

DETERMINATION OF MERGER NOTIFICATION M/23/002 – UPMC/SWIFT SPRAOI

Section 21 of the Competition Act 2002

Proposed acquisition by UPMC Investments Limited of sole control of Swift Spraoi Holdings Limited

Dated 27 February 2023

Introduction

 On 17 January 2023, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (the "Act"), the Competition and Consumer Protection Commission (the "Commission") received a notification of a proposed acquisition, whereby UPMC Investments Limited ("UPMC Ireland") would acquire the entire issued share capital, and thus sole control of Swift Spraoi Holdings Limited ("SSHL") (the "Proposed Transaction").

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to a share purchase agreement dated 15 January 2022 between UPMC Ireland, UPMC International Holdings, Inc., the Beneficial Holders¹ and The Sellers² (the "SPA"). Following implementation of the Proposed Transaction, UPMC Ireland will acquire sole control of SSHL and SSHL's wholly owned subsidiary, Sports Surgery Clinic Limited.

The Undertakings Involved

The Acquirer – UPMC Ireland

3. UPMC Ireland is a wholly owned subsidiary of UPMC Ireland Limited, which in turn is a wholly owned subsidiary of UPMC International Holdings, Inc which is wholly owned by

¹ The Beneficial Holders are listed in the SPA as [......]

² The Sellers are listed in the SPA as [......]



University of Pittsburgh Medical Centre ("UPMC"). UPMC is a non-profit medical centre, based in Pittsburgh in the United States.

- 4. UPMC Ireland provides healthcare services through the following activities in the State:
 - UPMC Whitfield Hospital a private hospital in Waterford City, Co. Waterford with 85 beds;
 - (b) UPMC Kildare a private hospital in Clane, Co. Kildare with 39 beds;
 - (c) Aut Even Hospital a private hospital in Kilkenny with 71 beds.³
 - (d) Cork Radiation Oncology Associates a 50/50 radiotherapy joint venture with Bon Secours Hospital Cork;⁴
 - (e) UPMC Carlow Outreach Centre an outreach centre in Carlow, Co. Carlow;
 - UPMC Concussion Network a network that provides specialised diagnostic tests, facilities and treatment plans for patients with potential concussions;
 - (g) UPMC Global Technology Operations Centre a health technology centre which provides support to UPMC International Division; and,
 - (h) UPMC Sports Medicine Clinic four sports clinics in WIT Arena in Waterford, the TUS Moylish Campus in Limerick, the TUS Thurles Campus in Tipperary, the Connacht GAA Centre of Excellence in Mayo and the Vista Primary Care Building in Kildare which offer rehabilitation gyms and advanced sports injury treatments.
- For the financial year ending 31 December 2021, UPMC's worldwide turnover was approximately €20.3 billion⁵, of which approximately [....] was generated in the State.

³ For more information see the Commission's determination in M/20/036 UPM/Aut Even available at: <u>M/20/036 -</u> <u>UPMC/Aut Even - CCPC Business</u>

⁴ For more information see the Commission's determination in *M/16/055 – Joint Venture UPMC (Ireland) & Bon Secours Health System,* available at: <u>https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/04/M-16-055-Determination-UPMC_-Bon-Secours-JV.pdf</u>

⁵ Based on European Central Bank 2021 average euro foreign exchange reference USD 1 = EUR [1.1827].



The Target – SSHL

- 6. SSHL is controlled by funds affiliated with Carlyle Cardinal Ireland Fund L.P. ("Carlyle") via its subsidiary CCIF Sport S.à.r.l. ("CCIF Sport") which holds 37.78% of the shares in SSHL.⁶
- 7. SSHL owns 100% of the issued share capital in Sports Surgery Clinic Limited, an 83-bed private orthopaedic surgery and sports medicine clinic located in Santry, County Dublin. The Sports Surgery Clinic Limited provides a range of orthopaedic surgery and sports medicine services including surgical, diagnostic, physiotherapeutic, biomechanical and medical services to patients.
- 8. For the financial year ending 31 December 2021, SSHL's worldwide turnover was approximately €59.1 million, all of which was generated in the State.

Rationale for the Proposed Transaction

9. The parties state in the notification that:

"The Transaction is a strategic fit to allow UPMC Ireland provide patients in Dublin with access to a wider selection of high-quality patient care and improve the standard of orthopaedic surgery for the benefit of patients across Ireland. In particular, [......]."

Third-Party Submissions

10. No third-party submissions were received.

Competitive Analysis

Horizontal Overlap

11. There is a horizontal overlap between the business activities of UPMC Ireland and SSHL in the State in relation to the provision of private healthcare services in the State, since both SSHL and UPMC Ireland operate private hospitals in the State. Within the provision of private healthcare services in the State, UPMC Ireland and SSHL overlap in the provision

⁶ In addition, Mr. Raymond Moran holds 34.5% of the shares in SSHL. Certain other minority shareholders of SSHL, in particular the Sellers, will sell their shares as part of the Proposed Transaction.



Competition and Consumer Protection Commission

of certain speciality healthcare services, namely the provision of radiology services, sports medicine treatment and orthopaedic services.

- 12. Within the provision of private healthcare services, there is a minor horizontal overlap between the activities of UPMC Ireland and SSHL in relation to the provision of radiology services in the State. In the notification, the parties do not consider the provision of radiology services by the parties to be a material overlap as the parties have a combined share of the market of less than [0-5]% in the State.⁷ The Commission considers that, given the parties' de minimis market share, the Proposed Transaction is unlikely to give rise to any horizontal competition concerns in respect of the provision of radiology services in the State. Accordingly, the Commission does not consider it necessary to consider the activities of UPMC Ireland and SSHL in the provision of radiology services in the State any further in this determination.
- 13. Within the provision of private healthcare services, the parties both also provide sports medicine treatment to patients in the State. UPMC Ireland states that sports medicine treatment refers to "many typical orthopaedic and physiotherapy treatments that are delivered to patients but where the patient has been referred with a sports injury background". In the notification, the parties estimate that the annual value of the provision of sports medicine treatment in the State is likely more than €30 million. UPMC Ireland's estimated that its revenue in the provision of sports medicine treatments in 2021 in the State was €200,000, accounting for a circa [0-5]% share. Also, UPMC Ireland states that a range of physicians provide sports medicine treatments in the State. For example, sports medicine treatments are provided within various private hospitals,⁸ professional/semi-professional sports organisations,⁹ and independent smaller practices. The Commission considers that, due to the small share of UPMC Ireland in the provision

⁷ This market share figure is based on an estimated market size for private radiology services of [...]. This was estimated based on the HSE's National Service Plan data from 2020 which estimated the total radiology market in the State to be €545 million. Towerview, an investment and advisory firm, proceeded to estimate that [....] of the total market relates to private radiology services.

⁸ For example, Beacon Hospital, Blackrock Clinic, Bon Secours Hospital Cork, Bon Secours Hospital Galway, Charter Medical Private Hospital, the Galway Clinic, Mater Private Hospital Dublin, the Sports Surgery Clinic, St Vincent's Private Hospital, UPMC Aut Even Hospital, UPMC Kildare Hospital and UPMC Whitfield Hospital.

⁹ For example, specialists with the Irish Rugby Football Union (IRFU), the Football Association of Ireland (FAI), the Gaelic Athletics Association (GAA), Sports Ireland, Olympics Ireland etc.

Competition and Consumer Protection Commission

of sports medicine treatments in the State, the Proposed Transaction is unlikely to give rise to any horizontal competition concerns in respect of the provision of sports medicine treatments in the State. Accordingly, the Commission does not consider it necessary to consider the activities of UPMC Ireland and SSHL in the provision of sports medicine treatments in the State any further in this determination.

14. In the notification, the parties state that within the provision of private healthcare services in the State, the key speciality offering in which the parties overlap relates to the provision of orthopaedic services. The parties state in the notification that orthopaedic services comprises a wide branch of medical care concerned with conditions involving the musculoskeletal system including spine diseases, sports injuries, infections, tumours, and the provision of hip and knee replacements.

Market Definition

Relevant Product Market

15. The Commission has previously examined transactions involving the provision of private healthcare services in the State. In previous determinations, the Commission did not come to a definitive view on the precise relevant product market in respect to the provision of private healthcare services.¹⁰ In its determination in *M*/20/036 – UPMC/Aut Even,¹¹ the Commission stated the following regarding the provision of private healthcare services:

"[T]he Commission does not need to come to a definitive view on the precise relevant product market in this instance since its conclusion on the likely competitive impact of the Proposed Transaction will be unaffected whether the precise relevant product market is defined narrowly (e.g., separate potential markets for the provision of each speciality healthcare service) or

¹⁰ See also, determination *M/20/010 – Portlon (Parma)/Blackrock*, available at: <u>https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/03/M-20-010-Portlon-Parma-Blackrock-Public-Detremination.pdf</u>, *M/20/009-Portlon (Parma)/Hermitage*, available at: <u>https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/03/M-20-009-Portlon-Parma-Hermitage-Determination-public-determination.pdf</u> and *M/19/042 – Portlon (Parma)/Galway Clinic*, available at: <u>https://www.ccpc.ie/business/wp-content/uploads/sites/3/2019/12/M-19-042-Portlon-Parma-Galway-Clinic-public-determination.pdf</u>

¹¹ For more information see the Commission's determination *in M/20/036 - UPMC/Aut Even* available at: <u>M/20/036 - UPMC/Aut Even - CCPC Business</u>



more broadly (e.g., to encompass the provision of private healthcare services)."

- 16. In its determination in *M/20/015 Portlon/Blackrock (Tullycorbett/Xroon)*,¹² the Commission made reference to a potential market for the provision of private healthcare services and also considered whether the relevant product market could be defined more narrowly by defining separate markets for the provision of individual speciality healthcare services.¹³
- 17. As noted above, the parties' primary overlap is in the provision of private healthcare services in the State. UPMC Ireland provide a range of private healthcare services across its private hospitals: UPMC Whitfield, UPMC Kildare, Aut Even Hospital and Cork Radiation Oncology Associates. SSHL provides a range of orthopaedic surgery and sports medicine treatments in the Sports Surgery Clinic Limited in Santry, Co. Dublin.
- 18. The Commission defines the market to the extent necessary depending on the particular circumstances of a given case. In this instance, the Commission does not need to come to a definitive view on the precise relevant product market since its conclusion on the likely competitive impact of the Proposed Transaction will be unaffected whether the potential product market is defined narrowly (e.g., separate potential markets for the provision of each speciality healthcare service) or more broadly (e.g., to encompass the provision of private healthcare services).
- 19. Therefore, for the purpose of this determination, the Commission has followed the approach taken in previous determinations in relation to private healthcare¹⁴ and

¹² Determination *M/20/015* – *Portlon/Blackrock* (*Tullycorbett/Xroon*), available at: <u>https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/04/M-20-015-Portlon-Parma-Blackrock-Public-Determination.pdf</u>.

¹³ See also, determination M/20/010 – Portlon (Parma)/Blackrock, available at: https://www.ccpc.ie/business/wpcontent/uploads/sites/3/2020/03/M-20-010-Portlon-Parma-Blackrock-Public-Detremination.pdf, M/20/009-(Parma)/Hermitage, Portlon available at: https://www.ccpc.ie/business/wpcontent/uploads/sites/3/2020/03/M-20-009-PortIon-Parma-Hermitage-Determination-publicand M/19/042 Portlon (Parma)/Galway determination.pdf _ Clinic, available at: https://www.ccpc.ie/business/wp-content/uploads/sites/3/2019/12/M-19-042-Portlon-Parma-Galway-Clinicpublic-determination.pdf.

¹⁴ See for example the Commission's determination in M/20/036 – UPMC/Aut Even, M/20/015 – Portlon/Blackrock (Tullycorbett/Xroon), M/20/010 – Portlon (Parma)/Blackrock, M/20/009- Portlon (Parma)/Hermitage and M/19/042 – Portlon (Parma)/Galway Clinic



Competition and Consumer Protection Commission

assessed the likely competitive impact of the Proposed Transaction in both broad and narrow potential product markets, namely: (i) the provision of private healthcare services and (ii) the provision of private speciality healthcare services i.e. the provision of orthopaedic services.¹⁵

Relevant Geographic Market

- 20. In its previous determinations, the Commission examined the competitive impact of the relevant transactions by reference to potential regional and national geographic markets. In *M*/20/036 UPMC/Aut Even¹⁶ the Commission did not come to a definitive view on the relevant geographic market definition but assessed the likely competitive impact of the Proposed Transaction in each of (i) the State; and (ii) the Southeast Region.
- 21. The Commission does not need to come to a definitive view on the precise relevant geographic market in this instance, since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the relevant geographic market is defined as regional or national. Accordingly, for the purpose of its competitive assessment of the Proposed Transaction, the Commission has followed the approach taken in previous determinations with respect to the potential geographic market and assessed the likely competitive impact to the provision of private healthcare services, and private speciality healthcare services in each of (i) the State and (ii) Leinster.

Conclusion on relevant markets

- 22. Accordingly, for the purposes of carrying out its competitive assessment of the Proposed Transaction, the Commission has analysed the impact of the Proposed Transaction by reference to the following two potential markets:
 - a) the provision of private healthcare services in the State and in Leinster;
 - b) the provision of private orthopaedic services in the State and in Leinster.

¹⁵ Note, the Commission does not need to come to a definitive view on whether the provision of private healthcare services includes the private provision of healthcare services within public hospitals for the purposes of this determination, see further paragraph 24 below.

¹⁶ For more information see the Commission's determination in M/20/036 - UPMC/Aut Even available at: M/20/036 - UPMC/Aut Even - CCPC Business



Competitive Analysis – Horizontal

Provision of Private Healthcare Services in the State

Table 1: Private Healthcare Services Providers' Estimated Market Share	
by Revenue in the State in 2021	
	Estimated Market Share
	(Excluding private provision in
Private Healthcare Provider	public hospitals)
UPMC Ireland (Whitfield, Kildare, Cork and Aut Even.)	[5-10]%
The Sports Surgery Limited	[0-5]%
Combined	[10-15]%
Blackrock Health ¹⁷	[20-25]%
Bon Secours Group ¹⁸	[20-25]%
Mater Private	[15-20]%
Beacon Hospital	[10-15]%
St Vincent's Private	[5-10]%
Kingsbridge Sligo	[0-5]%
St Francis Ballinderry	[0-5]%
Total	100%
Pre-merger HHI ¹⁹	[500-2000]
Post-merger HHI ²⁰	[500-2000]
Change in HHIs	[0-1000]

Source: Based on information provided by the parties²¹

23. Table 1, above, shows estimated market shares in the provision of private healthcare services in the State in 2021. Table 1 shows that the parties estimate that UPMC Ireland and SSHL's market shares in respect of the provision of private healthcare services in the State were approximately [5-10]% and [0-5]% respectively in 2021, when private healthcare in public hospitals is excluded. Thus, following implementation of the Proposed Transaction, with a minimal increment [0-5]%, UPMC Ireland would hold an estimated [10-15]% share in respect of the provision of private healthcare services in the State if private healthcare services provided by public hospitals in the State is excluded.

 ¹⁷ Blackrock Health comprises of the Blackrock Clinic, the Hermitage Clinic, the Galway Clinic and the Limerick Clinic.
¹⁸ The Bon Secours Group comprises of its private hospitals in Dublin, Cork, Galway, Limerick and Tralee.

¹⁹ Before the implementation of the Proposed Transaction.

²⁰ After the implementation of the Proposed Transaction.

²¹ Estimated by Towerview on behalf of the parties using information online and information provided by the CRO.



Competition and

Commission

Consumer Protection

Coimisiún um

lomaíocht agus

Cosaint Tomhaltóirí

- 25. Market concentration refers to the degree to which production/supply in a particular market is concentrated in the hands of a few large firms. The most commonly used measure of concentration is the Herfindahl-Hirschman Index ("HHI"), which is defined as the sum of the squares of the market shares of all firms participating in the market. According to the Commission's Merger Guidelines²², any market with a post-merger HHI greater than 1,000 may be regarded as concentrated and any market with a post-merger HHI greater than 2,000 may be regarded as highly concentrated. In a concentrated market, a change in the pre-merger HHI compared to the post-merger HHI of less than 250 is "unlikely to cause concern". In a highly concentrated market, a change in the pre-merger HHI of less than 150 is "unlikely to cause concern". Therefore, if the post-merger HHI is above 2,000 and the change in the HHI is greater than 150, this indicates that firms in that market may be able to exercise market power.
- 26. Based on the market share estimates set out in Table 1 above, the Commission is of the view that the market for the provision of private healthcare services in the State is concentrated with a HHI of [500-2000] prior to implementation of the Proposed Transaction. Following implementation of the Proposed Transaction the HHI is [500-2000] and the change in the HHI would be [0-500]. Pursuant to the Commission's Merger

²² Commission's Merger Guidelines, paragraph 3.10.



Guidelines, such HHI levels indicate that the Proposed Transaction is unlikely to raise competition concerns on this basis.

- 27. In addition, the Commission's analysis has found that, even on the basis of a market for the provision of private healthcare services in the State which excludes the provision of private healthcare services in public hospitals, there are a number of competitors of the parties, offering a range of private healthcare services, which have a strong incentive to compete with the parties in the State following implementation of the Proposed Transaction. Such competitors include Blackrock Health ([20-25]% market share), Bon Secours Group ([20-25]% market share), Mater Private ([15-20]% market share), Beacon Hospital ([10-15]% market share), St Vincent's Private Hospital ([5-10]% market share).
- 28. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the provision of private healthcare services in the State.

Provision of Private Healthcare Services in Leinster

- 29. The parties estimate that UPMC Ireland and SSHL's market shares in respect of the provision of private healthcare services in Leinster were approximately [0-5]% and [5-10]% respectively in 2021, when private healthcare in public hospitals is excluded. Thus, following implementation of the Proposed Transaction, UPMC Ireland would hold an estimated [5-10]% share in respect of the provision of private healthcare services in Leinster if private healthcare services provided by public hospitals in Leinster is excluded.
- 30. Following the implementation of the Proposed Transaction, UPMC Ireland will continue to face a competitive constraint from a number of providers of private healthcare services in Leinster including: St Vincent's Private ([10-15]% market share); Blackrock Health²³ ([20-25]% market share); Mater Private ([20-25]% market share); Beacon Hospital ([15-20]% market share); Bon Secours Dublin ([5-10]% market share); and St Francis Ballinderry ([0-5]% market share).

²³ Blackrock Health's Blackrock Clinic and Hermitage Clinic.



31. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the provision of private healthcare services in Leinster.

Provision of Private Orthopaedic Services in the State

- 32. UPMC Ireland provides a broad range of private speciality healthcare services such as ophthalmology, orthopaedics, general surgery, urology, gynaecology and radiology. SSHL mainly specialises in healthcare services such as the provision of orthopaedic services and sports medicine treatments as well as some other services including the provision of pain management and rheumatology treatments. The parties overlap in the provision of private speciality services specifically in the provision of radiology services, sports medicine treatments and orthopaedic services.²⁴ As set out above, at paragraphs 12 and 13 the Commission does not consider it necessary to consider the activities of the parties in the provision of radiology services or sports medicine treatments in the State any further in this determination.
- 33. The parties estimate that UPMC Ireland and SSHL's market shares in respect of the provision of private orthopaedic services in the State were approximately [0-5]% and [10-15]% respectively in 2021, when the provision of private orthopaedic services in public hospitals is excluded. Following the implementation of the Proposed Transaction, UPMC Ireland would hold an estimated [15-20]% share in the provision of private orthopaedic services in public hospitals is excluded. The State in 2021, when private orthopaedic services in public hospitals is excluded. The Commission also does not need to take a definitive view on whether or not the potential product market for the provision of private orthopaedic services in the State includes the provision of private orthopaedic services in public hospitals are taken into account the parties combined market share of revenue generated from the provision of private orthopaedic services in 2021 would have been lower than [15-20]%.

²⁴ Note, the Commission does not need to come to a definitive view in this determination as to whether the provision of orthopaedic services in the State should be sub-segmented further to consider the provision of hip and knee replacements in the State.



- 34. Following the implementation of the Proposed Transaction, UPMC Ireland will continue to face a competitive constraint from a number of other providers of private orthopaedic services in the State including: Beacon Hospital; Blackrock Health²⁵; St Vincent's Private Hospital; and Mater Private.²⁶
- 35. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the provision of private orthopaedic services in the State.

Provision of Private Orthopaedic Services in Leinster

- 36. The parties estimate that UPMC Ireland and SSHL's market shares in respect of the provision of private orthopaedic services in Leinster were approximately [0-5]% and [15-20]% respectively in 2021, when private healthcare in public hospitals is excluded. Thus, following implementation of the Proposed Transaction, with a minimal increment ([0-5]%), UPMC Ireland would hold an estimated [20-25]% share in respect of the provision of private orthopaedic services in Leinster, when private orthopaedic services provided by public hospitals in Leinster is excluded.
- 37. Following the implementation of the Proposed Transaction, UPMC Ireland will continue to face a competitive constraint from a number of providers of private orthopaedic services in Leinster including: Beacon Hospital, Blackrock Health²⁷, Bon Secours Dublin, Mater Private Hospital Dublin and St Vincent's Private Hospital.²⁸

²⁵ Blackrock Health's Blackrock Clinic, the Hermitage Clinic, the Galway Clinic and the Limerick Clinic.

²⁶ The Commission does not have estimates of the market share of these competitors in the provision of private orthopaedic services in the State.

²⁷ Blackrock Health's Blackrock Clinic and Hermitage Clinic.

²⁸ The Commission does not have estimates of the market share of these competitors in the provision of private orthopaedic services in the State.



38. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the provision of private orthopaedic services in Leinster.

Vertical Relationship

- 39. The parties state in the notification that there is no vertical relationship between the business activities of UPMC Ireland and SSHL. UPMC Ireland does provide services to certain public hospitals in the State²⁹ however, UPMC Ireland does not offer services to other private hospitals in the State.
- 40. The Commission has not identified any existing vertical relationship between the parties in the State. On this basis, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion of Competitive Analysis

41. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

42. Clauses 10.1, 10.2 and 10.3 of the SPA contain restrictive covenants including noncompete obligations on the Non-Executive Sellers³⁰, the Consultant Sellers³¹ and the Executive Sellers.³² The duration of these non-compete obligations does not exceed the maximum duration acceptable to the Commission.³³ Therefore, the Commission considers that Clauses 10.1, 10.2 and 10.3 of the SPA are directly related and necessary to the implementation of the Proposed Transaction insofar as they relate to Leinster.

²⁹ UPMC Ireland offers various services under public contracts to the HSE, subject to a tendering process.

 $^{^{\}rm 30}$ The Non-Executive Sellers is defined in the SPA as meaning each of [.....].

³¹ The Consultant Sellers is defined in the SPA as meaning each of [.....].

³² The Executive Sellers is defined in the SPA as meaning each of [.....].

³³ In this respect, the Commission follows the approach adopted by the European Commission in paragraphs 20 and 26 of its "Commission Notice on restrictions directly related and necessary to concentrations" [2005] OJ C56/24, available at <u>https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52005XC0305%2802%29</u>



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the Proposed Transaction whereby UPMC Investments Limited would acquire the entire issued share capital, and thus sole control, of Swift Spraoi Holdings Limited, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh Member Competition and Consumer Protection Commission