

Firm says Blue Cross tried to crush it

Pontiac-based firm successful with Ford, wooed Chrysler, GM

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PONTIAC - As health care costs soared nationally, a small Michigan firm gave Ford Motor Co. a proposal to cut its physical therapy costs. The automaker signed up for an in-state pilot program, which was so successful Ford expanded it last year to cover about 390,000 employees, retirees and their families nationwide.

Yet the cost-saving program created by Pontiac-based TheraMatrix has come under attack from Blue Cross Blue Shield of Michigan.

Court records allege Blue Cross used its position as the state's dominant insurer to try to crush TheraMatrix as it worked to also sign up Chrysler and General Motors. A USA TODAY review of hundreds of pages of e-mails and internal documents that are part of a lawsuit TheraMatrix filed against Blue Cross indicates that TheraMatrix's efforts to carve out a niche market in managing outpatient physical therapy costs was seen as a threat by officials at Blue Cross and by some Michigan hospitals.

"They tried to destroy us," said Robert Whitton, a physical therapist who founded TheraMatrix in 1981. TheraMatrix has cut Ford's physical therapy costs by about half, Whitton says, saving millions of dollars annually. Under Blue Cross, Ford's costs averaged \$745,000 a month just in Michigan, he says. "We shouldn't have been in this position for creating a program that helped save health care costs."

Blue Cross denies trying to hurt TheraMatrix's business.

"The picture that they're trying to paint is the big whatever giant with a chainsaw in his hand coming down on the little guy," Jeffrey Rumley, Blue Cross' general counsel, told USA TODAY. "I just don't buy into that too easily."

The dispute provides a window into some of the factors that make overhauling the nation's health care system so difficult. The aggressive tactics employed against TheraMatrix raise questions about whether relationships between hospitals and insurers are inflating medical prices and stifling competition needed to control costs.

Court records depict Blue Cross - a nonprofit created under Michigan law to provide affordable health care - as working with a major hospital to stop expansion of TheraMatrix's program. They also reveal that Blue Cross barred TheraMatrix from the insurer's medical provider network, which covers most Michigan patients.

A Detroit-area jury awarded TheraMatrix \$4.5 million in July, finding that Blue Cross breached an agreement with TheraMatrix to process claims for its Ford program, then wrongfully interfered with TheraMatrix's efforts to launch a Chrysler program. Blue Cross has appealed.

Last month, the U.S. Justice Department sued Michigan's Blue Cross, accusing the insurer of a different kind of anticompetitive behavior: paying hospitals higher prices for medical care in exchange for a promise they would charge competing insurers as much as 40 percent more than they charge Blue Cross. Blue Cross says the suit is without merit.

Amid growing consumer fury over double-digit insurance rate increases, the power wielded by huge insurance companies is under increasing scrutiny:

- The Massachusetts Attorney General's Office has been investigating whether relationships between insurers and hospital networks in that state have driven up health costs for consumers.
- Pennsylvania's insurance department is investigating whether Blue Cross plans in that state are engaged in anticompetitive practices.
- In 24 states, two or fewer health insurers control 70 percent or more of the market, a study this year by the American Medical Association found.

Effective antitrust regulation is critical to lowering health care costs, Christine Varney, the assistant attorney general who heads the Justice Department's antitrust division, told lawyers at a health care conference in May. "The goals of health care reform cannot be achieved," she said, "if dominant insurers use exclusionary practices to blockade entry or expansion by alternative insurers."