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Regulation: Blue Cross Ordered to Pay \$4.5 Million In Therapy Firm Breach-of-Contract Suit

*Insurance Regulation*

**Blue Cross Ordered to Pay \$4.5 Million  
In Therapy Firm Breach-of-Contract Suit**

LANSING, Mich.—A jury in Oakland County, Mich., July 22 found Blue Cross Blue Shield of Michigan violated its contract with TheraMatrix Services Inc., a physical therapy firm that sued the insurer over plans to administer service plans for Ford Motor Co. and Chrysler LLC, TheraMatrix's president said (*TheraMatrix Inc. v. Blue Cross Blue Shield of Michigan*, Mich. Cir. Ct., No. 08-093506-CZ, *jury verdict* 7/22/10).

The jury award also covers tortious interference with the company's business with Chrysler, TheraMatrix President and Chief Operating Officer Bob Read told BNA July 22.

Blue Cross was to perform third-party administrative services for TheraMatrix under an outpatient therapy contract the company signed with Ford in 2005, but the insurer pulled out of the contract and told Ford that if it went through with the program, it would lose other discounts on its hospital contract, Read said. "Ford was looking at realizing maybe \$4 million to \$5 million in savings a year through our outpatient program," he said. "Blue Cross said they could lose hundreds of millions of dollars," so Ford terminated the agreement, he said.

When TheraMatrix discussed a similar program that Chrysler planned to implement nationwide in 2006, Blue Cross officials told the automaker it would terminate its hospital discounts as well, Read said. "They spooked [Chrysler directors] to the point where they postponed the program and canceled it indefinitely," he said.

Blue Cross also ended its participation in TheraMatrix health plans, according to the complaint. "You've got doctors that have been referring to us for years that can't refer to us," he said. "It damaged the relationships we had with all of our physicians." The complaint said the move was designed to "destroy" TheraMatrix's business and relationships "and even put the entire company out of business."

"We believe we have been vindicated," Read said. Blue Cross, he said, has a state mandate to provide Michigan residents with affordable health care, and "should have embraced the program" TheraMatrix designed for Ford and Chrysler, Read said. Instead, he said, "they tried to put us out of business."

Blue Cross said it was "disappointed" with the jury's decision and would review it for grounds to appeal. "This was simply a business dispute and was not a conspiracy or any of the other allegations that were made," the insurer said in a statement. A spokeswoman declined to comment on specifics of the suit.

By Nora Macaluso