

UNITED STATES DISTRICT COURT **FILED**  
 FOR THE DISTRICT OF CONNECTICUT  
 SEP 30 11 39 AM '92

UNITED STATES OF AMERICA, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 GREATER BRIDGEPORT INDIVIDUAL )  
 PRACTICE ASSOCIATION, INC., )  
 )  
 Defendant. )

Civil Action No.  
**592CV00575** EBB  
 Filed:  
 September 30, 1992  
 15 U.S.C. § 1 (Antitrust  
 Violation Alleged)  
 15 U.S.C. § 4 (Equitable  
 Relief Sought)  
 Judge Burns

COMPLAINT

The United States of America, plaintiff, by its attorneys,  
 acting under the direction of the Attorney General of the  
 United States, brings this civil antitrust action to obtain  
 equitable relief against the above-named defendant and  
 complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. This Complaint is filed and these proceedings are  
 instituted under Section 4 of the Sherman Act (15 U.S.C. § 4)  
 to prevent and restrain defendant's violation of Section 1 of  
 the Sherman Act (15 U.S.C. § 1).

2. The defendant maintains an office, transacts business and is found within the District of Connecticut during the period covered by this Complaint.

II.

DEFENDANT

3. Greater Bridgeport Individual Practice Association ("GBIPA") is made a defendant. GBIPA was founded in 1980 and is a not-for-profit corporation organized and existing under the laws of the state of Connecticut. GBIPA maintains an office in Bridgeport, Connecticut. Its membership comprises approximately 670 physicians in the greater Bridgeport area, representing 85-95% of the physicians practicing in the area. Member physicians control GBIPA. The greater Bridgeport area includes the cities and towns of Bridgeport, Fairfield, Stratford, Easton, Trumbull, Monroe, Shelton, Ansonia, Derby, Seymour, Beacon Falls, and Milford.

4. Whenever this Complaint refers to any act, deed or transaction of any corporation, it means that such corporation engaged in the act, deed or transaction by or through its officers, directors, agents, employees, members, or other representatives while they actively were engaged in the management, direction, control or transaction of its business or affairs.

III.

CO-CONSPIRATORS

5. Other persons, not charged as defendants, have participated as co-conspirators with defendant in the violation alleged in this Complaint, and have performed acts and made statements in furtherance of the violation.

IV.

TRADE AND COMMERCE

6. GBIPA contracts with Physicians Health Services of Connecticut, Inc. ("PHS"), a health-maintenance organization ("HMO"), to provide physician services to PHS members. For a set premium, PHS provides to its members coverage of comprehensive health-care services, including services rendered by physicians designated by PHS. In the greater Bridgeport area, PHS covers the health-care needs of approximately 82,000 members.

7. To retain a license to operate in Connecticut, an HMO must have arrangements with a sufficient number of physicians to provide adequate service to its members. From 1980 to date, GBIPA has contracted with PHS pursuant to a so-called IPA/HMO Service Agreement ("Service Agreement"). The Service Agreement requires GBIPA, through its member physicians, to provide medical services to PHS members. Pursuant to the Service Agreement, PHS pays GBIPA a set monthly payment, known as a capitation fee, for each PHS member served by GBIPA. In 1990, PHS paid over \$60 million in capitation fees to GBIPA. These capitation fees are a significant component of premiums charged by PHS to members, employers, and the United States Government.

8. GBIPA contracts directly with individual physicians to obtain physician services for PHS members. GBIPA establishes a fee schedule to pay its contracting physicians for providing services to PHS members and withholds a certain percentage of the fees paid to contracting physicians to share the financial risk of charges exceeding GBIPA's yearly budget. In addition, GBIPA performs utilization-review and quality-control functions for PHS. Before and during the period of the alleged violation, contracts between GBIPA and individual physicians did not authorize GBIPA to be the exclusive bargaining agent for GBIPA physicians in contractual negotiations with PHS, nor did the contracts prohibit GBIPA physicians from contracting individually with PHS.

9. Most GBIPA member physicians are in independent, private practices and are in potential or actual competition with other GBIPA physicians, in the same or overlapping specialties, to provide services to PHS members.

10. From 1980 until 1989, the Service Agreement between PHS and GBIPA was renewed automatically each year. On May 8, 1989, GBIPA notified PHS that the contract would not be automatically renewed. On May 11, 1989, PHS notified GBIPA that if PHS were unable to reach an agreement with GBIPA, PHS might seek to contract directly with GBIPA physicians. During contractual negotiations, PHS and GBIPA reached an impasse around September 1, 1989. The major issues of disagreement concerned GBIPA's role in the governance of PHS and the amount

of increase in capitation fees. After suspending negotiations with GBIPA, PHS sought to contract directly with GBIPA member physicians, for the period beginning December 1, 1989, after its contract with GBIPA expired. PHS mailed proposed contracts to individual physicians who were GBIPA members on September 5, 1989.

11. The United States Government remits from outside Connecticut substantial premium payments to PHS for providing health-care coverage to federal-government employees and Medicare recipients in the greater Bridgeport area. Certain corporate employers also remit from outside Connecticut substantial premium payments to PHS for providing health-care coverage to their employees in the greater Bridgeport area.

12. Many businesses that remit premiums to PHS for providing coverage to employees in the greater Bridgeport area are themselves involved in selling products and services outside Connecticut. The premium levels paid by such businesses to PHS affect the prices of such products and services.

13. Physician members of GBIPA purchase substantial amounts of supplies from out-of-state vendors that are shipped into Connecticut. Such supplies are used in providing care to patients, including PHS members.

14. The general business activities of the defendant and its co-conspirators and the alleged violation are within the flow of, or have a substantial effect on, interstate commerce.

V.

VIOLATION ALLEGED

15. Beginning at least as early as July, 1989, and continuing in effect until the date of this Complaint, defendant and its co-conspirators have engaged in a combination and conspiracy in unreasonable restraint of interstate trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1. This offense is likely to recur unless the relief prayed for is granted.

16. The combination and conspiracy consisted of an agreement, understanding, and concert of action among defendant and co-conspirators not to contract individually with PHS, in part, for the purpose of increasing the capitation fees paid to GBIPA by PHS for GBIPA physicians' services.

17. In furtherance of this combination and conspiracy, defendant and co-conspirators combined and conspired to, among other things:

- (a) exhort GBIPA members not to sign individual contracts with PHS, in letters sent in anticipation of the issuance of the individual contracts, and after PHS mailed the individual contracts;

- (b) discourage GBIPA physicians from signing individual contracts with PHS at meetings both before and after the proposed individual contracts were mailed to them; and
- (c) reach an understanding not to sign individual contracts with PHS for the purpose of forcing PHS to negotiate and contract solely with GBIPA.

VI.

EFFECTS

18. The combination and conspiracy has had the following effects, among others,

- (a) unreasonably restrained price competition among GBIPA physicians for the sale of their services to PHS; and
- (b) deprived PHS of the benefits of free and open competition in its purchase of physician services.

VII.

PRAYER

WHEREFORE, plaintiff prays:

1. That the Court adjudge and decree that defendant and co-conspirators have engaged in an unlawful combination and conspiracy in violation of Section 1 of the Sherman Act.

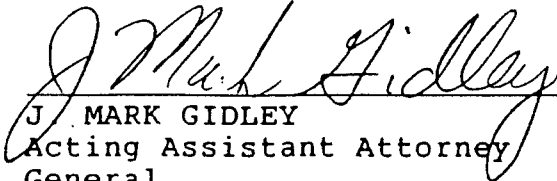
2. That defendant and its officers, directors, agents, members, and successors and all other persons acting or claiming to act on their behalf be enjoined and restrained for a period of 10 years from, in any manner, directly or indirectly, from continuing, maintaining or renewing the alleged combination and conspiracy, or from engaging in any other combination, conspiracy, agreement, understanding, plan, program, or other arrangement having a similar purpose or effect as the alleged combination and conspiracy.

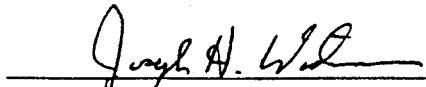
3. That plaintiff have such other and further relief as the nature of the case may require and the Court may consider just and proper.



4. That plaintiff recover the costs of this suit.

DATED: SEP 30, 1992

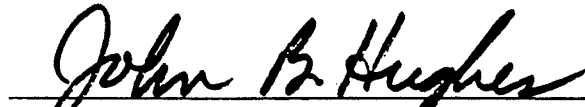
  
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