

WASHINGTON (AP) — The Federal Trade Commission is investigating the huge Blue Shield insurance system to determine if physician control of the 72-million-member program stifles competition and contributes to the dramatic increase in health care costs for all Americans.

Blue Shield now provides physician-care insurance for 40 per cent of the nation's population and pays out over \$3 billion annually in doctor's fees, the FTC said.

The FTC said today its nonpublic investigation will encompass all of the 71 Blue Shield plans across the nation as well as the National Association of Blue Shield Plans.

Blue Shield officials said they would cooperate with the FTC investigation. They also said the investigation was not evidence of any illegality and they defended physician involvement with Blue Shield.

FTC officials gave no details of the planned investigation, except to say they would study control of Blue Shield by physicians and its impact on competition and delivery of health-care services to all Americans.

But it was learned that the agency is concerned, among other things, that the plan's large share of the physician-care business allegedly gives Blue Shield a major voice in determining the prevailing fees charged by physicians in any given community.

There were indications the investigation would touch on contentions that since medical doctors themselves control the program, competition from other health plans not administered by doctors is interfered with.

Physician control of Blue Shield varies from plan to plan but physicians involved in administration of Blue

Shield basically are determining the

amounts that Blue Shield will pay them for services performed for subscribers.

A three-month investigation last year by The Associated Press concluded that Blue Shield's practices encourage physicians to raise their bills.

The national Blue Shield association requires local boards of directors to have a majority of "public" members representing subscribers instead of

doctors. But The AP investigation found that many of these "public" members are chosen by doctors and hospitals rather than by subscribers.

Government figures show that doctors' fees have risen 85 per cent in the past 10 years, compared to a 68 per cent increase in the over-all cost of living. The AP investigation concluded that the soaring medical costs resulted in part from the failure of Blue Shield to impose cost controls on physicians.

It has been indicated the FTC will attempt in its probe to determine if doctors involved with Blue Shield are in a conflict-of-interest situation in setting the formulas that establish the fees they and other doctors are to be paid for their services.

The FTC said, however, that the investigation of Blue Shield does not imply that there are any violations of the law and the probe could end without any action being taken by the government.