

United States Court of Appeals
For the Seventh Circuit
Chicago, Illinois 60604

February 11, 2020

Before

DIANE P. WOOD, *Chief Judge*

DIANE S. SYKES, *Circuit Judge*

MICHAEL Y. SCUDDER, *Circuit Judge*

No. 18-1789

IN RE:

ELENA HERNANDEZ,
Debtor-Appellant.

Appeal from the
United States District Court for the
Northern District of Illinois,
Eastern Division.

No. 17 CV 3230

Jorge L. Alonso,
Judge.

ORDER

This bankruptcy appeal raises a single question of state law. Elena Hernandez had only one sizable asset when she filed her Chapter 7 petition: a pending workers' compensation claim, which she valued at \$31,000. She listed the claim as exempt under section 21 of the Illinois Workers' Compensation Act, 820 ILL. COMP. STAT. 305/21 (applicable via 11 U.S.C. § 522(b)), and she settled it two days after filing for bankruptcy. *In re Hernandez*, 918 F.3d 563, 565 (7th Cir. 2019).

Hernandez's creditors include certain healthcare providers who treated her workplace injuries; they objected to the claimed exemption. The bankruptcy judge denied the exemption, and the district judge affirmed. *Id.*

Hernandez's appeal turns on an important but unsettled question of state law concerning the effect of certain 2005 amendments to the Illinois Workers' Compensation Act. So on March 18, 2019, we certified the following question to the Illinois Supreme Court:

After the 2005 amendments to 820 ILL. COMP. STAT. 305/8 and the enactment of 305/8.2, does section 21 of the Illinois Workers' Compensation Act exempt the proceeds of a workers' compensation settlement from the claims of medical-care providers who treated the illness or injury associated with that settlement?

Id. at 571. The court accepted the certification.

On January 24, 2020, the Illinois Supreme Court answered the certified question in the affirmative:

Notwithstanding the 2005 amendments to section 8 of the Act (820 ILCS 305/8 (West 2016)) and the enactment of section 8.2 of the Act (*id.* § 8.2), section 21 of the Act (*id.* § 21) *does* exempt the proceeds of a workers' compensation settlement from the claims of medical-care providers who treated the illness or injury associated with that settlement.

In re Hernandez, No. 124661, 2020 WL 398783, at *6 (Ill. Jan. 24, 2020). That authoritative holding of the state supreme court is dispositive. The proceeds of Hernandez's workers' compensation settlement are exempt from the claims of the healthcare providers who treated her workplace injuries. The contrary rulings of the bankruptcy and district courts rest on a flawed interpretation of state law. Accordingly, the judgment must be and hereby is

REVERSED.