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TheraMatrix plans \$10M lawsuit against the Blues over contracts

By Jay Greene

TheraMatrix Physical Therapy in Pontiac was to file a multimillion-dollar lawsuit today against Blue Cross Blue Shield of Michigan for breaching a 2005 vendor agreement and a 2006 provider agreement in an ongoing arrangement TheraMatrix has to provide outpatient physical therapy services to Ford Motor Co.

The four-count lawsuit, which was to be filed in Oakland County Circuit Court, seeks more than \$10 million in damages and also charges Blue Cross with tortious interference with business and negligence in incorrectly reporting Ford's outpatient therapy costs, among other allegations.

Rodger Young, a managing partner at Young & Susser in Southfield, represents TheraMatrix.

Helen Stojic, media-relations director with Blue Cross, said the company had not seen the lawsuit and could not comment.

In 2002, Ford asked TheraMatrix to develop an outpatient physical therapy network carve-out plan to contain rising costs. At the time, Blue Cross was Ford's third-party administrator.

But some 10 days after TheraMatrix and Ford finalized the deal in February 2005, Blue Cross reneged on the third-party agreement, the lawsuit alleges.

Nine months later, Blue Cross terminated an agreement that led to TheraMatrix losing half its 2,000 physicians, said TheraMatrix CEO Bob Whitton. Some 16 months later, Blue Cross reinstated TheraMatrix, he said.

During the termination period, Blue Cross “engaged in a coordinated, malicious and willful campaign to destroy” the company, the lawsuit alleges.

Whitton said the company lost millions of dollars and has been forced to lay off 60 employees and reduce the hours of some of its 13 clinics in Michigan. TheraMatrix currently has about 100 employees, he said.

When Blue Cross terminated TheraMatrix in April 2006 as a participating provider of outpatient physical therapy, the lawsuit said, Blue Cross sent out thousands of letters to physicians, agents, companies and patients indicating Blue Cross would no longer pay for treatments at TheraMatrix clinics.

“It took us 25 years to develop our physician network,” Whitton said.

TheraMatrix, which continues to provide the carve-out services to Ford, now contracts with another third-party administrator, Automated Benefit Services in Sterling Heights.

TheraMatrix is a minority-owned, federally certified rehabilitation agency founded in 1981.

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