

No ERISA Preemption of California Statute Requiring Health Care Service Plans to Reimburse Providers for Cost of Emergency Care

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[*Coast Plaza Doctors Hospital v. Blue Cross of Calif.*](#), 2009 WL 1272631 (Cal. App. 2nd Dist. May 11, 2009)

The California Court of Appeal has held that a claim against a health care insurer that is violated California Health and Safety Code Section 1371.4 (“Section 1371.4”) is not preempted by ERISA. In [*Coast Plaza Doctors Hospital v. Blue Cross of Calif.*](#), 2009 WL 1272631 (Cal. App. 2nd Dist. May 11, 2009), Coast Plaza Doctors Hospital (“Coast Plaza”) provided emergency care to a patient who was enrolled in a group health plan insured by Blue Cross of California (“Blue Cross”). Coast Plaza was an “out-of-network” provider because it did not contract with Blue Cross to provide services to Blue Cross plan participants or beneficiaries. Coast Plaza billed Blue Cross over \$580,000 in costs incurred to provide emergency care to the patient. Blue Cross refused to pay the bill, contending that Coast Plaza did not submit sufficient information to demonstrate that the services were rendered in connection with a medical emergency.

Coast Plaza sued Blue Cross under various theories, including an allegation that Blue Cross violated Section 1371.4, a provision of the Knox-Keene Health Care Service Plan Act of 1975 that requires a health care service plan to reimburse a provider for the cost of emergency care. Blue Cross demurred to Coast Plaza’s complaint on that basis that Coast Plaza’s claims were preempted by ERISA, 29 U.S.C. Section 1144(a), because the claims related to an ERISA plan. The trial court sustained the demurrer, and the Court of Appeals overturned.

The appellate court held that Coast Plaza’s claims came within ERISA’s “saving clause” which saves from ERISA preemption state laws that regulate insurance. The court reasoned that Section 1371.4 regulates insurance because: (1) it dictates to the insurer the conditions under which the insurer must pay for the risk it has assumed; (2) it expands the number of providers from whom an insured may receive services; and (3) it tells the insurer and insured that they cannot enter into a bargain whereby the insurer only pays for emergency services rendered by providers inside the insured’s network. For these reasons, the court determined that Coast Plaza’s claims against Blue Cross were not preempted by ERISA.