UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Lina M. Khan, Chair**
Rebecca Kelly Slaughter
Alvaro M. Bedoya
Melissa Holyoak
Andrew Ferguson

In the Matter of

Welsh, Carson, Anderson & Stowe XI, L.P.,
a partnership,

WCAS XI Associates, LLC,
a corporation,

Welsh, Carson, Anderson & Stowe XII, L.P.,
a partnership,

WCAS XII Associates, LLC,
a corporation

WCAS Management Corporation,
a corporation,

WCAS Management, L.P.,
a partnership, **and**

WCAS Management, LLC,
a corporation.

Docket No. C-

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act ("FTC Act"), and by virtue of the authority vested in it by said Act, the Federal Trade Commission ("Commission"), having reason to believe that Respondents Welsh, Carson, Anderson & Stowe XI, L.P., WCAS XI Associates, LLC, Welsh, Carson, Anderson & Stowe XII, L.P., WCAS XII Associates, LLC, WCAS Management Corporation, WCAS Management, L.P., and WCAS Management, LLC (collectively "Welsh Carson") have violated the provisions of the FTC Act and the Clayton Act, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

Nature of the Case

1. This action challenges a multi-year illegal scheme, planned and executed by Welsh Carson and its portfolio company U.S. Anesthesia Partners ("USAP"), to consolidate anesthesia practices in Texas and increase their pricing leverage.

2. In 2012, Welsh Carson created USAP to execute this consolidation strategy. By doing so, Welsh Carson sought to leverage the fact that anesthesia services are critical to modern surgery; hospitals need to offer anesthesia services; and patients, their employers, and insurers must pay for them, even if choices dwindle and prices go up.

3. USAP and Welsh Carson engaged in what they referred to as a "roll-up," buying nearly every large anesthesia practice in Texas. This scheme began in Houston, where USAP and Welsh Carson purchased the region's largest practice in 2012 and then made two further acquisitions. They expanded to Dallas in 2014 and quickly acquired other key groups.

4. These acquisitions have hit Texans' wallets hard. With each deal, USAP raised the acquired group's prices to USAP's (often much) higher price. As one insurance executive summarized, USAP and Welsh Carson used acquisitions to "take the highest rate of all ... and then peanut butter spread that across the entire state of Texas."

Respondents

5. Welsh Carson is engaged in the business of private equity investment and management, primarily in the healthcare and technology sectors. It runs this business using various corporate entities that share personnel and resources, including WCAS Management Corporation, WCAS Management, LLC, WCAS Management LP, WCAS XI Associates, LLC, WCAS XII Associates, LLC, and funds such as Welsh, Carson, Anderson & Stowe XII, LP and Welsh, Carson, Anderson & Stowe XI, LP. All of these various corporate entities operate as a common enterprise and are referred to as "Welsh Carson." Welsh Carson Respondents are organized under Delaware law.

6. Welsh Carson has invested in USAP since 2012. At USAP's founding in 2012, Welsh Carson owned 50.2% of the company. Between 2013 and 2017, Welsh Carson's ownership stake was diluted to 44.8% as USAP granted equity to acquired physician groups. Even when its ownership stake dipped below 50%, Welsh Carson—in its own words—maintained control over USAP "in all practical respects," including because Welsh Carson had the ability to elect a majority of the board of directors.

Jurisdiction

7. Respondents WCAS XI Associates, LLC, WCAS XII Associates, LLC, Welsh Carson Management Corp., Welsh Carson Management, LLC, Welsh, Carson, Anderson & Stowe XI, L.P., Welsh, Carson, Anderson & Stowe XII, L.P., and Welsh Carson Management, L.P. are, and at all relevant times have been, "corporations," or "partnerships" within the meaning of 15 U.S.C. §§ 44 and 45(a).

8. Respondents' general business practices are "in or affecting commerce" within the meaning of 15 U.S.C. § 45.

Background

9. Anesthesia is a type of medical treatment that prevents patients from feeling pain during procedures such as surgery or dental work. Unlike other areas of medical care, patients rarely choose their anesthesia providers. Instead, a patient's chosen surgeon may select the anesthesia provider, or the anesthesia provider may be chosen randomly based on who is assigned to cover the operating room when a patient's surgery occurs.

10. While certain hospitals directly employ anesthesia providers, many rely on independent anesthesiologists or anesthesia groups, such as USAP. Anesthesia groups often compete for exclusive hospital contracts. By definition, winning a hospital's exclusive contract is necessary to be able to perform anesthesia services at that hospital. Changing an anesthesia group is difficult and disruptive, and therefore rare.

11. To control healthcare costs, insurers build networks, which are combinations of hospitals, outpatient facilities, physicians, physician groups, and other providers, including anesthesia providers that are available at a lower cost to the insurer's clients. In exchange for being included in an insurer's network, providers typically agree to give a discount off the total amount they charge. These discounted reimbursement rates establish how much the payor will pay the provider on behalf of its beneficiaries (referred to as "members"). Services obtained outside of an insurer's network are subject to different—and usually higher—reimbursement rates.

12. If an insurer considers the reimbursement rates demanded by an anesthesia group during negotiations to be too high, both sides understand that the insurer's primary alternative to reaching an agreement is to take the group out of network. Whether the threat of network removal can effectively keep prices low depends on how credible it is. Hospitals generally prefer to work with anesthesia providers who are in-network with insurers, and hospitals may encourage out-of-network anesthesiologists to reach in-network agreements. Having out-of-network anesthesiologists could result in large bills from the anesthesiologists, which patients and their employers may misattribute to the hospital.

Welsh Carson and USAP's Roll-up of Anesthesia Practices

13. In early 2012, a former executive at a large national anesthesia group emailed a partner at Welsh Carson seeking investors for a new anesthesia practice. The thesis of the investment was to capture significant market share in key geographies to give the practice negotiating leverage with commercial payors. The Welsh Carson partnership approved the idea and USAP was created to move the strategy forward.

14. Welsh Carson began scoping out potential first acquisitions for the new entity. On December 12, 2012, USAP entered into an agreement to acquire Greater Houston Anesthesiology.

15. This first acquisition was followed by a series of "tuck-in acquisitions"—so called because they would be folded into USAP's newly acquired Greater Houston Anesthesiology "platform" operation. USAP would then spread Greater Houston Anesthesiology's high reimbursement rates to these "tucked-in" practices.

16. In August 2013, less than a year after acquiring Greater Houston Anesthesiology, USAP was already "working to advance discussions with all actionable Houston practices." As the next step in its roll-up scheme, between 2014 and 2017, USAP acquired two of the largest remaining independent anesthesia groups in Houston: North Houston Anesthesiology and MetroWest Anesthesia Care.

17. USAP's acquisitions in Houston left both hospitals and insurers without sufficient alternatives to USAP to constrain the group's high rates.

18. USAP's roll-up strategy was not confined to Houston. USAP also targeted Pinnacle Anesthesia Consultants, the largest anesthesia group in the Dallas region and anywhere in the state at the time USAP was founded. Pinnacle performed about 40% of the anesthesia services in Dallas.

19. Between 2014 and 2016, USAP acquired at least seven practices in Dallas: Pinnacle Anesthesia Consultants, Anesthesia Consultants of Dallas, Excel Anesthesia Consultants, BMW Anesthesiology, Medical City Physicians, Southwest Anesthesia Associates, and Sundance Anesthesia.

20. USAP's acquisitions in Dallas left both hospitals and insurers without sufficient alternatives to USAP to constrain the group's high rates.

21. Following its acquisition sprees in Houston and Dallas, USAP began acquiring anesthesia practices in other areas of Texas, including but not limited to its acquisition of East Texas Anesthesiology Associates in Tyler in June 2016 as well as subsequent acquisitions in Austin, San Antonio, and Amarillo.

Anticompetitive Agreements

22. Upon its acquisition of Greater Houston Anesthesia, USAP assumed contracts with Dallas Anesthesia Associates and The Methodist Hospital Physicians Organization under which GHA billed for DAA and TMHPO at GHA rates under GHA's tax identification number. USAP continued these contracts for over a decade with Welsh Carson's knowledge. USAP then adopted a similar agreement with the Baylor College of Medicine in 2014, which has since ended. Under these price-setting arrangements, USAP charged its own, higher prices for services rendered by anesthesia providers who chose to remain independent.

23. In addition, in connection with its 2014 acquisition of Pinnacle Anesthesia Consultants, USAP and Welsh Carson negotiated an agreement with another health care company, Envision Healthcare Corp., which required Envision not to compete with USAP in the Dallas market for hospital-only anesthesia services from 2014 to 2019. At all relevant times, Envision did not compete in the Dallas market as a result of this agreement.

Relevant Markets

24. The relevant service market to assess the challenged conduct is the market for hospital-only anesthesia services sold to commercial insurers and their insured members. This service market encompasses: (1) all inpatient anesthesia services, including surgical and obstetric anesthesia performed while the patient is admitted to a hospital; and (2) any other anesthesia services that must be provided in a hospital setting because the procedure subjects the patient to an elevated risk such that it requires quick access to emergency medical services.

25. There are two relevant geographic markets to assess the competitive implications of the challenged conduct: (1) the Houston metropolitan statistical area ("MSA"), and (2) the Dallas-Fort Worth MSA.

26. Patients in each MSA seek hospital-only services close to where they live. Patients do not, however, actively choose their anesthesiologists. Hospitals typically select anesthesia groups for hospital contracts in each MSA from groups with a significant portion of doctors within each MSA. To constrain rates charged by an anesthesia group in each MSA, insurers may seek or threaten to exclude that group from their networks; however, such threats are only credible if insurers may switch to alternative anesthesia groups located within the same MSA.

Monopoly Power

27. USAP and Welsh Carson's "consolidation strategy" combined multiple significant anesthesia practices in Houston and Dallas. In 2014, after its initial acquisition in each geography, USAP controlled about 40-50% of the commercially insured hospital-only market in Houston and Dallas, measured by revenue. Each acquisition also added to the overall concentration of two concentrated markets. As a result of USAP and Welsh Carson's acquisition strategy, USAP accumulated monopoly power in the commercially insured hospital-only anesthesia market in both Houston and Dallas.

28. Despite charging the highest rates in Houston and Dallas, USAP maintained or grew its market share in Houston and Dallas year-over-year after acquiring Greater Houston Anesthesiology and Pinnacle Anesthesia Associates. USAP's volume of cases grew significantly, and it did not lose exclusive contracts with any high-volume hospitals or hospital systems.

29. USAP wielded durable pricing power in part because there are no close substitutes for patients undergoing procedures requiring anesthesia.

Harm to Consumers and Competition

30. As a result of Welsh Carson and USAP's roll-up strategy, USAP amassed exclusive or nearly exclusive contracts at hospitals throughout Houston, Dallas, and across Texas. With its increased negotiating leverage, USAP significantly increased prices for hospital-

only anesthesia services in Houston, Dallas, and throughout Texas. Welsh Carson and USAP largely neutralized available competitors by acquiring them outright.

31. Welsh Carson and USAP cannot justify the substantial harm to competition resulting from their acquisitions with valid procompetitive justifications or efficiencies that could not be achieved through other means less harmful to competition.

Violations Charged

32. The allegations in all the paragraphs above are re-alleged and incorporated by reference as though full set forth herein.

33. USAP and Welsh Carson's anticompetitive course of conduct constitutes unlawful monopolization in the commercially insured hospital-only anesthesia services markets in Houston and Dallas in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2, and thus constitutes an unfair method of competition in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

34. USAP and Welsh Carson's conspiracy to monopolize the commercially insured hospital-only anesthesia services markets in Houston and Dallas violates Section 2 of the Sherman Act, 15 U.S.C. § 2, and thus constitutes an unfair method of competition in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

35. USAP and Welsh Carson's Houston and Dallas acquisitions substantially lessened competition or tended to create a monopoly in the commercially insured hospital-only anesthesia services markets in Houston and Dallas in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18, whether considered individually or as a series of acquisitions.

36. USAP and Welsh Carson's price-setting arrangements and market division agreement violate Section 1 of the Sherman Act and thus constitute an unfair method of competition, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

37. USAP and Welsh Carson's conduct to reduce competition in the commercially insured hospital-only anesthesia services markets in Texas constitutes an unfair method of competition in violation of Section 5(a) of the FTC Act, 15 U.S.C. 45(a).

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission has caused this complaint to be signed by its Secretary and its official seal to be hereto affixed, at Washington, D.C., this __ day of ___, 2025.

By the Commission.

April J. Tabor
Secretary