

Del Norte County Healthcare District



The Monopoly of Sutter Health

Sutter Health is currently being sued by the state attorney general who is claiming that Sutter has made itself into a monopoly. A very concise review of this was recently featured on CBS 60 minutes. [You can go here to see the clip of the review.](#)

Glenn Melnick, a health care economist at the University of Southern California and one of the first researchers to document Sutter's strategy of making itself indispensable states, "we call it the 'Sutter effect,'" Melnick defines the Sutter effect as a condition in which "you have a large, dominant system like this, they raise their prices high, all their competitors can raise their prices higher. So there's kind of this second-order effect: that this type of behavior leads to much higher prices across the board."

What does this mean? According to Attorney General Becerra, this has began in the 1990s with a campaign that enabled Sutter to grow from two hospitals into the behemoth it is today. According to Dan Gorenstein who analyzed the Attorney General's suit against the hospital system, Sutter now has 24 hospitals, 17,000 physicians and more than 50,000 employees. Gorenstein claims that this creates a stranglehold on the Northern California market to drive up the price of healthcare. Sutter Health patients in Northern California are paying as much as 56% more than patients in Southern California. In short, Sutter took control of smaller hospitals throughout Northern California. Thus, Sutter reduced competition - allowing Sutter to jack up their prices so that patients are left with no choice but to pay simply because their options are limited. It is believed, as a direct result, that other hospitals are then being able to raise their prices as well. A settlement in principal was entered on December 19, 2019. Last February 25, 2020, the Court preliminarily approved a settlement agreement on the suit against Sutter. Part of the suit includes the appointment of a monitor to ensure that Sutter is compliant with the settlement. Sutter is to pay for the monitor. The selection of the monitors is a source of contention to this day. The Court had some detailed questions about whether the settlement was sufficient, and now a year later the Court has denied its preliminary approval of the settlement and of the monitor. Leaving both in question. The Court has sealed much of the evidence in the case, which means that the public cannot see it. The litigation seems to escalate rather than resolve.

The monopoly, according to Hillary Ronen, a member of the San Francisco city and county board of supervisors, is "outrageous." Ronen explains that the money comes from the same pot of money that is used to build new homeless shelters and fund firefighters. Even worse, Ronen states that "Sutter won't allow us to see how much they charge for their services. It's unbelievable. And so we can't comparison shop. And they keep naming their price, and I feel like I'm handcuffed to do anything about it."

It is important to stay informed because it is possible a tentative out of court settlement will be approved. If so, Sutter will admit no wrongdoing but will be required to pay \$575 million dollars and, according to Attorney General Becerra, "requires Sutter to stop practices that drive patients into more expensive health services and to operate with more transparency." [1]

Sincerely,

Del Norte Healthcare District Board of Directors

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[1] Source: <https://oag.ca.gov/news/press-releases/attorney-general-becerra-files-opposition-sutter-health%E2%80%99s-delay-landmark>
