

Prospect Medical Group, Inc. v Northridge Emergency Medical Group

1/8/09

Health and Safety Code; Emergency Medical Care; Balance Billing

Prospect is an individual practice association of physicians which manages care through written contracts with health care service plans. It provides for medical care to members of a health care service plan who select a Prospect physician. As such, it is statutorily obligated to pay for emergency services provided to its patients (subscribers). ([Health and Safety Code section 1371\(b\)&\(e\)](#))

Northridge Emergency Medical Group are health care providers, statutorily obligated to provide emergency health care without regard to an individual's ability to pay. ([Health and Safety Code section 1317\(d\)](#))

Normally subscribers schedule health care in advance and go to a physician in their plan, or its delegate, like Prospect, which has a contract with the plan. If these patients need emergency care, they may be taken to a Hospital which does not have a contract with the health care plan or its delegate. Here, when Northridge Emergency provided emergency health care services to patients who were subscribers of health plans with Prospect, Northridge submitted reimbursement claims to Prospect. In those cases, Prospect **paid what it claimed was reasonable compensation** for the services rendered. Northridge Emergency then billed the patients for the difference between the bills they submitted and what Prospect paid. This is referred to as “**balance billing**.”

Prospect eventually sued Northridge seeking a determination that Northridge was entitled only to “reasonable” compensation for emergency medical care and that balance billing was unlawful. Northridge demurred to the action and the trial court sustained the demurrer, and entered judgment. On appeal, the Court of Appeal concluded balance billing is not statutorily prohibited, and also, that Prospect should have an opportunity to amend its complaint. Prospect petitioned for review by the California Supreme Court on the sole issue of whether Emergency Physicians may engage in balance billing.

The High Court noted the [Knox-Keene Act](#) governs this case. (*Bell v Blue Cross of California* (2005) 131 Cal.App.4th 211). Knox-Keene requires HMO's to reimburse providers for emergency services and care provided to enrollees. Prior authorization is not required. ([H&S 1371.4\(b\)](#)) Payment may be denied only if it is determined the services were not provided. The Supreme Court Justices note that the various mandates at play here create the basis for disputes regarding how much the emergency room doctors may charge and how much the HMO must pay.

Prospect contended that Knox-Keene prohibits balance billing. It argued an **implied contract** exists, under Health & Safety code section 1379, wherein emergency room doctors provide and HMO's pay for medical services. The Court of Appeal disagreed,

thereby allowing the practice of balance billing. The Supreme Court of California unanimously disagreed.

Since 1994, HMO's have been obligated to pay for emergency care ([Section 1371.4](#)); the Knox-Keene Act permits emergency room doctors to sue HMO's directly for billing disputes. These provisions strongly suggest doctors may not bill patients directly when a dispute arises between doctors and HMO's. Additional statutory language implies that once patients provide insurance information from their HMO they have satisfied their obligation toward the emergency doctors. ([Section 1317\(d\)](#))

Further, Knox-Keene provides a dispute resolution mechanism to provide non-contracting providers (such as emergency physicians) a means to resolve billing disputes. ([Section 1367\(h\)\(2\)](#)). Finally, the Legislature protects non-contracting providers by prohibiting HMO's from engaging in **unfair payment patterns** involving unjust payment reductions. ([Section 1371.37](#))

Thus, the only **reasonable interpretation** of the statutes is that **emergency room doctors may not bill patients directly for amounts in dispute. Emergency room doctors must resolve their differences with HMO's and not inject patients into the dispute. Doctors may not bill a patient for emergency services that the HMO is obligated to pay. Balance billing is not permitted.**

Because emergency room doctors prevailed in *Bell v Blue Cross*, and won the right to resolve their disputes directly with HMO's, no reason exists to permit balance billing. *Bell* made clear that an HMO does not have the unfettered right to determine the amount of reimbursement, nor may the emergency doctor charge whatever they choose. Instead, the two must resolve the dispute among themselves and not insert the patient into the fight.

The Court did not comment on retroactivity of the ruling. The Court of Appeal's judgment is reversed.