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Background

Market Definition

Assumptions

Analysis

Results

Limitations

Background

Healthcare Diagnostics Industry

- Proposed merger to combine Wellness Solutions and Holistic Health, LLC
- Inelasticity of product - life or death
- Blood glucose meters are primary revenue source for firms
- Negotiated prices

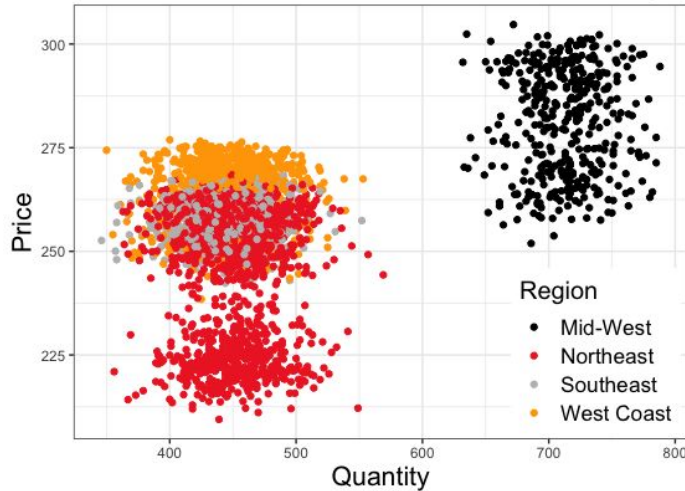


We recommend that the FTC not allow these firms to merge

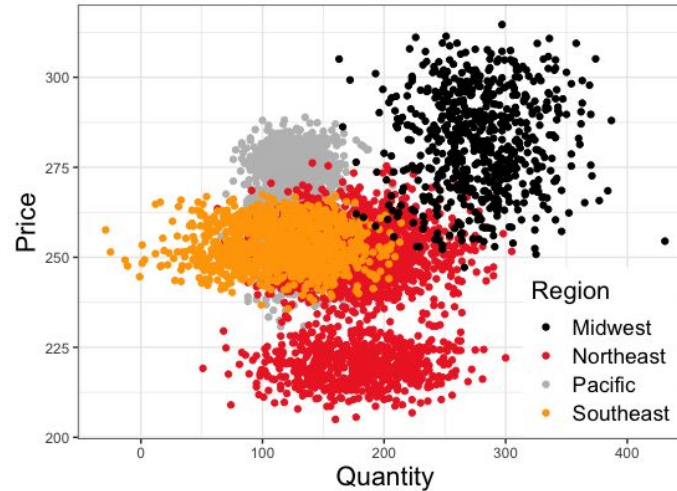
Market Definition

- What products are included in the market?
 - Diabetes Care Devices
 - Continuous Glucose Monitoring (CGMs)
- Geographic regions?

Wellness Solutions Price vs. Quantity



Holistic Health Price vs. Quantity



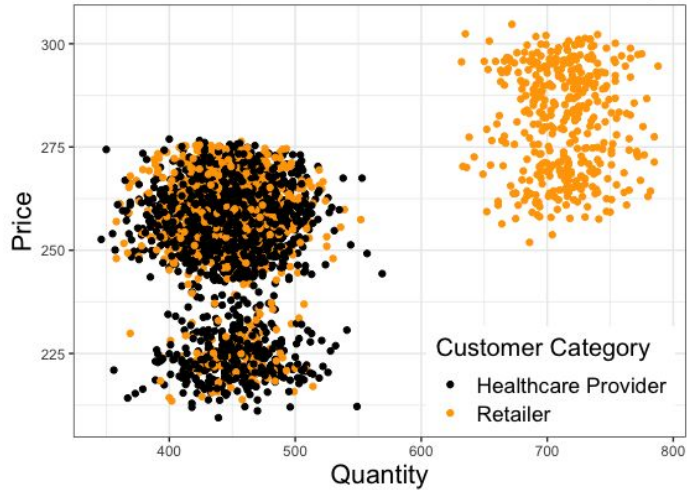
<http://www.diabetesforecast.org/2012/jul/anatomy-of-a-test-strip.html>

<https://www.healthline.com/diabetesmine/what-is-continuous-glucose-monitor-and-choosing-one#CGM-systems-currently-available>

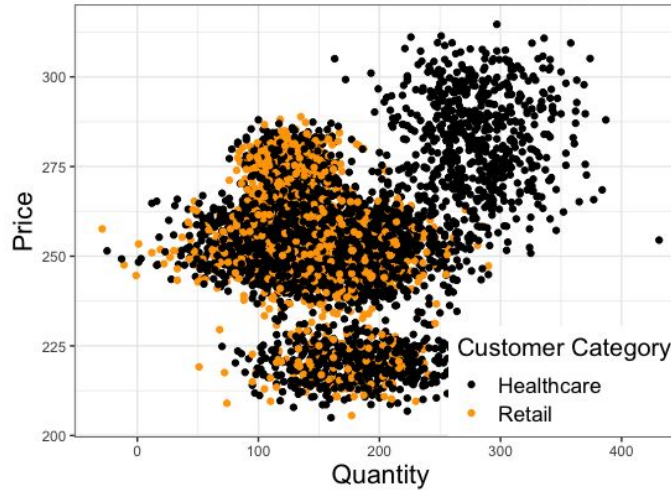
Assumptions

- Firm Revenue
- Homogeneity of product
- Buyers
- Market Structure

Wellness Solutions Price vs. Quantity



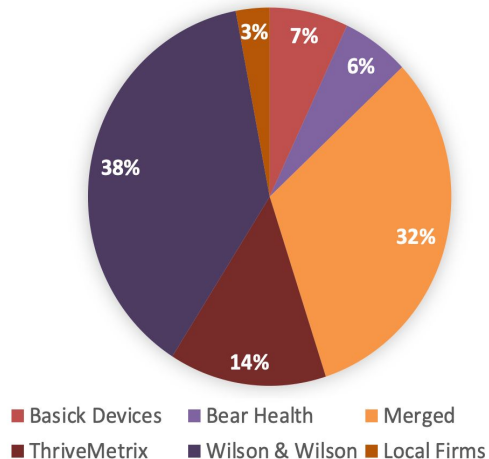
Holistic Health Price vs. Quantity



Market Share

Pacific Market

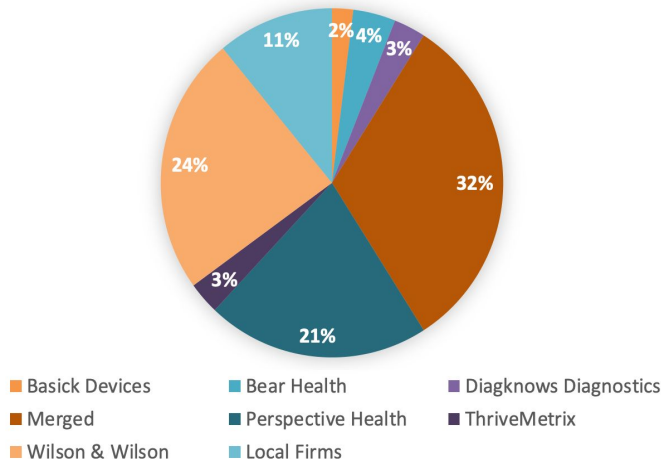
Pacific Post-Merger Market Share



- Three firms will own 84% of the market
- Potential for anti-competitiveness

Midwest Market

Midwest Post-Merger Market Share



- Merged firm is largest in the market
- Three firms will own 77% of market

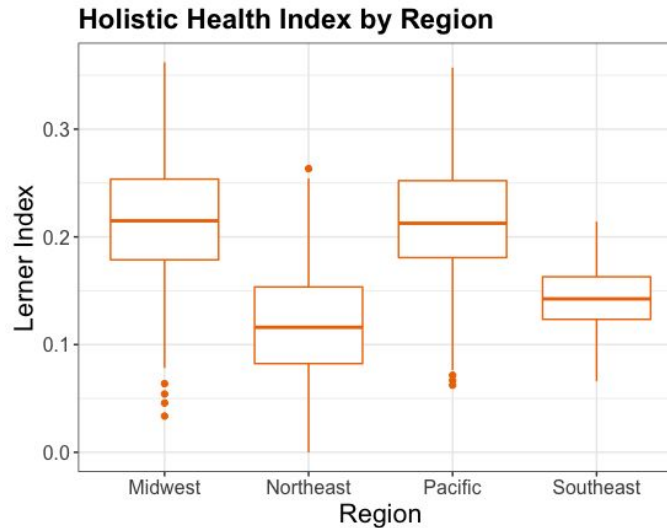
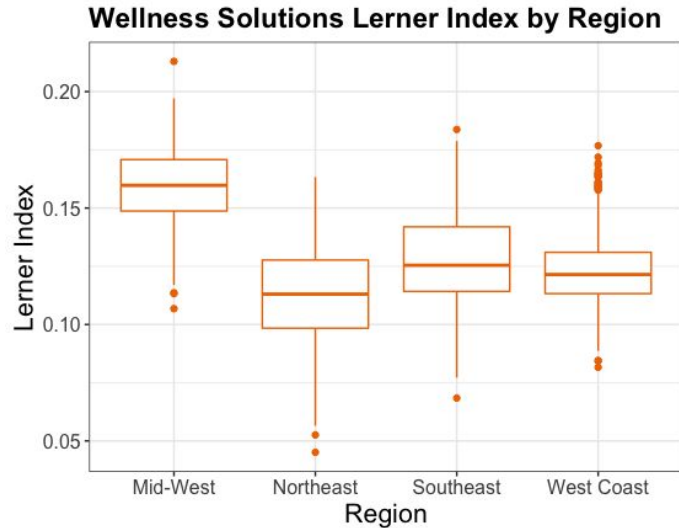
Herfindahl-Hirschman Index (HHI)

HHI	Pacific Market	Midwest Market	Southeast Market	Northeast Market
Pre-Merger	2317.308	1586	1051.88	918
Post-Merger	2757.14	2090	1231.515	998
Difference	439.832	504	179.635	80

- HHI measures market concentration
- The threshold of concern for HHI differences is **100**
 - Higher than 100 “warrants scrutiny”
- The Pacific and Midwest markets have potential for anticompetitive behavior

Lerner Index

- Lerner Index describes a firm's monopolistic power
- Shows pre-merger ability for both firms to price above cost in each region



Summary of Results

We recommend that the FTC **not allow these firms to merge**

1. Presumption of Anti-Competitive Effects
 - HHI above threshold
2. Possible Collusive Activities
 - Coordinated effect
3. High Levels of Monopoly Power
 - Unilateral effect
4. Miscellaneous
 - Decreased number of firms
 - Negotiation of Price
 - Decreased Consumer Surplus

Limitations and Next Steps

Data	Mitigating Factors	Assumptions
<ul style="list-style-type: none">◦ Derive Demand and Supply◦ Estimate substitution effect◦ Negotiation information	<ul style="list-style-type: none">◦ Competition◦ Further geographic breakdown◦ Similar and developing markets	<ul style="list-style-type: none">◦ Analysis of firms' other products◦ Product differentiation◦ Negotiation effect on market