for Aetna, have you worked for any other managed care organizations or health insurance companies like Aetna?

A. Yes.

Q. Who?

A. Med Care HMO. American HMO.

Q. Anybody else?

A. No.

Q. Okay. When did you work for Med Care?

A. I'm not exactly sure.

Q. Was that before American HMO or after American?

A. Before.

Q. Okay. And when did you work for American HMO?

A. I'm not sure about the dates.

Until 1999 so several years leading up to 1999.

Q. And that's when you joined Aetna, in 1999?

A. Yes.

Q. Okay. Tell me very briefly about your educational background, where you got your undergraduate degree.

A. Undergraduate degree received from Western Illinois University.

Q. Do you have any graduate degrees?

A. No.

Q. The four markets that you're responsible for, Illinois, Wisconsin, Indiana, and Michigan, how many hospital providers are located within that region?

A. I'm not sure.

Q. Do you have an estimate?

A. In excess of 400.
Q. Okay. How about primary care physicians? Do you know how many primary care physicians are located within that -- those four markets that you're responsible for, Illinois, Wisconsin, Indiana, Michigan?
A. No.
Q. I'm sorry. You and I talked over each other.
A. No.
Q. Do you have an estimate there?
A. No.
Q. Okay. In the region that you're responsible for, does Aetna market its products primarily to employers or individuals?
A. Both.
Q. The employers that Aetna markets to in -- in the market that you're responsible -- the four markets that you're responsible for, are those employers fully insured or self-insured or both?
A. Both.
Q. To your knowledge, what percentage of the employers to which Aetna markets its products in the four markets that you're responsible for that you sell commercial insurance products to are self-insured versus fully insured?
A. Approximately 75 percent.

Q. 75 percent are self-insured?
A. Yes.
Q. Okay. Do you know how many employers or companies contract with Aetna for insurance commercial products in the four markets that you're responsible for?
A. No.
Q. Do you have any estimate?
A. No.
Q. Who might know that information?
A. Vice president of sales.
Q. And who's that?
A. Brian Marsella.
Q. Would you mind spelling the last name.
A. M-a-r-s-e-l-l-a.
Q. Okay. We've talked about the term "employers" that Aetna markets to or contracts with in your market.
Does Aetna also consider those employers members, as well? Have you heard that term before?
A. Yes.
Q. I've also heard, in my dealings with health care companies like Aetna, the term "covered lives." Is that a term that you're familiar with?
A. Yes.
Q. What is a covered life?

A. A member that is enrolled with one of our plans.
Q. To your knowledge, how many Aetna members are there within the region that you manage?
A. I don't know.
Q. And to your knowledge, how many covered lives are in the region that you manage?
A. I do not know.
Q. We're going to talk a lot today about the Rockford area. Can you tell me what you consider to be the Rockford area?
A. A three-county service area, Winnebago, Ogle, and Boone Counties.
Q. And is the Rockford area, as you've defined it, part of the four markets that you manage at Aetna?
A. Yes.
Q. Okay. Do you, personally, negotiate contracts with the hospitals that are located in the Rockford area as you've described it to me?
A. No.
Q. Who negotiates those contracts on behalf of Aetna with the -- with the hospitals that are located in the Rockford area?
A. Any number of people that report directly to me.
Q. Could you give me their names?
A. Yes.

Q. Who are they?
A. Patrick Neary. Leticia Sierra. Erik Gonzalez. Jacqueline Moss. Jeff Logan. Nancy Rienbolt. Mike Roach. Or Dolores Glowen.
Q. I'm sorry? What's Dolores' last name?
A. Glowen.
Q. Okay. And are all of these individuals currently employed by Aetna?
A. Yes.
Q. How are their job responsibilities -- how are their job responsibilities distributed in the Rockford area? What do each of them do?
MR. GAERTNER: Objection; form.
A. They're all in roles that could be assigned to a hospital negotiation at any given time, depending on workload and active negotiations underway.
BY MS. CARLETTI:
Q. Have all of them previously actually directly negotiated contracts with the hospital providers in the Rockford area?
A. No.
Q. Who has?
A. Can I ask that you run through those names?
Q. Sure.
Let's talk about Patrick Neary first.

A. He has.
Q. And when was he involved?
A. I'm not sure.
Q. How long has he been with Aetna?
A. I'm not sure.
Q. Has he been there the whole time you've been there?
A. No.
Q. Has he been there for the last five years?
A. Yes.
Q. And with which hospitals has Patrick Neary negotiated provider contracts with in the -- in Rockford?
A. Rockford Memorial.
Q. Okay. Anybody else?
A. No.
Q. Leticia Sierra, has she ever negotiated contracts with hospital providers in Rockford?
A. Yes.
Q. And when did she do that?
A. I'm not sure.
Q. Has she done it within the last five years?
A. Yes.
Q. And which hospitals has Leticia Sierra negotiated health care contracts with in Rockford?

A. The OSF Healthcare System.
Q. Let me ask another -- if I can just go back to Patrick Neary for a second.
Has Patrick negotiated primary care physicians contracts in the Rockford area, to your knowledge?
A. No.
Q. Leticia Sierra, has she negotiated primary care physician contracts in -- with anybody in Rockford?
For Aetna, I should say.
A. Yes.
Q. And when did she do that?
A. I'm not sure.
Q. Erik Gonzalez, has he -- let's take hospitals first.
Has he negotiated provider contracts with the hospitals in Rockford?
A. I'm not sure.
Q. What's Erik Gonzalez' title?
A. Network manager.
Q. I'm sorry to jump around about this --
A. It's all right.
Q. -- but what's Patrick Neary's title?
A. Senior network manager.
Q. And Leticia Sierra's title?
A. Senior network manager.

Q. Okay. Has Erik Gonzalez negotiated primary care physician contracts with anyone in Rockford?
A. I'm not sure.
Q. Jacqueline Moss, has she negotiated hospital provider contracts with anyone in Rockford?
A. I'm not sure.
Q. What's her title?
A. Network manager.
Q. Has Jacqueline negotiated primary care physician contracts with anyone in Rockford?
A. I'm not sure.
Q. Jeff Logan, what's his title?
A. Network manager.
Q. And has he negotiated hospital provider contracts with anyone in Rockford?
A. Yes.
Q. Which hospitals?
A. Rockford Memorial. And SwedishAmerican.
Q. How long has he been with Aetna?
A. I'm not sure.
Q. Last five years?
A. Yes.
Q. Okay. How about primary care physicians? Has Jeff Logan negotiated provider contracts with primary care physicians in Rockford?

A. I'm not sure.
Q. Nancy Rienbolt, what's her position?
A. Network manager.
Q. And has she negotiated hospital provider contracts with anyone in Rockford?
A. Yes.
Q. Which ones?
A. OSF Healthcare System.
Q. How long has she been with Aetna?
To your knowledge.
A. I'm not sure.
Q. When was the last time she negotiated with OSF?
A. I'm not sure.
Q. Has Nancy -- Nancy Rienbolt -- negotiated provider contracts with any primary care physicians located in Rockford?
A. I'm not sure.
Q. Mike Roach, what's his position?
A. Contract negotiator.
Q. And has Mike Roach negotiated any contracts with hospitals in Rockford?
A. I'm not sure.
Q. Has Mike Roach negotiated any contracts with primary care physicians in Rockford?
A. I'm not sure.

Q. And how long has Mr. Roach been with Aetna, to your knowledge?
A. I'm not sure.
Q. Do you know whether he's been there the last five years?
A. No.
Q. Dolores Glowen -- am I saying that correctly?
A. Yes.
Q. How long has -- what's her position, first?
A. Contract negotiator.
Q. And has Miss Glowen negotiated any provider contracts with hospitals in Rockford?
A. I'm not sure.
Q. Has Miss Glowen negotiated any contracts with primary care physicians in Rockford?
A. I'm not sure.
Q. And how long has she been with Aetna?
A. I'm not sure.
Q. Okay. Has she been there for the last five years?
A. Yes.
Q. Okay. Do you travel to Rockford as part of your job responsibilities?
A. Yes.
Q. And how often do you go to Rockford?

A. Infrequently.
Q. When was the last time that you were in Rockford?
A. I'm not sure.
Q. Has it been within the last year?
A. No.
Q. Two years?
A. No.
Q. The last five years?
A. Yes.
Q. Okay. When you go to Rockford, what do you do?
A. Meet with providers.
Q. And what types of providers do you meet with?
A. Hospital.
Q. What's the purpose of those meetings?
A. Varies.
Q. The last time that you went to Rockford, who did you meet with?
A. Joe Smith.
Q. And Joe Smith is with who -- was with who?
A. Joe Smith was with Rockford Memorial.
Q. When you've gone to Rockford, have you actually gone to the hospitals that are located there?
A. Yes.
Q. Which hospitals have you visited in Rockford?

A. Rockford Memorial. And SwedishAmerican.
Q. And when did you last go to SwedishAmerican?
A. I'm not sure.
Q. Okay. Was it when you went out to meet with Joe Smith?
A. No.
Q. Does Aetna have any offices that are located in Rockford or near Rockford?
A. No.
Q. The individuals that we talked about -- Patrick Neary, Leticia Sierra, Erik Gonzalez, Jacqueline Moss, Jeff Logan, Nancy Rienbolt, Mike Roach, and Dolores Glowen -- are they located in Rockford?
A. No.
Q. Where are they located?
A. I'm not sure.
Q. Are any of them located in Illinois?
A. All.
Q. Okay. Do you know where their offices are?
A. We have a work-at-home environment.
Q. Other than -- do all the individuals that we just named, do they report directly to you?
A. No.
Q. Okay. Who does report -- who -- how many direct reports do you have? Let's do it that way.

A. Six.
Q. And who are they?
A. Pat Neary, Leticia Sierra, Nicci Keating. Brad Mizgate. Roy Fredericksen.
Q. I'm sorry. Is that "Roy" or "Rory"?
A. Roy.
And Jim Maciag.
Q. Okay. So we've talked about Patrick Neary and Leticia Sierra.
What is Nicci Keating's position at Aetna?
A. She's an administrative rep.
Q. And what does she do?
A. Administrative support, meeting coordination, document prep. Filing.
Q. Brad Mizgate, what's his -- if I've said that name correctly -- what is his title and responsibility?
A. Senior network manager for the Indiana market.
Q. Okay. And Roy Frederickson, what is his position?
A. Network manager, Wisconsin.
Q. Okay. And Jim Maciag, what's his position?
A. Senior network manager, Michigan.
Q. Patrick Neary, what markets is he responsible for?
A. Illinois.

Q. And Leticia Sierra, what markets is she responsible for?

A. Illinois.

Q. Okay. Do you have any direct reports that are responsible for the sales or marketing of Aetna's products in the Rockford area?

A. No.

Q. Who at Aetna is responsible for the sale and marketing of its products in that area, to your knowledge?

A. I'm not sure.

Q. Okay. The -- I think you told us that you're not directly responsible for contract negotiations with the hospitals in Rockford. Is that correct?

MR. GAERTNER: Objection to the form. Mischaracterizes prior testimony.

THE WITNESS: Can you repeat the question?

MS. CARLETTI: Sure.

BY MS. CARLETTI:

Q. Why don't I do it like this: What role do you play in Aetna's negotiations with the hospitals that are located in the Rockford area?

A. I have oversight over the activity that is conducted by my direct reports and their team, final approval on deals, and get involved to the extent that

we hit a stalemate in discussions with a facility or provider.

Q. When you say you "have oversight," what does that mean?

Practically, what do you do?

A. When my team develops strategy for engagement with a provider, we meet. I ensure that the strategy aligns with the organizational objectives regarding the negotiation.

Q. Do you receive regular communications or contacts from your direct reports about the discussions that they're having in their negotiations with the providers in Rockford?

A. Yes.

Q. And how often does that happen?

A. As needed.

Q. And what's the form of that? Do you have meetings with them or telephone calls? e-mails? How does that work?

A. All three.

Q. Do you have any regular meetings with your direct reports about their contract negotiations with the providers in the areas that you're responsible for?

A. Yes.

Q. And when are those meetings?

A. I have meetings with my direct reports every other week, one on one.

Q. And what do you discuss with them during those meetings?

A. Contract activity, open discussions, active initiatives.

Q. Other than -- I think you said you get involved in the negotiations on an as-needed basis. Is that correct?

A. Correct.

Q. As part of that, do you ever have direct discussions or negotiations with the hospital providers in the Rockford area?

A. Yes.

Redacted

Redacted

Q. Okay. Other than discussions that you've had with Paula Dillon, have you had any other discussions in the last two years with any of the hospital providers in Rockford as part of the contract negotiations that Aetna's had with them?

A. No.

Q. Have you had any -- do you have any contacts or discussions with the folks who are responsible for sales and marketing at Aetna for its products in Rockford about their work there?

A. No.

Q. I want to talk just quickly about Aetna generally.

Is Aetna a public or a private company?

A. It's public.

Q. And how big is it? How large is it, to your knowledge?

MR. GAERTNER: You mean in terms of revenue? employees?

MS. CARLETTI: Yeah.

MR. GAERTNER: Revenue. If you know.

A. I don't know.

BY MS. CARLETTI:

Q. Do you know what -- does Aetna calculate its

market share in the various regions that you're responsible for?
A. Yes.
Q. What's Aetna's market share in Illinois?
A. I'm not sure.
Q. Do you -- what's Aetna's market share in the four regions that you're responsible for?
A. I'm not sure.
Q. To your knowledge, what is Aetna's annual revenue for its Illinois business?
A. I'm not sure.
Q. Okay. And to your knowledge, what's Aetna's annual profit for the Illinois market?
A. I'm not sure.
Q. To your knowledge, what's Aetna's annual revenue for the Rockford area?
A. I'm not sure.
Q. And to your knowledge, what's Aetna's annual profit for the Rockford area?
A. I'm not sure.
Q. Tell -- if you can, tell us generally what types of commercial health insurance products does Aetna offer to its members nationwide.
MR. GAERTNER: Objection to form.
You may answer.

MR. HERRICK: Just so the record's clear, the Commission joins any objections by Aetna's counsel.
THE WITNESS: Can you repeat the question?
MS. CARLETTI: Sure I can.
BY MS. CARLETTI:
Q. To your knowledge -- or, generally, what types of commercial health insurance products does Aetna offer to its members nationwide?
A. HMO, PPO, point-of-service products. Medicare Advantage products. And Medicaid products.
Q. In the ordinary course of your business, do you use the term "commercial insurance"?
A. Yes.
Q. Okay. What does that mean to you?
A. Nongovernment.
Q. And out of the products that you've listed, HMO, PPO, point of service, Medicare Advantage products and Medicaid products, which of these products is offered in the Rockford area?
A. PPO and point of service, Medicare.
Q. Is that it?
A. (The witness nodded her head up and down.)
Q. Okay. Just so I'm aware, is Medicare Advantage a replacement product for standard Medicare insurance?
A. It can be.

Redacted

Q. I've seen in some places something referred to as Cofinity. Do you know what that is?
A. Yes.
Q. What is it?
A. Cofinity is a network access product.
Q. And can you tell me -- give me a little bit more description about that. What it is?
A. Yeah. It's not a -- it's not a health insurance plan or product. It's an access network primarily sold to TPAs, other health plans.
Similar to the likes of Beech Street.
Q. Okay. And just so we're clear, when you say "TPAs," what is that -- what are you referring to there?
A. Third-party administrator.
Q. The point-of-service products, PPO products, and Medicare Advantage products that Aetna offers in Rockford, with whom does Aetna contract to provide

services for each of these products to its employee -- employers and individuals?
MR. HERRICK: Objection to the form.
MR. GAERTNER: Yeah, same objection.
A. Hospitals, physicians, ancillary providers.
MS. CARLETTI: Okay.
(An off-the-record discussion was had.)
MS. CARLETTI: We're handing you what we're going to mark as Deposition Exhibit 1.
(Hall Exhibit Number 1, Hall Declaration, 9/26/11, was marked for identification.)
MS. CARLETTI: So take a moment, look this over, and let me know when you're ready.

Redacted

Q. Ready?
A. Yes.
Q. Do you recognize Deposition Exhibit 1?
A. I do.
Q. What is it?
A. A declaration.
Q. And is this a declaration that you provided to the Federal Trade Commission and signed on

February 26th, 2011?
I'm sorry. September 26th, 2011.
A. I prepared this declaration with in-house counsel.
Q. Okay.
A. I signed it on September 26th, 2011.
Q. Okay. I don't want to know about any conversations you've had specifically with your in-house counsel only, but have you had any discussions with anyone from the Federal Trade Commission about Deposition Exhibit No. 1?
A. No. Not about --
MR. GAERTNER: That's it. Just a yes or no. That's fine.
BY MS. CARLETTI:
Q. To your knowledge, who drafted Deposition Exhibit No. 1?
A. In-house counsel.
Q. And did you provide information that was included in Deposition Exhibit No. 1?
A. Yes.
Q. Did you draft any of the information that's included in Exhibit 1?
A. No.
Q. Have you, personally, had any conversations with

anyone at the FTC about the affiliation between Rockford Health System and OSF Healthcare?
A. Yes.
Q. When?
A. I don't recall.
Q. Who did you have these discussions with?
A. I don't recall.
Q. Was -- to your knowledge, was it an attorney with the Federal Trade Commission?
A. I'm not sure.
Q. How many conversations did you have with someone from the Federal Trade Commission?
A. I'm not sure.
Q. Was it more than one?
A. I'm not sure.
Q. The conversations that you've had with the Federal Trade Commission, what form were they in? Telephone? E-mail? In-person meetings?
MR. HERRICK: Objection to the form.
A. Telephonic.
BY MS. CARLETTI:
Q. Other than you and somebody from the Federal Trade Commission, who else was on those telephone calls, to your knowledge?
A. In-house counsel.

Q. Anybody else?
A. No.
Q. How many drafts of -- how many drafts of the declaration that are Exhibit 1 did you see before you signed it?
A. I'm not sure.
Q. Let me ask this question: Were there other drafts of the document that are -- that's been marked as Exhibit 1?
A. Yes.
MR. HERRICK: Objection to form.
BY MS. CARLETTI:
Q. Are there any statements that are in this declaration, Exhibit 1, that you've since realized are inaccurate or that you'd like to change since you've signed it?
MR. HERRICK: Objection to the form.
MR. GAERTNER: Do you need to read it?
THE WITNESS: No.
A. No.
BY MS. CARLETTI:
Q. Okay. You can put that off to the side. We're going to refer back to it periodically.
How many Aetna members are there within the Rockford area, to your knowledge?

A. Less than 10,000.
Q. And to your knowledge, how many covered lives does that translate into?
A. I'm not sure.
Q. How does the -- that 10,000 number, how does that compare to the total number of Aetna members that it had in that area in 2009?
MR. HERRICK: Objection to form.
A. I'm not sure.
BY MS. CARLETTI:
Q. Has Aetna's -- the total number of members in Rockford increased or decreased between 2009 and today?
MR. HERRICK: Objection; asked and answered.
A. I'm not sure.
BY MS. CARLETTI:
Q. If you can, think back to 2005.
How do the number of members that Aetna has in Rockford compare to the number that you have there today?
A. I'm not sure.
Q. To your knowledge, has the number of members increased or decreased from 2005 to today for the Rockford area?
MR. HERRICK: Objection to the form, asked and answered.

THE WITNESS: I'm sorry. Did you say since 2005?
MS. CARLETTI: Yes.
A. I don't know.
BY MS. CARLETTI:
Q. The products that you told us about that you offer in Rockford, PPO, point of service, and Medicare Advantage products, the commercial products that Aetna offers in Rockford, I should say -- what's the breakdown of members that Aetna has for each one of those products in Rockford?
A. I'm not sure.
Q. And to your knowledge, have the membership levels in each one of -- the relative membership levels in each one of those products shifted in any way over the course of the last five years?
MR. HERRICK: Objection to the form.
MR. GAERTNER: Same objection.
A. I'm not sure.
BY MS. CARLETTI:
Q. Has Aetna in the last five years tried to shift its members towards a particular commercial insurance product that it offers in Rockford?
A. No.
Q. Do you consider Rockford a growth market?

A. No.
Q. Why not?
A. We have an uncompetitive discount position and medical cost position.
Q. What does that mean?
A. That competitors have an advantage to Aetna on the basis of discount realized and/or medical costs realized.
Q. And what competitors have an advantage to Aetna in the Rockford market?
A. I'm not sure.
Q. When you say that you "have an uncompetitive discount position," how do you measure that?
A. External pricing analysis.
Q. And is that for -- I'm sorry. Go ahead. I didn't mean to interrupt.
A. Available public information. And feedback from the sales segments and organization.
Q. Let me take it a step back for a second, and we'll talk about each one of these individually.
When you say you "have an uncompetitive discount position," is that with providers? with your members? Who is that with?
A. With providers.
Q. Okay. Which providers?

MR. HERRICK: Object to form.
A. Providers in that service area.
BY MS. CARLETTI:
Q. Does that include hospitals, physicians, and ancillary services?
A. Yes.
Q. Okay. I just wanted to make sure it wasn't one and not the other.
But it's all --
A. Understood.
Q. -- of those health care services?
A. Yes.
Q. The external pricing analysis that you do, what is that?
A. It's a purchased analysis from a consultant vendor and used internally to benchmark our position in various markets versus competitors in those markets.
Q. What vendor is that that you use?
A. Hewitt.
Redacted
Q. Have you looked at the analysis -- the analyses that you're talking about here?
MR. HERRICK: Objection to form.

A. The summary.
BY MS. CARLETTI:
Q. And who creates the summary?
A. Medical Economics.
Q. Is Medical Economics a group within Aetna?
A. Yes.
Q. Okay. Is that summary a document?
A. Yes.
Q. The available public information that you told us about a little bit earlier, what information is that?
A. It's from the American Hospital database. We use it to review publicly reported commercial revenues and billings.
Q. And who does that analysis for Aetna?
A. The Medical Economics unit.
Q. Do you review any documents or analyses that the Medical Economics unit at Aetna does as it relates to the publicly available information you've been referring to?
A. Summary data.
Q. And is that summary data in document form?
A. It is.
Q. Feedback from sales. You told us that was another aspect of this analysis.
What feedback are you referring to there?

A. Feedback on discount position and network composition.

Q. And do you directly receive that feedback?

A. Occasionally.

Q. How often, would you say?

A. Frequently.

Q. And in what form does that feedback come to you?

A. Primarily verbal.

Q. If you can, turn back to Exhibit 1 and take a moment and look at paragraph 14 on page 4.

MS. CARLETTI: And just for the record, Exhibit 1 bears the Bates label PX 0251-001 through 007.

Redacted

Redacted

Q. So is this sentence now accurate based upon what you just said?

MR. GAERTNER: Objection to form.

A. Yes.

BY MS. CARLETTI:

Q. Would you change it in any way?

A. No.

Q. Does Aetna have any plans in the future to continue to invest in the Rockford market?

To your knowledge.

A. I'm not sure.

Q. If you can, turn to paragraph 3 now of Exhibit 1.

Redacted

Q. The sentence to discuss is "How Aetna's commercial insurance products represent 87 percent of our business in the Rockford area and include a PPO plan and open access plans."

Do you see that?

A. Yes.

Q. That 87 percent number, how is that measured -- what's that measured by?

A. It's the percentage of commercial members to

total members.

Q. So it's member -- it's based on membership?

A. Yes.

Q. Okay. And is that the current number, or is that a historical number?

A. I'm not sure.

Q. And what percent -- what products account for the other 13 percent of Aetna's business in the Rockford area?

A. Dental, behavioral health, group life, disability, products referenced in paragraph 2.

Q. Okay. What commercial -- let me ask it this way: Who does Aetna compete with in the Rockford area?

MR. GAERTNER: Objection to form.

You may answer.

A. Blue Cross, UnitedHealthcare, CIGNA, Humana.

BY MS. CARLETTI:

Q. Anybody else?

A. Those are the primary competitors.

Q. Does Aetna calculate market shares for each of its competitors in the Rockford area?

A. I don't know.

Q. Who -- who would you describe is the largest company that Aetna competes with in the Rockford area?

MR. GAERTNER: Objection to form.

A. Blue Cross.
BY MS. CARLETTI:
Q. How would you describe the competition between Aetna and its competitors in the Rockford area?
MR. GAERTNER: Objection to form.
You may answer.
A. Aetna has a weak position.
BY MS. CARLETTI:
Q. And why is that?
A. We are discount and medical cost uncompetitive.
Q. Who would you say has a stronger position than Aetna in the Rockford area based on what you just told me?
A. Blue Cross and United.
Q. Let's talk about the hospitals in Rockford now.
To your knowledge, which hospitals in the Rockford area treat the most inpatients?
A. I don't know.
Q. There -- which hospitals -- let me ask you this basic question: Which hospitals are located in the Rockford area?
A. Saint Anthony's, Rockford Memorial, SwedishAmerican.
Q. Okay. Out of those three hospitals, do you know how they rank in terms of the number of inpatients they

treat each year?
A. I do not.
Q. To your knowledge, how many Aetna insureds have received inpatient services from SwedishAmerican Hospital?
A. I'm not sure.
Q. To your knowledge, how many Aetna insureds have received inpatient services from Rockford Memorial Hospital?
A. I'm not sure.
Q. And to your knowledge, how many Aetna insureds have received inpatient services with SwedishAmerican Hospital?
A. I'm not sure.
Q. Do you know, in general, how many Aetna insureds received inpatient services at any of the hospitals located in Rockford?
A. No.
Q. Are you familiar with the term "general acute care inpatient services"?
A. Yes.
Q. Is that a term that Aetna uses in its regular course and conduct of its business?
A. Yes.
Q. How would you define -- what would you say

"general acute care inpatient services" means?
A. Basic level of care.
Q. And I think that paragraph 8 of Exhibit 1, your declaration, talks about four categories of care. Do you see that?
A. I do.
Q. Which -- and it lists out primary, secondary, tertiary, and quaternary.
Do you see that?
A. I do.
Q. Which of those four categories of services would you consider fall into the bucket of general acute care inpatient services?
A. Primary.
Q. Is that it? Sorry.
A. Yes.
Q. Sorry.
Which of the hospitals in the Rockford area provide -- let's go one by one -- primary care?
A. Rockford Memorial, Saint Anthony's, and Swedish.
Q. Which of the hospitals in the Rockford area provide secondary care?
A. Rockford Memorial, Saint Anthony's, and Swedish.
Q. Which of the hospitals in Rockford provide tertiary care?

A. Rockford Memorial and Saint Anthony's.
Q. And how would you define "tertiary services"?
A. A higher level, more complex service, Level I trauma, things of that nature.
Q. Does SwedishAmerican offer any services that might be considered tertiary services?
MR. GAERTNER: Objection to form and foundation.
You may answer.
A. I'm not sure.
BY MS. CARLETTI:
Q. Okay. And do any of the hospitals in Rockford provide quaternary care?
A. Not that I'm aware of.
Q. You talked earlier about the position that Aetna is in -- and I think you referred to it as the discount position that Aetna's in in Rockford.
Are there any other markets that you are aware of where Aetna has a similar -- I think you referred to it as an uncompetitive discount position.
MR. HERRICK: Objection to form.
A. Yes.
BY MS. CARLETTI:
Q. What are those markets?
A. Indianapolis. Fort Wayne, Grand Rapids, Michigan, southern Illinois.

Q. For each one of those areas -- we'll call them -- how do they compare in terms of number of Aetna members who are in those areas to the number of members that Aetna has in Rockford?

MR. GAERTNER: Objection to form and foundation. You may answer.

A. I'm not sure.

BY MS. CARLETTI:

Q. And to your knowledge, how many hospitals are located in each one of those areas where you told us that Aetna has an uncompetitive discount position?

MR. GAERTNER: Objection to form and foundation. You may answer.

A. I'm not sure.

Redacted

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BY MS. CARLETTI:

Q. To your knowledge and based on your experience, does the Rockford area need three hospitals to provide general acute care inpatient services?

A. I'm not sure.

Q. Are there other cities that are comparable in size to Rockford in the region that you're responsible for that support three hospitals that offer the same types of services that the three hospitals in Rockford do?

MR. GAERTNER: Objection to form and foundation. You may answer.

A. I'm not sure.

BY MS. CARLETTI:

Q. Does Rockford Memorial Hospital or OSF Saint Anthony's Medical Center offer any unique services that are otherwise not available from SwedishAmerican in Rockford?

A. Level I trauma and NICU services, neonatal intensive care unit.

Q. And which hospitals offer Level I trauma in Rockford?

A. I believe OSF and Rockford Memorial both offer Level I trauma.

Q. Does SwedishAmerican offer any type of trauma services?

A. Not that I'm aware of.

Q. And I think you also identified NICU services. Which hospitals in Rockford offer NICU services?

A. Rockford Memorial.

Q. How many Aetna insureds received Level I trauma services from OSF last year?

A. I'm not sure.

Q. And to your knowledge, how many Aetna insureds received Level I trauma services from Rockford Memorial Hospital last year?

A. I'm not sure.

Q. For NICU services -- to your knowledge, how many Aetna insureds received NICU services from Rockford Memorial Hospital last year?

A. I'm not sure.

Q. Are you aware of any efforts that SwedishAmerican Hospital has taken to offer trauma services either -- at any level to the -- in Rockford? I should say.

A. No.

Redacted

Redacted

Q. Okay. Let's take paragraph 6 first. It states, "Based on my knowledge of our members in the Rockford area, the feedback I receive from various sources, and my review of utilization data, I have learned that Rockford area residents generally do not leave the area for hospital services and instead visit one of the three local Rockford hospitals for general acute care inpatient -- general acute inpatient care."

Do you see that?

A. I do.

Q. When you refer to the feedback you receive from various sources, what sources are you referring to here?

A. The sales segment and sales organization.

Redacted

Q. Okay. Are there any documents -- well, let me ask you this: Are there any other sources that this sentence here in paragraph 6 that we've just read refers to other than what you've told me?

A. Yes, utilization data.

Q. Okay. And when did you review the utilization -- when did you last review the utilization data that led you to make this statement here in paragraph 6 of Exhibit 1?

A. Within the last year.

Q. In paragraph 7 it also starts, "Rockford area residents generally do not -- and would not -- travel to the community hospitals that are located well outside Rockford," and it lists a number of hospitals there.

Do you see that?

A. I do.

Q. Okay. And what is that statement based on?

A. That they're about 30 miles away and utilization data.

Q. Okay. To your knowledge, has Aetna conducted any surveys of -- regarding its members' travel preferences to travel to other hospitals within the last five years?

MR. HERRICK: Objection to form.

A. I'm not aware of any.

BY MS. CARLETTI:

Q. And to your knowledge, has Aetna conducted any analyses regarding its member travel preferences to hospitals within the last five years?

A. I don't know.

MR. HERRICK: Objection; form, foundation.

BY MS. CARLETTI:

Q. To your knowledge, has Aetna conducted any surveys regarding which hospitals its members prefer in the Rockford area within the last five years?

A. I don't know.

BY MS. CARLETTI:

Q. And to your knowledge, has Aetna conducted any analyses of its members' hospital preferences in Rockford within the last five years?

A. I don't know.

MR. HERRICK: Objection to form.

BY MS. CARLETTI:

Q. Has Aetna -- to your knowledge, has Aetna conducted any surveys of its members' preferences for primary care physicians in the Rockford area in the last five years?

A. I don't know.

Q. And to your knowledge, has Aetna conducted any analyses regarding its members' primary care physician preferences in Rockford within the last five years?

MR. HERRICK: Objection to form, foundation.

A. I don't know.

BY MS. CARLETTI:

Q. Now, if you can, turn to -- actually -- I'm sorry. If we can, stay -- stay here in paragraph 7.

The last sentence of paragraph 7 reads, "As a result, Aetna must contract with the Rockford hospitals to offer a viable network to Rockford area employers."

Do you see that?

A. Yes.

Q. And what's the basis for that statement?

A. Sales segment feedback.

Q. Anything else?

A. No.

Q. And when was the last time you received the sales segment feedback to make the statement in paragraph 7 of Exhibit 1?

A. I'm not sure.

Q. To your knowledge and based upon the feedback you received from the sales segment leading to this statement here in paragraph 7, what information did the sales segment receive that was passed along to you?

MR. HERRICK: Objection.

MR. GAERTNER: Objection to form and foundation.

A. Most commonly, the feedback we get is based on network composition. Most plans, to my knowledge, have two of three hospitals in the Rockford area, so, occasionally, we receive feedback about our ability to add the third hospital to our network.

BY MS. CARLETTI:

Q. Are you aware of any networks or products that are offered -- let me take it one at a time.

Are you aware of any health plans that offer products that have only one hospital in their network in the Rockford area?

A. I'm not aware, no.

Q. Are you aware of whether Blue Cross and Blue Shield offers an HMO product that has only one hospital in the Rockford area?

A. I am not aware.

Q. Okay. When you're referring here to the fact that Aetna must contract with the Rockford hospitals to offer a viable network, are you -- what type of network are you referring to here? Hospitals? Primary care physicians? Ancillary services? What?

MR. HERRICK: Objection to the form.

A. Hospitals and physician providers.

BY MS. CARLETTI:

Q. Okay. In your experience and to your knowledge,

are members more concerned about having access to primary care physicians or hospital providers?

MR. GAERTNER: Objection to form.

A. I'm not sure.

BY MS. CARLETTI:

Q. Have you had any discussions with Aetna's sales team about that?

A. No.

Q. To your knowledge, have you -- well, have you, personally, conducted any surveys regarding member preferences for network configuration within the last five years?

A. No.

Q. To your knowledge, has anybody at Aetna performed any of those surveys?

A. Not to my knowledge.

Q. And to your knowledge, has anybody at Aetna done any analyses regarding member preferences regarding -- member preferences for Aetna's network configuration within the last five years?

MR. HERRICK: Objection to form.

A. Not to my knowledge.

Redacted

Redacted

Q. If you can, turn to paragraph 19 of Exhibit 1. And, again, take a moment and look that over; let me know when you're ready.

A. I'm ready.

Q. Okay. In paragraph 19 it refers to -- second sentence refers to how "Aetna frequently meets with both employers and insurance brokers to determine the needs of our members."

Do you see that?

A. I do.

Q. Have you participated in any meetings with any

employers or insurance brokers in Rockford?

A. No.

Q. Okay. Who from Aetna does?

A. Leads from the sales segment, people assigned to that geography.

Q. Do you ever learn about what's discussed during the meetings between those Aetna representatives and the employers and insurance brokers in Rockford?

A. Yes.

Q. And how do you learn about that?

A. Primarily verbally, occasionally electronically.

Q. And electronically, would that be in e-mails?

A. E-mail.

Q. Okay. Do you know -- to your knowledge, how frequently does Aetna meet with brokers in the Rockford area?

A. I'm not sure.

Q. And to your knowledge, how frequently do representatives from Aetna meet with employers in the Rockford area?

A. I'm not sure.

Redacted

Redacted

Q. What does that mean?

A. I think purchasers of health care at the member level first look for a broad choice.

Redacted

Q. The choice you're talking about, are you talking about a choice between hospitals or primary care physicians?

A. Both.

Redacted

Q. And what is the basis for your statement that patients prefer access over cost -- over price or cost?

MR. HERRICK: Objection to form.

MR. GAERTNER: Same objection.

A. Over time we've developed narrow networks in some of our markets with a more competitive price point. The slow growth in those networks lends me to believe that members prefer broad access over low cost.

BY MS. CARLETTI:

Redacted

57

Redacted

58

Redacted

59

starting those contract negotiations?

MR. GAERTNER: Objection to form and foundation. You may answer.

A. Rate adjustments.

BY MS. CARLETTI:

Q. Okay. Currently in Rockford, which hospitals are part of the Aetna network?

A. Rockford Memorial Hospital and OSF Saint Anthony.

Q. And how long has Aetna contracted with Rockford Memorial Hospital?

A. I'm not sure.

Q. How long has Aetna contracted with OSF Saint Anthony?

A. Since 2009.

Q. Okay. Other than Rockford Memorial Hospital, does Aetna contract with any of the other entities that make up Rockford Health System?

A. I'm not sure.

Q. Let me ask the question this way: Is the contract that -- who is the contract that Aetna has with? Is it Rockford Memorial Hospital or Rockford Health System?

A. I'm not sure.

Q. Okay. Same question for OSF. Who is the

60

contract that Aetna has -- who's the other side of that contract? Is it OSF Healthcare or Saint Anthony Medical Center?

A. OSF Healthcare.

Q. How long do these contract negotiations take from start to end that you described for us?

A. On average, six months or so.

Q. The contract that you have with either Rockford Memorial Hospital or Rockford Health Care, do you renegotiate that contract at the end of the term or is it evergreen?

A. Evergreen.

Q. How long before the end of an existing contract would you expect to start discussions about a renewal or renegotiation of that contract with the hospital provider?

A. 90 days.

Q. In your experience, are some contract negotiations more complex or difficult than others?

MR. GAERTNER: Objection to form.

A. Yes.

BY MS. CARLETTI:

Q. Why?

A. The structure of the agreement can sometimes be complex. Multiple hospitals can be involved. Broad and

Q. And to your knowledge, what's the impetus for

different geographies can be involved.

High density of customers in a service area can complicate the discussions.

Redacted

Q. Are there any documents that come out of the collection of information that your team does?

A. Yes.

Q. And are there any documents that come out of the data analyses that the Medical Economics unit does?

A. A shared document.

Q. Shared between whom?

A. Medical Economics and my team.

Q. Okay. The other hospitals in like areas that you compare some of the metrics that you were telling us about, for Rockford what are the other hospitals in like areas that you would refer to?

A. First, we look at the par facility in the market, so if -- looking at a Rockford deal, I look at how OSF is performing.

And then we attempt to find like hospitals with similar service lines, same product features, compare unit cost yields, identify anomalies.

Q. And so in the analyses -- has Aetna done these types of analyses for its contract negotiations with Rockford Memorial Hospital?

A. Yes.

Q. So what are the like hospitals that Aetna has looked at to compare Rockford Memorial Hospital to as part of this analysis?

A. I'm not sure.

Q. Okay. For OSF Healthcare has Aetna conducted this same type of analysis you've told us about as part of their -- part of Aetna's contract negotiations?

A. Yes.

Q. And what are some of the like hospitals that Aetna has looked at when it's done this analysis for its OSF negotiations?

A. I'm not sure.

Q. When you're doing this analysis, I think you said you look at current rates. Is that right?

A. Yes.

Q. What rates are you talking about?

A. The contractual rate, reimbursement rates for the entire service book. So inpatient and outpatient.

Q. Okay. And when you're looking at doing this analysis to like hospitals, are you doing this on a case mix-adjusted basis, or how do you conduct the analysis?

MR. HERRICK: Objection to the form.

A. When comparing cost, it is on a case mix-adjusted basis.

Q. I think you said that the next step is to evaluate the competitive position. Is that right?

A. (The witness nodded her head up and down.)

Q. What do you do then -- I'm sorry. You need to make sure to say "yes" for the Court Reporter.

A. Yes.

Q. And what do you do during that step?

A. A couple of things. We refer to the Hewitt benchmarks that we discussed earlier. We refer to the American Hospital database to assess a commercial discount position --

Q. Uh-huh.

A. -- reported publicly by the facility.

Try to understand the variances between our yield and the commercial average and craft a strategy in hopes to close the gap.

Q. And is it from this analysis that you were -- is it this analysis that you were referring to earlier when we were discussing Aetna's position -- discount position in the Rockford market and how it -- it's -- when you refer to the uncompetitive discount position?

MR. HERRICK: Objection to form.

MR. GAERTNER: Objection to form.

A. Yes.

BY MS. CARLETTI:

Q. I think you also said that -- let me take a step back.

Does Aetna -- in evaluating a competitive position, this step of the analysis, does Aetna look at

coordination-of-benefits data at all?
A. We do.
Q. And how do you use coordination-of-benefits data as part of this analysis?
A. Directionally.
Q. What does that mean?
A. The volume of COB data is so limited --
Q. Uh-huh.
A. -- so it's not a sizable sample to make point assertions about reimbursement levels, but it can tell us a little bit about payment methods -- whether we're paying on a discount or a fee schedule, what our competitors are doing -- and give us some directional perspective relative to our competitive position.
Q. Okay. I think you also said one of the things you look at in doing your analysis in approaching these negotiations is the active customer population. Is that right?
A. Uh-huh.
Q. What do you mean by that? What do you do?
A. We review what we call internally a disruption report. Basically, provides my team with a list of the active customers in the service area and using the facility that we're negotiating with.
Q. And, similarly, for that specifically what

customers are you looking at? What do you look at for your customers in part of the disruption analysis?
A. We're looking at the names of the customers, the number of members, and the sales segment that they are aligned with.
Q. And can you tell us a little bit more about what the disruption analysis actually tells you or what you do with it?
A. It tells us who's using the facility, and it tells us which sales organizations we need to advise in the event that the relationship might be sustainable.
Q. When you're looking at these disruption reports, do you look at the services that those customers are receiving from the various providers or just the names of the customers and the number of members?
A. In broad categories, inpatient and outpatient.
Q. And do you look at both inpatient and outpatient services as part of the disruption analysis?
A. Yes.
Q. When you're negotiating -- let me ask you this, a very simple question: During the contract negotiations with hospitals in Rockford, does Aetna negotiate for the reimbursement rates that are in those contracts?
A. Yes.

Q. And what does the term "reimbursement rate" mean to you?
A. The amount allowed for a particular service based on a claim received from a hospital to the plan.
Q. Are there different types of payment methodologies that Aetna uses in its contracts with the providers in Rockford?
A. Yes.
Q. Okay. And what payment methodologies does Aetna typically use in its contracts with providers?
A. DRGs. Per diems, fee schedule. Case rates. Fixed rate. And discount-off charges.
Q. And typically are all of these types of payment methodologies used for inpatient services?
A. No.
Q. Which ones are not?
A. Do you want --
Q. We can go through each one of them.
A. List them for me.
Q. And we'll do it for both inpatient and outpatient.
A. We're doing inpatient first?
Q. Let's go through it one by one.
DRGs is a payment methodology I think you mentioned. Right?

A. Inpatient.
Q. It's an inpatient.
Per diems, is that inpatient, outpatient, or both?
A. Inpatient.
Q. Fee schedules. For which services are those used for?
A. Outpatient.
Q. Case rates. For which ones -- for which services are those payment methodologies used?
A. Both.
Q. Fixed rate, is that for inpatient, outpatient, or both?
A. Both.
Q. Discount-off charges, inpatient, outpatient, or both?
A. Outpatient.
Q. Are any of these payment methodologies used for physician provider contracts?
A. Yes.
Q. Which ones?
A. Fee schedule.
Can you go through the list?
Q. Sure.
DRGs used for --

A. No.
Q. PCP -- let me do this correctly.
Are DRGs used for --
MR. GAERTNER: No. Forget about it.
BY MS. CARLETTI:
Q. -- in physician contracts?
A. No.
Q. Are per diems used in physician contracts?
A. No.
Q. Are fee schedules used in physician contracts?
A. Yes.
Q. Are case rates used in physician contracts?
A. No.
Q. Are fixed-rate payment methodologies used in physician contracts?
A. Yes.
Q. And are discount-off charges payment methodologies used in physician contracts?
A. No.
Q. I'm sorry?
A. No.
Q. What are Aetna's objections -- objectives with regard to reimbursement rates when it's negotiating with a hospital for a contract -- a provider contract?
A. The -- the primary objective is to negotiate a

rate that's competitive with the lead payers in the market.
Q. And does that typically mean that Aetna seeks to obtain the lowest reimbursement rates it can?
A. Yes.
Q. And, again, how does Aetna determine whether its rates are comparative to the other -- its competitors in the market?
A. Aetna's competitors?
Q. Yes.
A. Using the external information provided by the unit analysis, the American Hospital database, with analytical support from the Medical Economics team.
Q. To your knowledge, do public -- do government payers, like Medicare and Medicaid, pay hospital providers in Rockford rates that are higher or lower than the rates that Aetna pays to the hospitals?
MR. GAERTNER: Objection to form.
MR. HERRICK: Foundation.
A. Aetna's rates are higher.
BY MS. CARLETTI:
Q. And based on your experience and to your knowledge, what percentage of the cost of treating their patients does Medicare's reimbursement cover?
MR. HERRICK: Objection; form, foundation.

MR. GAERTNER: Same objection.
A. Approximately 33 percent.
BY MS. CARLETTI:
Q. And to your knowledge and based on your experience, what percentage of the cost of treating its patients does Medicaid's reimbursement provide?
A. I'm not sure.
Redacted
MR. HERRICK: Can I just get an objection to form and foundation on that one, too.
Redacted

Q. Okay. Is it your experience that hospitals

seek -- in the negotiations that they have with Aetna -- seek to establish rates that help offset the losses that those hospitals experience with Medicare?
MR. GAERTNER: Objection to form and foundation.
A. Yes.
BY MS. CARLETTI:
Q. And to your knowledge and based on your experience, do the hospitals seek in their negotiations with Aetna to establish rates that help offset the losses that those hospitals receive from Medicaid?
A. Yes.
MR. HERRICK: Same objection to this one.
Redacted :
Q. Other than reimbursement rates and the negotiations that Aetna has with the hospital providers in Rockford, are there other contract terms that are negotiated during those discussions?
A. Language terms.
Q. And what types of language terms?
A. Notice, application of policy, company obligations for payment, timely filing. Term. Termination.
Q. Anything else?
A. There are other things. That is a subset, though, of language.

Redacted

Q. Sure.

So, for example, if you take Rockford Health System, do you negotiate -- does -- when I say "you," I mean Aetna.

Do you negotiate for the hospital services that Rockford Memorial Health offers as well as outpatient services, ancillary services that Rockford Health System also offers?

A. Yes.

Q. And when you negotiate specifically for hospital services that Rockford Memorial Hospital will offer, do you negotiate for both inpatient and outpatient services?

A. Yes.

Q. And when you're negotiating with Rockford Memorial Hospital for inpatient services, are you negotiating for the entire range of inpatient services that Rockford Memorial Hospital negotiates, or are there subsets that you negotiate for?

MR. HERRICK: Objection; form.

A. The entire range.

BY MS. CARLETTI:

Q. And is that the same for OSF? When you're negotiating with OSF, are you negotiating for both inpatient and outpatient services?

A. Yes.

Q. And for the inpatient services, are you negotiating for the full range of services that OSF offers?

MR. HERRICK: Objection; form.

A. Yes.

BY MS. CARLETTI:

Q. Now, as part of the overall negotiations that Aetna has with the hospitals in Rockford, when you're doing those negotiations, do you consider the total financial impact that a contract with that provider will have on Aetna?

MR. HERRICK: Objection; form.

MR. GAERTNER: Objection to form.

A. Yes.

BY MS. CARLETTI:

Q. Also, as part of your negotiations with the hospitals in Rockford, do you negotiate about the reimbursement methodology that will be used in the contract?

A. Yes.

Q. Are there certain reimbursement methodologies that Aetna would prefer to have in its contracts with hospitals?

A. Yes.

Q. Which ones are those?

A. Anything with a -- a fixed-rate structure producing predictability.

Q. And how about the contracts that Aetna has with its primary care physicians in Rockford? Is there certain methodology that Aetna would prefer to have -- payment methodology -- that Aetna would prefer to have with those providers in Rockford?

A. A fee schedule.

Q. Can a single contract, provider contract, employ different methodologies for different categories of services?

MR. GAERTNER: Objection to form.

A. Yes.

BY MS. CARLETTI:

Q. Is it possible for a contract to apply one methodology -- payment methodology for inpatient services and another methodology for, say, outpatient services?

MR. GAERTNER: Object to form.

A. Yes.

BY MS. CARLETTI:

Q. Does Aetna have contracts with providers in Rockford that apply a certain methodology for, say, inpatient services but then carves out other payment methodologies for other types of inpatient services?

A. Yes.

MR. GAERTNER: Objection to form.

BY MS. CARLETTI:

Q. And that's a term that's negotiated between Aetna and those providers in Rockford; is that right?

A. Yes.

Q. Does Aetna negotiate outlier or stop loss provisions with the providers located in Rockford?

MR. HERRICK: Objection to the form.

A. Yes.

BY MS. CARLETTI:

Q. Can you tell us what an outlier provision is?

A. Yeah.

It's -- provides for a different vehicle of reimbursement or different method of reimbursement for cases at a determined billed-amount threshold.

Q. Does Aetna have multiyear contracts with hospital providers in Rockford?

A. Yes.

Redacted

BY MS. CARLETTI:

Q. Just so we're clear, what's an escalator?

A. Annual increase.

Q. Is that an annual increase tied to some -- what's it tied to?

A. Usually a predetermined amount, a percentage increase above current.

Q. And is that tied to -- direct to reimbursement rates as you've defined it?

A. Yes.

Q. What types of escalator provisions does Aetna have in place with the hospital providers for which it has contracts in Rockford?

A. I don't know.

Q. Okay. Which types of escalators does Aetna have in place in its physician contracts in Rockford?

A. I don't know.

Q. In your experience in overseeing the negotiations that occur with the providers in Rockford, have there been circumstances in which, as part of the give-and-take of the negotiation, each -- there will be trade-offs made between rate provisions and other provisions in the contract that are being negotiated?

MR. GAERTNER: Objection to form and foundation.

A. Yes.

BY MS. CARLETTI:

Redacted

Q. Okay. If you can, turn back to Exhibit 1.

A. (Complied.)

Q. And we're going to look at paragraph 5 on page 2. Take a moment and look at that; let me know when you're ready.

A. I'm ready.

Q. Okay. In paragraph 5 it talks about how you evaluate the area hospitals on various criteria and the importance of these hospitals to our members in the first sentence.

Do you see that?

A. Uh-huh.

Q. Can you tell me specifically what you do to evaluate the hospitals in Rockford?

A. Relative to adequacy and competitiveness, we often look at what our competitors are doing relative to network composition, how many hospitals do they have, how many providers do they have, do we lag or are we excelling in this regard. And do we embark on a network fortification strategy or a rationalization strategy, which would mean to constrict.

Discussions with the -- the sales segment leads for each of the segments to see what their interest is in the service area, if they have any open RFPs and bids, things of that nature.

Q. Do you do anything to look at the quality of the hospitals in Rockford that you're negotiating with?

A. My team does not assess quality. We get feedback on quality from the quality management division at Aetna.

Q. Okay. And what types of -- what type of feedback do you get from that division?

A. Outstanding certificate of insurance, accreditation failures, occasionally notice of a quality issue that has occurred.

Q. How does that information affect the negotiations that you have with the providers in Rockford?

A. In the matter of credentialing, if credentialing requirements are not met, the relationship is usually severed.

Q. Has that happened in Rockford?

A. No.

Q. The information that your team receives regarding the quality of the hospitals in Rockford, is that documented in any way?

A. No.

Redacted

Q. How would you describe the dynamic of the contract negotiations between Aetna and the providers in

Rockford -- well, let's take hospitals first.

How would you define the contract negotiations dynamic between Aetna and the hospital providers in Rockford?

MR. GAERTNER: Objection to form.

A. Very different for each of them.

BY MS. CARLETTI:

Q. Okay. And how are they different?

MR. GAERTNER: Objection to form.

A. Our discussions with the OSF system have historically been more collaborative in nature, more synergy relative to our active initiatives in -- in their service areas.

With Rockford Memorial, more tenuous discussions, more of a disconnect in collaboration.

BY MS. CARLETTI:

Q. Why would you say that those discussions have been more tenuous between Aetna and Rockford Memorial Hospital?

A. Lengthy, ongoing, and repetitive debates about issues that we can't find common ground to resolve.

Q. And how long has Rockford Memorial Hospital had a provider contract with Aetna?

MR. HERRICK: Objection; asked and answered.

MR. GAERTNER: Same objection.

A. I'm not sure.

BY MS. CARLETTI:

Q. Has it had a contract the entire time you've been at Aetna?

A. Yes.

Q. And in the last 12 years that you've worked for Aetna, has either Aetna or Rockford -- let's take just the hospital first -- Rockford Memorial Hospital ever terminated the contract between -- the provider contract -- that the two parties have had?

MR. HERRICK: Objection; form.

MR. GAERTNER: And foundation.

A. I don't recall.

BY MS. CARLETTI:

Q. I'm going to -- the same question for Rockford Health System. In the 12 years that you've been at Aetna, to your knowledge, has either Rockford Health System or Aetna terminated the contract that the two parties have had?

A. I don't recall.

Q. Okay. In the 12 years that you've been at Aetna and to your knowledge, has Rockford Health System ever threatened to terminate the contract that it had with Aetna?

A. I don't know.

Q. And in the 12 years that you've been with Aetna, has Aetna ever threatened to terminate the contract that it had with Rockford Health System?

A. No.

Q. Have you . . . has Aetna -- in the 12 years that you've been with Aetna, has Aetna been involved in contract negotiations with SwedishAmerican?

A. Yes.

Q. When did those occur?

A. I'm not sure.

Q. How would you describe the bargaining dynamic in those negotiations between Aetna and SwedishAmerican?

MR. GAERTNER: Objection to form.

You may answer.

A. Aetna had very little leverage.

BY MS. CARLETTI:

Q. Why is that?

A. Low membership.

Q. How does the leverage -- well, let me ask you this: What did you mean by "leverage"?

A. Power in discussions about the relationship and so much that the absence of the relationship could hurt the other party.

Q. Okay. And what's the -- the basis for you saying that Aetna had low leverage with -- in its

negotiations with SwedishAmerican?

A. We had a -- we have very limited membership --

Q. Uh-huh.

A. -- in the service area. Our uncompetitive discount position is probably well known by the hospital community and doesn't really afford a story of great growth.

So in end, with that dynamic, a nonpar hospital, we would presumably be taking a discount on the current book of business without much vision for significant growth to offset that decrease in revenue.

Q. Okay. How would you describe Aetna's bargaining position as it relates to OSF in the negotiations that Aetna's had?

MR. GAERTNER: Objection to form.

You may answer.

A. I don't feel like we have any bargaining power with OSF.

BY MS. CARLETTI:

Q. And why is that?

A. They are a large system, footprint in multiple service areas. We are a very small portion of their total book of business and, in some ways, probably very disposable.

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Q. In your experience in the last 12 years at Aetna, have you ever had these discussions with the key players you've been telling us about regarding negotiations with any providers in Rockford?

A. I don't recall.

Q. If a hospital is not in Aetna's network, if it's not -- if it's nonpar, does that mean that an Aetna insured will not get any insurance coverage if he or she is treated at that out-of-network hospital?

A. No.

Q. So just because a hospital's out of network, it doesn't mean that the patient won't have some coverage if they receive services at that hospital; is that right?

A. That is not the sole indicator of coverage.

Q. The amount that the patient pays for out-of-network services depends on the patient's benefit plan; is that correct?

A. Yes.

Q. If you can, turn to Exhibit 1. We're going to look at paragraph 13, which goes from pages 3 to 4. Are you ready?

A. I'm ready.

Q. And just turn to the last sentence -- I'm

sorry -- of paragraph 13.

It says, "As a result of this leverage, larger hospital systems with local hospitals located in the same geographic area can demand higher rates from health plans and their members with a strengthened bargaining position not present in negotiations with single-hospital entities."

Do you see that?

A. I do.

Q. What do you mean when you refer to "larger hospital systems with local hospitals located in the same geographic area"?

A. Just that a system that has more than one hospital in the same community of service.

Q. To your knowledge, does Aetna believe that its members choose to receive services at Saint Anthony Medical Center based upon its membership in the larger OSF Healthcare System?

MR. GAERTNER: Objection to form.

MR. HERRICK: Foundation.

A. No.

Redacted

Q. In this same paragraph I think you also state that a hospital's leverage is determined in part by the number of hospitals in the same local area.

Do you see that?

A. I do.

Q. According to this notion, does having -- if there was a fourth unaffiliated hospital in the Rockford area, would that enhance Aetna's leverage in its negotiations with the other hospitals there?

MR. GAERTNER: Objection to form, improper hypothetical.

You may answer.

THE WITNESS: Can you repeat the question? I was --

MS. CARLETTI: Sure. Sure.

Would you mind repeating.

(The record was read by the Reporter.)

A. Yes.

BY MS. CARLETTI:

Q. And let's take the reverse. Would having fewer hospitals in the Rockford area reduce Aetna's leverage in contract negotiations?

MR. HERRICK: Objection to form.

MR. GAERTNER: Same objection.

A. Yes.

Redacted

Q. If you can, turn to paragraph 17 on page 5 of Exhibit 1.

Take a moment to look at that.

A. I'm ready.

Q. Okay. The second sentence reads, "Having a second hospital in network, OSF Saint Anthony, has improved Aetna's negotiating leverage with RHS."

Do you see that?

A. Yes.

Q. How has having OSF in the Aetna network improved Aetna's negotiating leverage with Rockford Health System?

A. In the absence of Rockford Health System, we would have some alternative for care for the current membership.

Q. Has Aetna -- can you give us a specific example of something that Aetna has been able to obtain in its negotiations with Rockford Health System as a result of bringing OSF into the Aetna network in Rockford?

A. Not specifically.

Redacted

Q. Is -- are any of the hospitals located in Freeport included in the Aetna network that is offered to Rockford employers?

A. Yes.

Q. Which ones?

A. Freeport Health Network.

Q. Are any of the hospitals that are located in Rochelle included in the network that's marketed to the Rockford area employers?

A. Rochelle Community Hospital.

Q. Is Mercy Harvard included in the network that is marketed to the Rockford area employers?

A. Yes.

Q. Any hospitals that are located in Beloit, are they included in the network that Aetna markets to the employers in the Rockford area?

A. Yes.

Redacted

Q. Are any of the hospitals affiliated with Kish Health included in the network that Aetna markets to its Rockford area employers?

A. Yes.

Q. Does Aetna provide a -- have a different hospital network for any of its noncommercial products?

A. Yes.
Q. Okay. What are those?
A. The -- the Medicaid. Medicare Advantage. Commercial PPO. And commercial HMO networks can be different.
Q. Are they in Rockford?
A. Yes.
Q. How? How are they different?
A. There is no HMO product in Rockford.
Q. Uh-huh.
A. Rockford Health System does not participate in Medicare. And I'm not sure about the details of the Medicaid network.
Q. And when you say "Medicare," are you referring to the Medicare Advantage?
A. Medicare Advantage.
Q. And which hospitals are in the Medicare Advantage products?
A. OSF Saint Anthony.
Q. Are there any other hospitals in the Medicare -- that are in network for Medicare Advantage in Rockford?
A. No.
Q. Okay. And I'm sorry. I might have asked you this before. But when did OSF become an in-network provider for -- with Aetna for the -- in Rockford?

A. In 2009.
Q. Prior to that time, was it just Rockford Health System in network for Aetna --
A. Yes.
Q. -- as long as you've been there?
A. Yes.

Redacted

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We're going to hand you -- I think this is Exhibit 2.
(Hall Exhibit Number 2, Managed Care Agreement, 4/1/04, was marked for identification.)
BY MS. CARLETTI:
Q. So take a moment, look at this, and let me know when you're ready.
MS. CARLETTI: For the record, Deposition Exhibit 2 is Bates-labeled RHS 002, underscore, 0040027 through 41.

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Q. Would Aetna have signed a contract and entered into an agreement that it didn't consider was competitive?

A. Yes.

MR. HERRICK: Objection to form.

BY MS. CARLETTI:

Q. When? Under what circumstances?

A. In the event we did not have adequate alternatives providing access to our members for hospital services.

Redacted

Q. Under what circumstances would Aetna do that?

A. I think we often enter into agreements when we do not agree on the final terms. Both parties can often

leave unhappy.

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BY MS. CARLETTI:

Q. Okay. When Aetna was negotiating with OSF Healthcare to enter into the contract that's reflected here in Exhibit 6, did it conduct separate negotiations for each hospital within the OSF Healthcare System, or was it a global negotiation for all hospitals within OSF?

MR. GAERTNER: Object to the form.

A. All hospitals were negotiated simultaneously with different rate structures.

BY MS. CARLETTI:

Q. Okay. That was my next question.

Are there different rate -- reimbursement rate structures for each hospital within OSF Healthcare?

A. Yes.

Q. Are there different contracts for each hospital -- let me rephrase.

Are there different contracts between Aetna and OSF Healthcare for each hospital within OSF Healthcare?

A. No.

Q. Okay. When Aetna added OSF Healthcare to its network for its insureds in Rockford, did that change Aetna's membership base at all in Rockford?

A. I'm not sure.

Q. Are you aware of whether or not Aetna's

membership increased or decreased at all as a result of adding OSF to its network -- at the Aetna network in Rockford?

MR. HERRICK: Objection; asked and answered.

A. I'm not sure.

BY MS. CARLETTI:

Q. Are you aware of any additional employers that Aetna was able to secure as new members in Rockford as a result of adding OSF Healthcare to the network?

A. I'm not sure.

Q. Okay. We're done with that one.

Let's talk now about Aetna's contract negotiations with SwedishAmerican.

Prior to adding OSF to the Aetna network in 2009, did Aetna also have -- attempt to negotiate a contract with SwedishAmerican to be in network with Aetna in Rockford?

A. We did.

Q. When did that occur?

A. I'm not sure.

Q. Did those negotiations occur at -- contemporaneously with the OSF negotiations?

A. No.

Q. Do you recall if they were -- well, would they have been before the OSF negotiations?

A. Yes.

Q. Okay. Which -- were you involved in the negotiations between Aetna and SwedishAmerican at that time?

A. Yes.

Q. What was your role in those negotiations?

A. Oversight capacity.

Q. Which member of your team was directly involved in negotiating with SwedishAmerican?

A. Jeffrey Logan.

Q. And what was the impetus for the negotiations between SwedishAmerican and Aetna at that time?

A. Feedback from the sales segment suggested that we were disadvantaged relative to network composition in that service area.

Q. At the time did that feedback reflect whether or not members preferred SwedishAmerican over OSF?

A. No.

Q. Why did Aetna start a -- have negotiations, then, with SwedishAmerican before it did with OSF?

MR. GAERTNER: Objection to form.

A. Our focus was on the deficit in Rockford.

BY MS. CARLETTI:

Q. What does that mean?

A. We did not really have a composition issue

reported in the other OSF service areas, but the sales segments repetitively brought forth concerns about having only one hospital of the three in Rockford.

Q. To your knowledge, were there any customers who told anyone at Aetna that they preferred to have SwedishAmerican added over OSF to Aetna's network?

A. Not that I recall.

Q. In its negotiations with SwedishAmerican, did SwedishAmerican have any semiexclusivity provisions similar to what you were describing before that OSF had?

A. Not that I recall.

Q. Ultimately, why -- I should ask this question: Were the negotiations that Aetna had with SwedishAmerican prior to 2009 successful in bringing SwedishAmerican in network with Aetna?

MR. HERRICK: Objection; form.

A. No.

BY MS. CARLETTI:

Q. Why not?

A. We could not find common ground relative to reimbursement structure or reimbursement levels.

Q. And what was the difficulty in -- in agreeing to the structure or the levels?

MR. GAERTNER: Objection to form.

A. Swedish was demanding 100 percent variable

structure so very unpredictable. And at rate levels that would have deteriorated our discount average in the service area.

BY MS. CARLETTI:

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BY MS. CARLETTI:

Q. Have there been any other discussions with SwedishAmerican since that last round of negotiations to bring SwedishAmerican in network with Aetna?

A. I'm not sure.

Q. Let's talk now about primary care physicians. We've talked a lot about hospitals.

Does the term "primary care physician" have any specific meaning as it relates to the health insurance products that Aetna offers in the Rockford area?

A. Yes.

Q. And what does that -- what meaning does Aetna ascribe to "primary care physician"?

A. Primary care physician is the first point of contact between a member and a physician or -- especially when seeking care for illness or concern.

Q. Are there any attributes that a physician needs to have to become a primary care physician with -- to be considered a primary care physician with Aetna?

A. Yes.

Q. Do you -- to your knowledge, what are those specifications?

A. I can tell you some of them that I know.

Q. Okay.

A. The area of practice must be among the

following: General practitioner, an internist, a family practitioner. Members can select ob-gyns as a primary care physician; however, we do not consider them as primary care physicians.

Q. Okay.

A. Board certification is also required, along with a list of other credentialing requirements.

Q. Okay. Does Aetna use the term "primary care physician" as a means of grouping health care providers for analytical purposes?

A. Yes.

Q. All right. If you can turn back to Exhibit 1, the declaration, and we're going to look at paragraph 23.

A. I'm ready.

Q. Okay. The last sentence says that "Aetna's annual spend on primary care physician services in the Rockford area last year was over 1.72 million."

Do you see that?

A. I do.

Q. How is that -- how was that figure calculated?

So, for example, is it for claims paid for members who were -- whose employers are fully insured or what is it? What does that number mean?

A. Total paid dollars -- let me retract that.

Total allowed dollars paid to physicians categorized as PCPs.

Q. So would that include both in-network and out-of-network physicians?

A. No, in-network only.

Q. Okay. Does that include ob-gyns?

A. No.

Q. Before, you told me a little bit about how Aetna approaches its contract negotiations with hospital providers.

How does Aetna approach its negotiations with physician providers in Rockford?

A. In a similar fashion. Usually reactive to a request from a provider, discuss any objectives or initiatives that we have relative to the contract, the contract performance, in tandem with concerns or objectives they have relative to negotiations. Proposals are exchanged, could be multiple times until we meet at an agreed-upon state.

Q. Some physicians in Rockford are employed by the health systems that operate there; is that fair?

A. Yes.

Q. How many -- to your knowledge, how many physicians does Rockford Health System employ?

A. I do not know.

Q. And I'm going to be a little bit more specific.
To your knowledge, how many primary care physicians does Rockford Health System employ?
A. I don't know.
Q. To your knowledge, how many physicians does OSF Healthcare employ?
A. I don't know.
Q. And to your knowledge, how many primary care physicians does OSF Healthcare employ?
A. I don't know.
Q. Same for SwedishAmerican. To your knowledge, how many physicians does SwedishAmerican employ?
A. I don't know.
Q. And to your knowledge, how many primary care physicians does SwedishAmerican employ?
A. I don't know.
Q. Other than the physicians that are employed by any of the three hospitals located in Rockford that we've talked about, to your knowledge, how many independent physicians that aren't employed by any of the hospitals there are there in Rockford?
A. I don't know.
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Q. Okay. Let's talk now about the . . . any knowledge you might have about negotiations with employers in Rockford.
Okay?
A. Sure.
Q. Are you involved at all in the negotiations that Aetna has with employers to bring them -- to provide services for them?
A. No.
Q. Do you learn about those negotiations at all in

the course of your work?
A. Yes.
Q. And what's your involvement and what do you learn about them?
A. We respond to RFPs produced by the customer, so we're aware of the elements of a relationship that are most interesting to them, the service areas that they have concerns about.
We learn a lot about their current carrier and concerns they may have if they are a current customer.
Redacted

Q. Okay. In paragraph 20 of Exhibit 1, it starts off "When hospitals and other health care providers increase rates, health plans like Aetna are forced to pass on the cost increase to employers and individuals, which results in significant increases in health care costs."
Do you see that?
A. I do.
Q. What's the basis for that statement?
A. In a self-insured population, medical costs are entirely realized by the customer, so that cost is

passed on to the customer, which gets passed on via some algorithm to the frontline employee population.

On the fully insured side, relative costs and discounts derive to premium rates. When costs go up, premiums go up.

Q. Are there a number of -- to your knowledge, what are the components of premium rates?

So, for example, are there -- does it take into consideration inpatient care, outpatient care, pharmaceutical costs, those types of costs?

A. I am not sure about the full scope of all things considered to derive the premium rates.

Q. To your knowledge, what percentage of premium rates are covered by inpatient health care services?

MR. HERRICK: Objection to form.

MR. GAERTNER: Same objection; foundation.

A. I don't know.

BY MS. CARLETTI:

Q. Okay. To your knowledge, when are premiums with members established?

A. I don't know.

Q. When would a -- for the fully insured population, based upon their premiums, when -- if a certain hospital increased its inpatient -- general acute care inpatient services rate, when would that

fully insured member see the difference in their premium?

MR. GAERTNER: Objection to form, foundation.

A. I'm not sure.

BY MS. CARLETTI:

Q. Who determines whether or not an employee -- the patient -- the amount that they pay towards their insurance coverage? Is it Aetna or the employer?

A. The employer.

Q. Okay. Turn to paragraph 14 of Exhibit 1, which is on page 4.

And, again, take a moment, look at that paragraph, and let me know when you're ready.

A. I'm ready.

Q. Okay. In paragraph 14 you state that "Aetna offers tools that allow our members to view the cost of certain procedures at various hospitals."

Do you see that?

A. I do.

Q. What tools are you referring to there?

A. It's a transparency tool called Price of Procedure.

Q. And how do members access that tool?

A. Through a member-only electronic portal called the Navigator.

Q. How long has Navigator been in existence?

A. I'm not sure.

Q. Who is responsible for the Navigator tool and updating it with information?

A. I'm not sure.

Q. Is anybody that reports to you responsible for managing this Navigator tool?

A. No.

Q. To your knowledge, does Aetna advertise or market the Navigator tool to its members?

A. Yes.

Q. And how does it do that?

A. I think it is part of the membership pamphlets and brochures that are disseminated to prospective and new members on enrollment.

Q. To your knowledge, why does Aetna have the Navigator tool for its members?

A. So that members can make informed decisions.

Q. Other than providing the Navigator tool to its members, does Aetna track how often its members, to your knowledge, access this Navigator tool?

MR. GAERTNER: Objection to form and foundation.

A. I don't know.

BY MS. CARLETTI:

Q. To your knowledge, has having the Navigator tool

shifted any members to receive service at one provider versus another?

MR. HERRICK: Objection to form.

MR. GAERTNER: Form and foundation.

A. I don't know.

BY MS. CARLETTI:

Q. Does Aetna track whether or not the Navigator tool has resulted in any shifts by members from one provider to another?

MR. GAERTNER: Form and foundation.

A. I don't know.

BY MS. CARLETTI:

Q. Okay. Do all members in the Rockford area have access to the Navigator tool?

MR. HERRICK: Objection; form.

A. I don't know.

BY MS. CARLETTI:

Q. Other than the Navigator tool, are there any other tools that Aetna offers that you're referring to here in paragraph 14 of Exhibit 1?

A. The -- Navigator provides a suite of tools. I believe there's also a similar tool for prescription drugs.

Q. Okay.

A. And that's all I'm aware of.

Q. The providers that are included in the Navigator tool -- let me re -- let me start over.

Which providers in Rockford are -- have information on the Navigator tool?

MR. HERRICK: Objection to form.

A. I think all participating providers.

BY MS. CARLETTI:

Q. Would that include both hospitals and physicians?

A. All hospitals and a subset of physicians limited to primary care physicians.

Q. Are the -- let's take the hospitals first.

Are the hospitals -- are the hospitals that are in the Navigator tool only in-network hospitals, or are they all of the hospitals in Rockford?

A. I don't know.

Q. Okay. And the same question for the primary care physicians.

To your knowledge, does the Navigator tool reflect only information regarding inpatient -- or I'm sorry -- in-network providers, or does it include, also, out-of-network providers?

A. The physician information is in network only.

Q. Okay. Okay. Other than the three hospitals that are located in Rockford you've told us about --

Rockford Health System, SwedishAmerican Hospital, and OSF Saint Anthony's -- does the Navigator tool have information that members can access for the other hospitals located around Rockford you were telling us about earlier that are in the Aetna network offered to Rockford employers?

A. Yes.

Q. Does Aetna charge its members for access to the Navigator tool?

A. I don't know.

Q. Does Aetna have any health plan products that allow for different coverage for its members based upon which in-network hospital provider the employer chooses?

A. Can I have the question repeated?

(The record was read by the Reporter.)

MR. HERRICK: Objection; form.

A. I don't really understand the question.

BY MS. CARLETTI:

Q. Okay. Let me ask you -- let me ask you this first: Have you ever heard the term "steering"?

A. Yes.

Q. What does the term "steering" mean to you?

A. That there's -- there is some type of activity or plan design that points members to a particular facility or type of facility for a particular service.

Q. Have you ever heard the term "tiering"?

A. Yes.

Q. What does "tiering" mean to you?

A. Tiering of a network would infer that a member gets a higher level of benefits for using the most preferred tier over the secondary tier, which would still be par.

Q. So taking steering first and your definition of steering, does Aetna have any programs or products in place that involve steering its members to various hospitals?

A. No.

Q. How about tiering? Does Aetna have, to your knowledge, any products that it offers to employers that allow for tiering as you've defined it?

MR. HERRICK: Are you talking about nationally or Rockford?

MS. CARLETTI: To her knowledge. Let's start nationally first.

MR. GAERTNER: Objection to form and foundation.

A. Yes.

BY MS. CARLETTI:

Q. Okay. And are any of the products in Illinois?

A. Yes.

Q. Okay. Where in Illinois?

A. What we refer to as the Chicago MSA, Cook County and surrounding counties.

Q. Are any of those products offered in Rockford?

A. No.

Q. Have there been any discussions about extending those products to the Rockford area, similar to what you have in Chicago?

A. Yes.

Q. When did those discussions occur?

A. They occur annually.

Q. And what's been the result of those discussions?

A. Not a viable market for a tier network.

Q. And to your knowledge -- have you been involved in those discussions?

A. Yes.

Q. And why is it that you do not believe that that's viable -- that the Rockford market's a viable market for those products?

MR. GAERTNER: Objection.

A. The network is already narrowed because of the partial exclusivity language in the OSF agreement, and the sales segments have voiced concerns, given the past history of having only one hospital or a narrow network alternative available in the market not leading to growth opportunity.

Redacted

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Redacted

Q. And what's been the result of those discussions about extending that steering program out?

A. That steerage program is being rolled out in various markets.

Q. Does that include Rockford?

A. I don't know.

Q. Okay. Other than that product, have there been any other discussions about extending any other steering programs in the Rockford market that you're aware of at Aetna?

A. Not beyond plan design.

Q. What do you mean, "not beyond plan design"?

A. From a network perspective, we don't control what an employer decides to do with a plan design. So particularly in the self-insured market --

Q. Uh-huh.

A. -- an employer can adopt tiering or preferred provider network.

Q. Are you aware of any employers in the Rockford area who have done that, who have adopted a tiering program for their insureds?

A. I am not.

Q. Would Aetna's sales and marketing team be involved in discussions with those employers?

MR. GAERTNER: Objection to form.

A. Yes.

Redacted

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Q. If you can, turn to paragraph 3 of your -- Exhibit 1, your declaration.

A. (Complied.)

Q. Take a moment; look at that; let me know when you're ready.

A. I'm ready.

Q. Okay. You state in paragraph 3 that Aetna's 10 largest customers in the Rockford area include UPS; SPX Corporation; Northern Illinois University; Illinois State University; Catalent Pharma Solutions; Home Depot; Lehigh Hanson, Incorporated; School District U-46; Esterline Technologies, Incorporated; and EnPro Industries."

Do you see that?

A. I do.

Q. When you use the term "customers" here, what are you referring to?

Are they employers that purchase group health insurance products from Aetna?

A. Yes.

Q. Now, is the term "customers" different in -- in -- by your meaning -- from the term "members"?

A. Yes, it can be different.

Q. How is it different?

A. In this paragraph it's referencing the customers in Rockford with the greatest number of members.

Q. Okay. And, similarly, would the term "customers" differ from the term "covered lives" as we talked about it earlier this morning?

A. I would use them differently.

Redacted

To your knowledge, are there large national employers that Aetna offers products to and sells to that also have offices in Rockford?

A. I don't know.

Q. Earlier I think you were telling us about how sales is split up into a number of different -- I'll call them divisions for lack thereof.

A. Yeah.

Q. Are large national accounts one of those?

A. National accounts is one.

Q. Okay. Do any of the individuals who are responsible for -- on the sales and marketing team for national accounts -- do any of them report directly to you?

A. No.

Q. Does any member of your team participate in any of the negotiations that Aetna has with the large national accounts for which it tries to secure business?

A. No.

Q. How about any of the regional accounts? Do any of your direct reports participate in the negotiations that Aetna has with those employers located in Rockford to try to get their business?

A. No.

Redacted

Redacted

Q. Do any of the customers that are listed here in paragraph 3 of Exhibit 1 have headquarters that are located in Rockford?

A. I'm not sure.

Q. What share of Aetna's commercial business in Rockford do the customers who are listed in paragraph 3 of Exhibit 1 represent for Aetna?

A. I'm not sure.

Q. To your knowledge, how long has UPS been a customer of Aetna's?

A. I'm not sure.

Q. To your knowledge, how many covered lives does UPS have in Rockford?

A. I'm not sure.

Q. SPX Corporation. To your knowledge, how long

has SPX Corporation been a customer of Aetna?

A. I'm not sure.

Q. To your knowledge, how many covered lives does SPX Corporation have in Rockford?

A. I'm not sure.

Q. Was -- to your knowledge, was SPX Corporation a customer of Aetna's prior to 2009 when Aetna began having a contract with OSF Healthcare?

A. I'm not sure.

Q. Okay. For UPS -- I'm going to go back to UPS.

To your knowledge, was UPS a customer with Aetna prior to Aetna contracting with OSF in 2009?

A. Yes.

Q. Northern Illinois University. To your knowledge, how long has Northern Illinois University been a customer of Aetna?

A. I don't know.

Q. To your knowledge, was Northern Illinois University a customer with Aetna prior to contracting with OSF in 2009?

A. I don't know.

Q. And to your knowledge, how many covered lives does Northern Illinois University represent for Aetna in Rockford?

A. I don't know.

Q. Illinois State University. How long, to your knowledge, has Illinois State University been a customer of Aetna?

A. I don't know.

Q. To your knowledge, was Illinois State University a customer of Aetna prior to contracting with OSF in 2009?

A. I don't know.

Q. And to your knowledge, how many covered lives does Illinois State University have in Rockford?

A. I don't know.

Q. Let me ask you this -- we'll try and hit this all up in one fell swoop:

Do you know how long any of the customers who are in paragraph 3 of Exhibit 1 of your -- have been customers of Aetna?

A. No.

Q. Do you know . . . to your knowledge, have any -- has Aetna been able to add any of these companies listed in paragraph 3 of Exhibit 1 as customers after Aetna was able to contract with OSF Healthcare in 2009?

A. No.

Q. And do you -- to your knowledge, do you know any -- know how much -- how many -- let me start that one over again.

For any of the companies that are listed in paragraph 3 to Exhibit 1, are you aware of the total number of covered lives any of those employers represent in Rockford?

A. No, with the exception of School District U-46, which is no longer a customer, so zero.

Q. When did School District U-46 cease to be an Aetna customer, if you know?

A. I'm not sure.

Q. Do you know why School District U-46 is no longer a customer of Aetna?

MR. GAERTNER: Objection to form and foundation. You may answer.

A. The school district moved to a payer that offered a more competitive medical cost and discount position.

BY MS. CARLETTI:

Q. Which payer?

A. At that time, UnitedHealthcare.

Redacted

Q. And how do you know that United offered a more competitive position?

A. It's the feedback that we received from the sales segment.

Q. Okay. For Aetna's self-insured population, what services does Aetna offer to those self-insured employers?

A. I'm not sure.

Q. Does Aetna act as a third-party administrator for the self-insured -- for its self-insured employers, if you know?

A. Yes, in some cases.

Q. Do you -- does Aetna, to your knowledge, offer benefit design services to its self-insured customers?

A. I'm not sure what that is. I'm sorry.

Q. Does Aetna offer the ability -- does Aetna sit down with its self-insured employers, to your knowledge, and help them design the benefit plans that they will offer to their employees?

A. Yes.

Q. How is Aetna, to your knowledge, paid by its self-insured customers?

A. A fee basis.

Q. And what's the fee? How is it structured, if you know?

A. Per-member, per-month fee.

Q. Is the fee the same for all companies, or is it negotiated -- is it a negotiated rate on a case-by-case basis?

A. I don't know.

Q. Other than the -- the fees that Aetna receives that you just described, are there any other forms of compensation that Aetna gets from its self-insured employers?

A. I don't know.

Redacted

AFTERNOON SESSION

THURSDAY, JANUARY 19, 2012

1:25 P.M.

BY MS. CARLETTI:

Q. I think where we left off we were talking still about paragraph 3 of Exhibit 1. So I think I just have a couple of more questions there.

A. Okay.

Q. We discussed, I think briefly, the -- the fact that Aetna has some national account customers versus some regional employers that it markets its products to. Is that correct?

A. Uh-huh.

MR. GAERTNER: You need to say "yes" or "no."

THE WITNESS: Oh, yes.

MR. GAERTNER: There you go. Okay.

BY MS. CARLETTI:

Q. To your knowledge, what percentage of Aetna's customers in Rockford are national accounts versus local or regionalized customers?

A. I have no knowledge.

Q. Do the employers that are listed in paragraph 3 of Exhibit 1 all -- all offer all of your commercial products to their employees?

If you know.

A. I don't know.
Q. Okay. To your knowledge, do the employers who offer Aetna's products to their employees ever offer their employees a choice of health plan products from other insurance companies, as well?
MR. GAERTNER: Objection to form and foundation.
A. Yes.
BY MS. CARLETTI:
Q. Does the decision of those employers to offer products from multiple health plans have any impact, to your knowledge, on the fees or premiums that those customers pay to Aetna?
A. I have no knowledge.
Q. Okay. Paragraph 15 of Exhibit 1.
It's about the middle of the paragraph. It states that "Aetna's salespeople met with potential -- when Aetna's salespeople met with potential future customers, those employer groups would often refuse to switch to Aetna."
Do you see that?
A. Yes.
Q. What's the basis for that statement?
A. Verbal communication from the segments.
Q. Specifically which employers refused to switch to Aetna?

A. I don't recall.
Q. And how often did this occur?
MR. HERRICK: Objection to form.
A. Periodically.
BY MS. CARLETTI:
Q. Has it happened in the last year?
MR. HERRICK: Objection; form.
A. Not that I recall.
BY MS. CARLETTI:
Q. The employers that you're referring to here in paragraph 15 of Exhibit 1 that refused to switch to Aetna, were they local employers or large national accounts?
MR. HERRICK: Objection to form.
MR. GAERTNER: And objection -- foundation.
MS. CARLETTI: If you know.
A. I don't know.
BY MS. CARLETTI:
Q. To your knowledge, where were these employers located? And specifically in the Rockford area.
A. I don't know.
Q. When -- in the instances that you're referring to here in paragraph 15 of Exhibit 1, when the sales individuals met with potential future customers, to your knowledge, were there customers that ended up switching to Aetna?

A. I'm not aware of any.
Q. To your knowledge, did Aetna conduct any surveys of the customers that rejected Aetna's offerings to determine why they did so?
A. I'm not sure.
Q. Okay. Let's turn to paragraph 17 of Exhibit 1, which is on page 5.
A. (Complied.)
Q. Tell me when you're ready.
A. I'm ready.
Q. Okay. What's the basis for your statement in paragraph 17 of Exhibit 1 that Aetna members currently benefit from competition between Rockford Health System, OSF, and SwedishAmerican in the Rockford area?
A. General experience.
Q. Has Aetna conducted any studies, to your knowledge, that support this statement?
A. Not that I'm aware of.
Q. Are there any analyses at Aetna that you're aware of that support the statement that is made here in paragraph 17 of Exhibit 1?
A. Not that I'm aware of.
Q. Now, if you can, turn to paragraph 18 and take a look at that and let me know when you're ready.

A. I'm ready.
Q. Okay. Has Aetna conducted, to your knowledge, any analysis of the Rockford area market and what it will be like after -- or if OSF Healthcare and Rockford Health System merge with one another?
A. Not to my knowledge.
Q. Has Aetna conducted, to your knowledge, any analysis of what prices will be for general acute care inpatient services in Rockford if OSF and Rockford Health Care are able to merge?
A. Not that I'm aware of.
Q. In paragraph 18 -- it looks like the third sentence -- discusses how a hospital provider network in Rockford consisting of only SwedishAmerican would be less attractive to Aetna's members.
Do you see that?
A. I do.
Q. And what's the basis for that statement?
A. Our history of having only one hospital in the market for a period of time.
Q. Are there any documents that have been created analyzing this statement?
MR. GAERTNER: Objection to form.
MR. HERRICK: Foundation.
A. No, not that I'm aware of.

BY MS. CARLETTI:

Q. Has Aetna conducted any studies, to your knowledge, regarding the impact that a SwedishAmerican-only network would have on its -- on the market in Rockford?

A. Not to my knowledge.

Q. Would you, as -- in your role that you play at Aetna, would you be -- if those analyses had been conducted, would you be aware of them?

MR. GAERTNER: Objection to form and foundation.

A. I think so.

BY MS. CARLETTI:

Q. With respect to the concerns that you express in this declaration in Exhibit 1 about the transaction between OSF and Rockford Health System, are there any actions that the combined OSF/Rockford Health System could take that would alleviate any of the concerns that you have?

MR. GAERTNER: Objection to form and an improper hypothetical.

You may answer.

A. Yeah, commitment to rate parity in the marketplace and relinquishing the provision regarding exclusivity.

///

BY MS. CARLETTI:

Q. Let's take the first one, rate parity.

How would -- what would -- what could OSF and Rockford Health System do to establish rate parity that would -- that would alleviate your concern?

A. I think --

MR. HERRICK: Objection; form and foundation.

A. Reduction of rates, competitive within some meaningful margin with the other leaders in the market.

BY MS. CARLETTI:

Q. Who are the other leaders in the market that you would consider?

A. Blue Cross and United.

Q. Have you -- have you or anybody else at Aetna, to your knowledge, determined what those rates might be?

A. Using the Hewitt analysis and some of the AH data we talked about, we have a directional understanding of where that might be.

Q. Has that been documented anywhere?

A. Not documented.

Q. Okay. I think the other thing you discussed was the semiexclusivity provision that OSF has. Is that correct?

A. Uh-huh.

Q. Sorry. Just for the record --

A. Yes.

Q. So what specifically -- what steps could OSF and Rockford Health System take to alleviate your concerns as it relates to this semiexclusivity provision?

A. Nullify the partial exclusivity provision in the Rockford service area, allowing us to hopefully negotiate with all hospitals in that geography if we so desire.

Q. If Rockford Health System and OSF came to Aetna and said "We are" -- as a combined entity -- "As a condition for contracting with us, we won't require network exclusivity and -- or the exclusion of SwedishAmerican as a condition for you to contract with us," would that alleviate your concerns?

MR. GAERTNER: Objection.

MR. HERRICK: Objection to form.

MR. GAERTNER: Objection to form.

MR. HERRICK: Improper hypothetical.

A. In part.

BY MS. CARLETTI:

Q. Why only in part?

A. The other part is the cost and discount.

Q. Okay. So it would have to be both? It would be both the semiexclusivity provision and -- as well as a discount, the discount you were discussing?

A. The discount parity is probably most significant unless others have achieved contract status, which does not include the partial exclusivity.

So parity is important both on -- in terms of the composition requirements and discount position.

MS. CARLETTI: Can you read that back to me?

(The record was read by the Reporter.)

BY MS. CARLETTI:

Q. Okay. I'm just trying to understand practically what that means.

Does that mean that -- that the exclusivity provision -- how does that play with the -- with Aetna's competitors in terms of parity?

MR. GAERTNER: Objection to form.

You may answer.

A. In the most simple terms --

MS. CARLETTI: Uh-huh.

A. (Continuing.) -- if none of our competitors can have all three hospitals, then it becomes less important for me to have all three hospitals. Because I at least am not uncompetitive at the table in terms of composition.

BY MS. CARLETTI:

Q. Okay. At this point in time in terms of the composition of the network, is Aetna on parity with the other payers in the market?

A. I believe we are.
Q. If after the transaction the combined OSF and Rockford Health System agrees that it will negotiate with Aetna for each of the OSF hospitals separately -- so they'll just negotiate with Aetna for Saint Anthony Medical Center separate from the rest of the system -- would that alleviate any of your concerns?
MR. GAERTNER: Objection to form and, again, an improper hypothetical.
A. It would alleviate some concerns about leverage.
BY MS. CARLETTI:
Q. Okay. Are you aware of any evidence that the three hospital systems in Rockford -- Rockford Health System, OSF, and SwedishAmerican -- have had any discussions among themselves relating to their negotiations with Aetna?
A. No.
Q. Are you aware of any instances where representatives of Rockford Health System, SwedishAmerican, or OSF have shared information regarding the terms that they have in their contracts with Aetna? With each other, I guess I should add.
A. No, I'm not aware of that.
Q. And are you aware of any instances where representatives of Rockford Health System,

SwedishAmerican, or OSF have shared information with each other regarding the willingness -- their willingness to negotiate with Aetna?
A. No, I'm not aware of anything like that.
Q. Are you aware of any instances where the three hospitals in Rockford -- OSF, Rockford Health System, or SwedishAmerican -- have agreed with each other not to compete in connection with their offering of general acute care inpatient services?
A. No, I'm not aware of any.
Q. Okay. Paragraph 27 of Exhibit 1, if you can take a moment to look at that and tell me when you're ready.
A. I'm ready.
Q. Okay. In paragraph 27 of Exhibit 1, you discuss previous hospital mergers that you've experienced.
Do you see that?
A. Yes.
Q. To which hospitals are you referring here in paragraph 27?
A. To name a few, the ENH merger, the Advocate acquisition of hospitals.
That's what comes to mind.
Q. Did you, personally, analyze the effect that any of those two mergers had on Aetna's contracted rates in

those markets?
A. I was personally involved.
Q. And what -- what -- I'm assuming, then, Aetna conducted those analyses. Is that correct?
A. Yes.
Q. Okay. And what analysis was conducted?
A. The baseline analysis would have been the effect of the cost to members on the acquiring hospital, adopting the rates of the acquiring hospital by the purchased hospital.
Q. And just to make sure I'm clear, have any of those similar analyses been done here for the OSF/Rockford Health System proposed merger?
A. No.
Q. You also say in paragraph 27, the fourth sentence, I think -- you discuss your belief about whether cost savings will result from Aetna's members from the proposed transaction.
Do you see that?
A. Yes.
Q. Do you have any knowledge of any of the cost savings that either OSF or Rockford Health System are stating will be achieved as a result of the transaction?
A. I have no knowledge of that.
Q. We talked a little bit about discussions that

you might have had with the Federal Trade Commission.
Have you spoken with any -- well, let me give you specific names.
Have you spoken with Dr. Capps?
A. I don't recall.
Q. Have you spoken with a man by the name of Gabe Dagen?
A. I don't recall.
Q. Have you spoken with an individual --
MS. CARLETTI: Is it Dr. Romano? He's a doctor?
MR. HERRICK: Yes.
A. I don't recall.
BY MS. CARLETTI:
Q. Other than you -- and I don't want to get into conversations that you've had just with your in-house counsel or your outside counsel -- are you aware of whether anybody else from Aetna has spoken with the Federal Trade Commission, either in person or over the telephone?
A. I have no knowledge.
MR. HERRICK: Objection to form, foundation.
BY MS. CARLETTI:
Q. Have you had any discussions with the Illinois Attorney General's office regarding the proposed transaction involving OSF Healthcare and Rockford Health

System?
A. I have not.
Q. To your knowledge, has anybody at Aetna had those discussions with the attorney -- Illinois Attorney General's office?
MR. HERRICK: Objection to form, foundation.
A. I have no knowledge of that.
BY MS. CARLETTI:
Q. Have you had any discussions with anybody from the Federal Trade Commission regarding today's deposition?
A. No.
Q. Are you aware that the Federal Trade Commission has identified you as a potential witness in its litigation with OSF Health Care and Rockford Health System?
A. No.
Q. Have you spoken with anybody at the Federal Trade Commission about potentially testifying in the case?
A. I have not.
MS. CARLETTI: Okay. At this time I think I'm all set.
MR. GAERTNER: You finished early.
MS. CARLETTI: Pending anything that Peter has

but yes.
MR. GAERTNER: Okay.
MS. CARLETTI: I tried to cut it down during the break.
(A brief recess was taken, 1:44 p.m. to 1:52 p.m.)
MR. HERRICK: On the record.
EXAMINATION
BY MR. HERRICK:
Q. Ms. Hall, I just have a few questions for you, mainly follow-ups to Ms. Carletti's questions.
First question is, in light of the questions that you've heard today, is there anything about your declaration that you feel you need to change at this point?
A. No.
Q. Earlier today there was some testimony on your part about leverage.
Do you recall that testimony generally?
A. Generally.
Q. Do you believe that, as a result of the merger, OSF and Rockford Health Systems, as a combined entity, will have greater leverage in negotiations with Aetna than they would if they remained separate?
A. Yes.

Q. I'm going to be jumping around a little bit.
There was also some discussion with Ms. Carletti earlier today regarding who your direct reports are. Do you recall that earlier today?
A. I do.
Q. Do you rely on your direct reports to provide complete and accurate information to you in the ordinary course of your work for Aetna?
A. I do.
Q. And do you consider them to be reliable sources of information about the local markets that they deal with?
A. I do.
Q. And you receive ongoing feedback from them about their local market responsibilities?
A. I do.
Q. You also discussed earlier today some work that you do with the folks on Aetna's sales side of the business.
Do you recall that, generally speaking?
A. Yes.
Q. Do you and your team rely on input from the sales team at Aetna in the ordinary course of your work?
A. Yes.
Q. And do you consider that information that they

provide to you to be reliable?
A. Yes.
Q. There was also some discussion about the services that SwedishAmerican offers. And I believe Ms. Carletti asked you if SwedishAmerican offered any trauma services.
Do you recall that?
Vaguely?
A. Vaguely.
Q. Do you have any direct knowledge, one way or the other, about whether SwedishAmerican currently offers trauma services?
A. I do not.
Redacted

Q. Is it fair to say that, if rates go up in the -- as a result of the negotiations Aetna has with a provider, that there will be some impact on Aetna's ability to compete?

A. Yes.

MS. CARLETTI: Object.

BY MR. HERRICK:

Q. And what impact would that be? If you could just elaborate, please.

A. If rate -- reimbursement rates increase so dramatically that a customer cannot absorb the impact of that rate increase, they will likely move to a different carrier with a better price point.

Q. For purposes of assessing that impact, is that still true if the only rates that increase as a result of a contract negotiation are inpatient rates?

A. Yes.

Q. And what impact does the -- an increase in inpatient rates as a result of a contract negotiation have on Aetna's business?

MS. CARLETTI: Object to the form.

Redacted

A. It would be dependent on the level of the increase.

BY MR. HERRICK:

Q. In your experience and work on behalf of Aetna, is there anything unique or special about the types of contracts Aetna has negotiated in the Rockford area versus other parts of the -- of your region?

A. No.

Q. If you have your declaration still in front of you, I just have a couple of quick questions about that.

A. Sure.

Q. If you could just turn to paragraph 17, please.

A. (Complied.)

Q. In that first sentence, which reads "Aetna's members currently benefit from competition between RHS, OSF, and SwedishAmerican in the Rockford area" -- did I read that correctly?

A. Yes.

Q. And Ms. Carletti asked you whether Aetna had conducted any studies or analyses to form a basis for that statement; is that correct? Do you recall that?

A. "Analysis," did you say? Yes.

Q. In your opinion, does Aetna need to conduct a study to know whether competition is beneficial for Aetna's members?

A. In my opinion, no.

Q. In paragraph 18 the third sentence reads,

"A hospital provider network in Rockford consisting only of SwedishAmerican -- which would be our only alternative to contracting with the combined OSF/RHS system postmerger -- would be far less attractive to members in the Rockford area than our existing two-hospital network."

Did I read that correctly?

A. Yes.

Q. And do you recall Ms. Carletti asking you whether Aetna had conducted any studies or analyses in support of that statement?

A. Yes.

Q. And in your opinion, does Aetna need to conduct a study to know whether a single-hospital network in Rockford is competitively viable?

A. No, not in my opinion.

Redacted

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Redacted

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BY MR. HERRICK:

Q. If Blue Cross' rates were to increase as a result of the merger, would that affect your level of concern under that scenario that we just described?

MS. CARLETTI: Object to the form, calls for speculation, foundation.

A. Parity's the concern so . . .

BY MR. HERRICK:

Q. Would increased rates as a result of the merger have an impact on Aetna's members regardless of whether Aetna's on parity with Blue Cross or not?

MS. CARLETTI: Object to the form, leading.

A. Yes.

BY MR. HERRICK:

Q. And what kind of impact would that have?

A. The increase realized for the self-insured population is directly realized by the customer and the member.

Q. And does a rate increase have any impact on premiums for fully insured employers?

A. If the rate increase exceeded projected normal

trend lines, yes, premiums would increase.

Q. Does that effect on employers, regardless of rate parity, have -- strike that.

To the extent that rates would go up even if Aetna were on parity with Blue Cross, would you have concerns about the effect that that would have on Aetna's members and customers?

MS. CARLETTI: Object to the form.

A. Yes.

MR. HERRICK: Okay. I believe that's all I have.

MS. CARLETTI: I just have a couple of quick follow-ups.

EXAMINATION

BY MS. CARLETTI:

Q. Premiums and the effective rates on premiums. Does Aetna make some margin off of the premiums that it charges to its customers in Rockford?

MR. HERRICK: Objection; outside the scope.

A. Yes.

Redacted

Redacted

Q. And you talked about whether or not it would have an impact on Aetna's ability to compete if those rates did increase. Do you recall that?

A. Yes.

Q. What analysis has Aetna done to determine what impact a rate increase would have on its business in Rockford as a result of the transaction between OSF and RH -- and Rockford Health System?

A. I am not aware of that analysis.

Q. I think that there was also some discussion about if rates increased dramatically that -- and a customer couldn't absorb the impact -- it would -- it could possibly move for a different carrier.

Do you recall those questions and that discussion?

A. Yes.

Q. What increase in price is necessary for -- well, what would you consider to be the increase in price that would lead to those events occurring?

MR. HERRICK: Objection to form.

MR. GAERTNER: Form, foundation, improper hypothetical.

You may answer.

A. I'm not sure.

BY MS. CARLETTI:

Q. Has Aetna done any analysis to determine what percentage of a price increase would have to occur as a result of the transaction between OSF and Rockford Health System that would lead a customer to choosing a carrier other than Aetna?

MR. HERRICK: Objection to form, foundation.

A. I'm not aware.

(An off-the-record discussion was had.)

BY MS. CARLETTI:

Q. I think you also discussed with Mr. Herrick what would happen if a rate increase exceeded what Aetna expected and how that might affect a fully insured member's premiums.

Do you recall that?

A. Yes.

Q. What happens if the rate increase isn't as much as Aetna expects it to increase? What happens then to the fully insured member's premium?

A. I'm not sure.

Redacted

MR. GAERTNER: I don't have anything.

We're going to designate the transcript highly confidential, outside counsel eyes only.

Is that the highest level of protection we have?

Redacted

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CERTIFICATION OF REPORTER

DOCKET/FILE NUMBER: 3:11-cv-50344

CASE TITLE: FTC vs. OSF/ROCKFORD

DATE: January 19, 2012

I HEREBY CERTIFY that the transcript contained herein is a full and accurate transcript of the notes taken by me at the hearing on the above cause before the UNITED STATES DISTRICT COURT to the best of my knowledge and belief.

DATED: 01/19/2012

MELANIE L. HUMPHREY-SONNTAG,
CSR-RDR-CRR-FAPR

CERTIFICATION OF PROOFREADER

I HEREBY CERTIFY that I proofread the transcript for accuracy in spelling, hyphenation, punctuation and format.

CARYN STREAN

CERTIFICATE OF DEPONENT

I hereby certify that I have read and examined the foregoing transcript, and the same is a true and accurate record of the testimony given by me.

Any additions or corrections that I feel are necessary, I will attach on a separate sheet of paper to the original transcript.

_____
SUZANNE MARIE HALL

I hereby certify that the individual representing himself/herself to be the above-named individual, appeared before me this _____ day of _____, _____, and executed the above certificate in my presence.

_____
NOTARY PUBLIC IN AND FOR

_____

MY COMMISSION EXPIRES:
_____

WITNESS: SUZANNE MARIE HALL

DATE: January 19, 2012

CASE: FTC vs. OSF/ROCKFORD

Please note any errors and the corrections thereof on this errata sheet. The rules require a reason for any change or correction. It may be general, such as "To correct stenographic error," or "To clarify the record," or "To conform with the facts."

PAGE	LINE	CORRECTION	REASON FOR CHANGE

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

In the Matter of OSF HEALTHCARE SYSTEM, a corporation, and ROCKFORD HEALTH SYSTEM, a corporation, Respondents.	Docket No. 9349

PROPOSED ORDER

On March 23, 2012, Non-Party Aetna Inc. ("Aetna") filed a corrected motion for *in camera* treatment of confidential business information and sensitive health information contained in various documents that have been identified by Claimant's counsel as potential exhibits.

IT IS HEREBY ORDERED that Aetna's Motion is GRANTED. The information set forth in Aetna's exhibits numbered as followed will be subject to *in camera* treatment under 16 C.F.R. § 3.45 and will be kept confidential and not placed on the public record of this proceeding for a period of five years.

Exhibit B: AE 0013970 (PX900); AE 0016653 – AE 0016655; AE 0045109-AE 0045110; AE 0046211; AE 0046921-AE 0046922; AE 0046926 – AE 0046927.

Exhibit C: AE 0020071-AE 0020074(PX901); AE 0040675-AE 0040676 (PX903); AE 0046359 (PX906); AE 0048934-AE 0048935 (PX909); AE 0013998; AE 0013999-AE 0014024; AE 0017022-AE 0017030; AE 0019028-AE 0019029; AE 0021242-AE 0021244; AE 0022289; AE 0028393-AE 0028394; AE 0044621; AE 0045242-AE 0045243; AE 0046236-AE 0046237; AE 0047098-AE 0047100.

Exhibit D: AE 0021654 (PX902); AE 0013746-AE 0013758 (PX910); AE 0044093-AE 0044094; AE 0046131-AE 0046132.

Exhibit E: Declaration of Suzanne Hall paras. 12, 14, 15, 16 and 20 (PX251);

Exhibit F: Suzanne Hall Deposition Transcript 23:15-24:1; 37:23-38:22; 56:25-58:24; 61:4-61:24; 77:1-77:8; 80:10-80:23; 84:25-88:1; 95:18-97:6; 99:2-107:14; 107:21-108:20; 113:5-113:24; 117:23-119:15; 128:5-130:1; and 156:14-156:25 (PX4004).

IT IS FURTHER ORDERED that only authorized Federal Trade Commission personnel, and court personnel concerned with judicial review may have access to the above-referenced information, provided that I, the commission, and reviewing courts may disclose such *in camera* information to the extent necessary for the proper disposition of the proceeding.

ORDERED:

_____
D. Michael Chappell
Chief Administrative Law Judge

DATED: , 2012