

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

_____)	
In the Matter of)	
)	
SYSTEM HEALTH PROVIDERS, INC.,)	Docket No. C-4064
a corporation, and)	
)	
GENESIS PHYSICIANS GROUP, INC.,)	
a corporation.)	
_____)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. § 41 *et seq.*, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Genesis Physicians Group, Inc. (“GPG”) and System Health Providers, Inc. (“SHP”) have violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this Complaint stating its charges in that respect as follows:

RESPONDENTS

PARAGRAPH 1: Respondent SHP is a for-profit corporation, organized, existing, and doing business under and by virtue of the laws of Texas, with its office and principal place of business at 12201 Merit Drive, Suite 450, Dallas, TX 75251.

PARAGRAPH 2: Respondent GPG is a non-profit corporation, organized, existing, and doing business under and by virtue of the laws of Texas, with its office and principal place of business at 12201 Merit Drive, Suite 440, Dallas, TX 75251.

JURISDICTION

PARAGRAPH 3: At all times relevant to this Complaint, almost all members of GPG were physicians engaged in the business of providing health care services for a fee. Except to the extent that competition has been restrained as alleged herein, members of GPG have been, and are now, in competition with each other for the provision of physician services.

PARAGRAPH 11: In order to be competitively marketable in the Dallas area, a payor’s health insurance plan must include in its physician network a large number of primary care physicians and specialists who practice in the Dallas area. Many of the primary care physicians and specialists who practice in the Dallas area are members of GPG.

PARAGRAPH 12: Competing physicians sometimes use a “messenger” to facilitate the establishment of contracts between themselves and payors in ways that do not constitute or facilitate an unlawful agreement on fees and other competitively significant terms. Such a messenger may not, however, consistent with a competitive model, negotiate fees and other competitively significant terms on behalf of the participating physicians, or facilitate the physicians’ coordinated responses to contract offers by, for example, electing not to convey a payor’s offer to them based on the messenger’s opinion

to GPG members unless and until those offers satisfy SHP's criteria have rendered it less likely and more costly for payors to establish competitive physician networks in the Dallas area without first coming to terms with SHP. As a result, payors often have offered or acceded to SHP demands for supracompetitive fees for all GPG members.

LACK OF SIGNIFICANT EFFICIENCIES

PARAGRAPH 21: Since July of 1999, neither GPG and its members nor SHP has sought or been willing to enter into agreements with payors in which GPG, SHP, or GPG's members undertake financial risk-sharing. Further, GPG members have not integrated their practices to create significant potential efficiencies. Respondents' joint negotiation of fees and other competitively significant terms has not been, and is not, reasonably related to any efficiency-enhancing integration.

ANTICOMPETITIVE EFFECTS

PARAGRAPH 22: Respondents' actions described in Paragraphs 13 through 20 of this Complaint have had, or tend to have, the effect of restraining trade unreasonably and hindering competition in the provision of physician services in the Dallas area in the following ways, among others:

- A. prices and other forms of competition among Respondent GPG's members were unreasonably restrained;
- B. prices for physician services were increased; and
- C. competition in the purchase of physician services was restrained to the detriment of health plans, employers, and individual consumers.

PARAGRAPH 23: The combination, conspiracy, acts, and practices described above constitute unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45. Such combination, conspiracy, acts, and practices, or the effects thereof, are continuing and will continue or recur in the absence of the relief herein requested.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-fourth day of October, 2002, issues its Complaint against Respondents GPG and SHP.

By the Commission.

Donald S. Clark
Secretary

SEAL