

Brownlee's Remarks to the SWVHA

Yesterday you heard from the staff of the Federal Trade Commission. They came across as intelligent, well educated, well-meaning and, for some good reasons, sincere in their belief that market competition should be preserved and fostered regardless of the characteristics of a particular market. In response to a specific question regarding some of the problematic realities of the region of SW Virginia, the FTC staff stated that they were well aware of the serious challenges facing the people of SW Virginia, yet still believe that attempting to preserve competition is in the best interest of the region. I do not doubt their sincerity in taking that position. Nevertheless, when you live in an environment that only drinks Cool Aid, it is easy to become accustomed to always ordering Cool Aid no matter where you are. The core issue facing you as Board members of the Authority is whether you believe, after reviewing the extensive oral and written information presented to you over many months, that the market for healthcare in SW Virginia presents some significant and uncommon characteristics as to deem it unique enough to necessitate a solution other than pure competition. In other words, should Kool Aid give way to something else?

Clearly the Virginia legislature thought that SW Virginia had its unique challenges when it voted to create the SWVHA in 2007. In 2015, when the Virginia legislature voted to enact legislation providing for the possibility of approving Cooperative Agreements, it did so with the belief that, despite all of the virtues of competition, perhaps that approach has not effectively addressed the serious healthcare needs of the region and it was time to seek alternative solutions. Thus, the Board of the Authority now needs to decide what to recommend to the Virginia Commissioner of Health regarding the Parties' Application for a Cooperative Agreement that will, without doubt, substantially reduce competition in the region. Since deeming the Parties' Application complete, the Authority has spent months in negotiations with the Parties in an attempt to arrive at a thorough, comprehensive, substantive, relevant and reasonable set of Commitments to which the New Health System will be accountable if the Application is approved. These revised Commitments are substantially improved compared to the Parties' original Commitments. If the Authority recommends approval of the Application, then additional Commitments may be added prior to the Commissioner's final decision. However, as the staff of the FTC has cautioned, regulation, even with significant and enforceable commitments, is far less preferable than competition.

Before concluding, I want to say just a bit more about the benefits of competition. As a business school professor for well over 40 years, I understood and advocated for the virtues of competition in the market. However, I also came to understand that there were not many pure markets where competition could occur as described in the textbooks. In reality, most markets were imperfect in a variety of dimensions. That, in fact, is the issue in the case of SW Virginia. Is the market for healthcare there so filled with imperfections that the traditional market solution simply can't be expected to function properly and meet the serious needs of the people in the region? This is not an easy question to answer, and, in my opinion, thoughtful, well-intentioned people could review all of the relevant information and come to different conclusions. The Authority is in uncharted waters here, and no one has a crystal ball to help make this difficult

decision. I believe that all each of you can do is to carefully review all of the relevant information that has been provided to you and to reach your conclusion in a holistic manner by bringing together your mind, your heart and your soul. For the decision that is made by the Authority's Board will affect the lives of real people, with real families who live in real communities here in SW Virginia. I wish you well as you go forward.