

WellPoint Agrees to Settle A Long Dispute With Doctors

By MILT FREUDENHEIM

Seeking peace in a long-running war between doctors and insurers, WellPoint, the nation's largest health insurer, announced a settlement yesterday with 700,000 doctors who had accused the company of interfering in medical decisions and of routinely underpaying hospitals and physicians.

Under the settlement, WellPoint will pay \$198 million in cash and invest \$250 million in information technology and procedural changes to resolve disputes with doctors and pay claims more promptly.

A preliminary hearing on the settlement will be held by Judge Federico Moreno, whose approval is required, in Federal District Court tomorrow in Miami.

"This is a tremendous victory for physicians and patients," said Dr. Michael J. Sexton, president of the California Medical Association, which spearheaded the lawsuit. The suit accuses for-profit managed health care companies of "using coercive, unfair and fraudulent means to control physician-patient relationships, violating federal law," the California association said in a statement yesterday.

Eighteen state medical societies joined in the suit, including groups in Connecticut, New Jersey, Florida, Texas and Georgia.

With the agreement, six companies in a class-action suit filed by state medical societies five years ago have agreed to settlements totaling \$590 million in cash, plaintiffs' lawyers said. The six include Aetna, Cigna, Health Net and Prudential, which was acquired by Aetna, and now WellPoint and Anthem, which merged last year.

Four other defendants — the UnitedHealth Group and Pacificare, which announced a merger last week, and Coventry Health Care and Humana — are scheduled for trial in January, also before Judge Moreno.

Some Wall Street analysts predict that the remaining four will settle rather than go to trial, although United has adamantly rejected that possibility.

Last January and again in May, the United States Supreme Court rebuffed attempts by the companies to overturn rulings by Judge Moreno to allow the suit to proceed as a class action that alleges violations of the federal Racketeer Influenced and Corrupt Organizations Act.

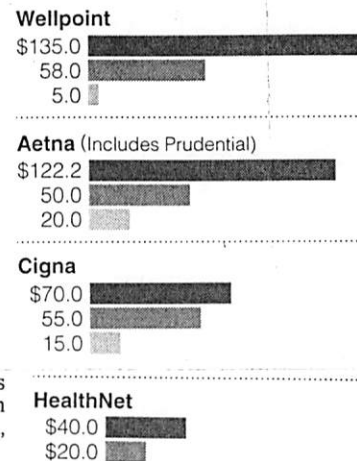
The agreement is "a very important step in further collaborating with physicians," said Larry C. Glasscock, president and chief executive of WellPoint.

The company said it would take a pretax charge of \$103 million, or about 10 cents a share after tax, in the second quarter of next year. Jim Kappel, a WellPoint spokesman, said the company had been making improvements in relations with doctors, including providing information on Web sites about the payments pro-

Finding Relief

Some large profit-making health insurers have agreed to settlements in a class-action suit accusing them of interfering with physician-patient relationships and underpaying hospitals and physicians.

■ CASH SETTLEMENT TO DOCTORS
■ ATTORNEYS' FEES
■ CONTRIBUTIONS TO CREATE A NON-PROFIT HEALTH CARE FOUNDATION*



*Foundation to make grants to doctors to study ways of improving their practices.

Source: Plaintiffs' lawyers

The New York Times

cess. "It is very important to put this litigation behind us so we can continue to focus on serving our customers," Mr. Kappel said.

WellPoint agreed to pay \$135 million to physicians and contribute \$5 million to a foundation established in the earlier settlements. Plaintiffs' lawyers, led by Archie Lamb of Birmingham, Ala., will divide as much as \$58 million, to be determined by Judge Moreno. Wall Street health care analysts played down the financial impact. Matthew Borsch at Goldman Sachs, which does investment banking business with WellPoint, predicts its 2005 revenues will be \$45.3 billion. He said the agreement compared favorably to the cash settlements by Aetna, Cigna and Health Net.

Doug Simpson, an analyst at Merrill Lynch, said it was "a modest positive for the company to put this issue behind it."

Mr. Lamb said the cash payments of \$590 million from the existing agreements would consist of \$367 million for doctors, \$40 million for a nonprofit health care foundation, and \$183 million in lawyers' fees. Mr. Borsch said the companies would have no problem meeting the cash payout.