



Hospital network prevails in antitrust claim by competing physician-owned facility

By Mo Syed, King & Ballow Attorney & Healthcare Practice Member
msyed@kingballow.com

The largest hospital company in Arkansas and its health-insurance company affiliate succeeded in dismissing allegations made by a physician-owned cardiology competitor that the hospital and insurance company conspired to restrain trade and monopolize the market for cardiology services for privately insured patients.

On December 29, 2009, the U.S. Court of Appeals for the Eighth Circuit dismissed antitrust claims filed by Little Rock Cardiology Clinic, PA (LRCC) against Baptist Health and Blue Cross Blue Shield of Arkansas (BCBS). The Court of Appeals affirmed an Arkansas federal district court decision rejecting LRCC's argument that the relevant market in which the alleged antitrust violations occurred should be confined to patients covered by private insurance in the Little Rock area. The court rejected this definition as being too narrow.

Baptist Health owns five hospitals in the state including a large 500+ bed facility in Little Rock. From 1975 until 1997, LRCC cardiologists were on staff at Baptist and participated in a BCBS network of preferred providers. In 1997, after LRCC developed Arkansas Heart Hospital, a competitor of Baptist Health for cardiology services, BCBS terminated its network provider agreements with LRCC and its doctors. LRCC alleged that Baptist Health and BCBS unlawfully conspired to restrain trade and monopolize the market for cardiology procedures.



In order to establish a valid antitrust claim, LRCC had to allege a relevant market in which the antitrust violations occurred. Without a well-defined relevant market, a court could not determine the effect of an alleged illegal act on competition. A relevant market consists of both a product market and a geographic market.

Product Market. LRCC proposed to define the relevant market as “the market for cardiology procedures obtained in hospitals by patients covered by private insurance.” The Court of Appeals rejected any proposed definition determined by how patients pay for services. Instead, the relevant inquiry should focus on the choices available to consumers: “In this case--an exclusive-dealing case involving shut-out cardiologists--the relevant inquiry is whether there are alternative patients available to the cardiologists.” Since the cardiologists accepted other methods of payment, limiting the market only to patients who paid with private insurance impermissibly excluded other cardiology service options available to consumers.

Geographic Market. LRCC’s proposed geographic market - Little Rock – was also determined to be overly narrow. Although LRCC alleged a low percentage of patients leave its proposed geographic market, it did not allege a low percentage of patients enter its proposed market. Both conditions are necessary to establish a relevant market. In reality, the relevant market was broader, consisting of the geographic market from which Baptist Hospital draws a sufficiently large percentage of its business. The court stated: “We hold only that where, as here, an antitrust plaintiff alleges that a firm competes in and draws its customers from a specified geographic area, it cannot then limit the relevant geographic market to a location smaller than that area based solely on the fact that consumers must travel to that smaller area to obtain the relevant service or product.”



This decision emphasizes the importance of establishing a well-defined relevant market which is not arbitrarily narrow. Successful antitrust claims must establish both a relevant product market focusing on product choices available to customers and a relevant geographic market where the seller operates and the purchasers can practicably turn for products. As the Court of Appeals noted, “Antitrust claims often rise or fall on the definition of the relevant market.” To succeed in the enforcement of antitrust laws, each of the required components of a relevant market must be met and alleged.

Little Rock Cardiology Clinic, PA v. Baptist Health, Nos. 08-3158/09-1786 (8th Cir. Dec. 29, 2009)

For more information contact: Mo Syed, Attorney & Health Care Practice Member at King & Ballow, msyed@kingballow.com, phone (615) 726-5418.

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