

# COMPETITOR ALERT

**DATE:** OCTOBER 7, 1994

**TO:** DISTRIBUTION

**FROM:** BRYANT HARNER AND BRAD UNDERDAL, COMPETITOR ANALYSTS,  
MARKET RESEARCH AND BUSINESS ANALYSIS DEPARTMENT

**Development:** HealthTrust to Merge with Columbia/HCA, not National Medical Enterprises

**Details:** The ever-evolving Columbia/HCA has undergone another metamorphosis, this time by agreeing to merge in a tax-free, stock-for-stock transaction with HealthTrust, Inc., which had been courted by National Medical Enterprises.

HealthTrust currently operates 116 hospitals with 16,000 beds in 22 states, including 10 hospitals in Florida. The new Columbia/HCA will this have a total of 311 hospitals (56 in Florida), 60,000 beds (6% of all hospital beds nationwide), and 125 outpatient centers spread throughout 37 states and two foreign countries. The nation's second largest hospital company, HealthTrust has been involved in mergers itself, having paid \$1 billion in January 1994 for Epic Holdings, Inc., also a hospital company. The following HealthTrust hospitals in Florida will now become part of the Columbia/HCA network:

<u>HEALTHTRUST</u>	<u>COUNTY</u>	<u>REGION</u>	<u>BEDS</u>
Santa Rosa Medical Center	Santa Rosa	NW	153
North Okaloosa Medical Center	Okaloosa	NW	110
Palm Beach Regional Hospital	Palm Beach	SO	200
Palms West Hospital	Palm Beach	SO	117
Plantation General Hospital	Broward	SO	264
Clearwater Community Hospital	Pinellas	WC	133
East Pointe Hospital	Lee	WC	88
Edward White Hospital	Pinellas	WC	167
South Bay Hospital	Hillsborough	WC	112
Lake City Medical Center	Columbia	NE	75

Total: 1,419

Columbia/HCA will pay for the transaction by issuing \$3.6 billion in newly issued stock to HealthTrust shareholders in addition to assuming \$1.8 billion of the company's debt. Combined revenue is expected to exceed \$15 billion.

In the past year, Columbia/HCA has merged with Galen Health Care (the former Humana hospital division), Hospital Corporation of America, Medical Care America (the largest provider of outpatient surgery services), and now HealthTrust, in addition to buying individual hospitals, nursing homes, home health agencies, outpatient rehabilitation centers and psychiatric centers along the way.

**Source:** Dave Fields, Fort Lauderdale

**Implications:** As with any Columbia acquisition, there is an economy of scale angle: the combined Columbia/HealthTrust organization expects to generate savings of \$125 million annually. Potentially more threatening is the likelihood for Columbia/HCA to pursue the direct sale of medical services to large employer groups. "This gives us an opportunity to be a provider for an entire state," chairman Richard Scott said. The company has already submitted bid responses to several contract proposals from municipalities, including one in southwest Florida. Texas and Florida are Columbia/HCA's strongest states in terms of number of hospitals. In those two states, it would be relatively easy for the company to transition to being a direct competitor to insurance companies and HMOs; an arrangement with an administrator is the only element lacking.

**Development: CaPP Care Wins Disney PPO Plan Contract**

**Details:** Walt Disney World is changing its PPO network from MetLife to CaPP Care effective January 1, 1995. Disney, which will continue to be self-insured, will join the CaPP Care PPO through the Central Florida Health Care Coalition purchasing co-op. The company also intends to offer an HMO product, and is rumored to be leaning towards PruCare. However, Florida Hospital is not a PruCare provider, and Disney may insist that the hospital be included in Pru's network, since Disney chose Florida Hospital to run a planned health care complex at Celebration, its new development in Osceola County.

**Source:** Bill O'Nale, Central Region

**Implications:** CaPP Care is quietly establishing itself as one of the premier PPO networks in Florida, and winning the Disney contract will go a long way towards accomplishing that goal. It has networks in Jacksonville, Pensacola, Orlando, Tampa, South Florida and Fort Myers.

**Development: CIGNA Introduces 1995 HMO Bonus Plan for Producers**

**Details:** CIGNA has introduced a bonus plan in the West Coast Region for producers who increase their HMO membership total by 250 members or more during 1995. If the producer reaches the 250 goal for new members by year-end, a bonus of \$15 per member will be awarded based on the producer's total membership for the year.

**Source:** Dale Lance, West Coast Region

**Implications:** The bonus plan is being actively promoted in the Tampa area and has created a great deal of excitement and interest in the agent community.