

United States District Court
For the Northern District of California

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

)	Case No.: 13-CV-00655-LHK
COMMUNITY HOSPITAL OF THE)	
MONTEREY PENINSULA,)	ORDER GRANTING PLAINTIFF’S
)	MOTION TO REMAND AND
Plaintiff,)	DENYING AS MOOT DEFENDANT
v.)	DELTA HEALTH’S MOTION TO
)	DISMISS
WM. MICHAEL STEMLER, INC.; JOHN)	
MUIR HEALTH; and DOES 1 through 10,)	
INCLUSIVE,)	
)	
Defendants.)	

Plaintiff Community Hospital of the Monterey Peninsula (“the Hospital”) filed this action against Defendants John Muir Health and Wm. Michael Stemler, Inc., d.b.a. Delta Health Systems (“Delta Health”), who administer a health benefit plan, under state law in state court seeking damages and an injunction in connection with Defendants’ alleged failure to pay for medical coverage for one of the plan’s beneficiaries who was a patient at the Hospital. Defendants removed this action to federal court, claiming that the Employee Retirement Income Security Act (“ERISA”) completely preempted the Hospital’s claim. Before the Court are Plaintiff’s Motion to Remand and Defendant Delta Health’s Motion to Dismiss. The Court finds that these motions are suitable for decision without oral argument pursuant to Civil Local Rule 7-1(b) and therefore

1 VACATES the hearing set for October 10, 2013, at 1:30 p.m. For the reasons explained below, the
2 Court GRANTS the Motion to Remand and DENIES as moot the Motion to Dismiss.

3 **I. BACKGROUND**

4 In March 2009, the Hospital provided medical and surgical services to a patient after
5 confirming the patient's medical coverage with Defendant Muir Health, a self-insured health
6 benefit plan administered by Defendant Delta Health. ECF No. 1-1 ¶¶ 5–10. Prior to performing
7 the surgery and providing the subsequent hospitalization, the Hospital twice verified with Delta
8 Health that the patient was covered. *Id.* ¶¶ 8, 10. When the Hospital submitted a \$96,086 bill for
9 the medical treatment, however, Delta Health refused to pay. *Id.* ¶¶ 11–14, 17

10 Defendants concede that they did not pay for the medical treatment. Defendants contend
11 that the patient had not paid his premium by March 1, 2009, and was therefore in arrears. *See* ECF
12 No. 13 ¶ 5. However, because the plan's participants have a 30-day grace period, the patient's
13 benefits had not been terminated at the beginning of March 2009. *Id.* On March 30, 2009, the
14 patient's wife, the primary plan beneficiary, paid her premium for March, but did so only for
15 herself — not the patient. *Id.* ¶ 6. Accordingly, after confirming with the patient's wife that she
16 intended to terminate the patient's coverage effective March 1, 2009, Defendant Delta Health
17 retroactively terminated the patient's coverage as of that date. *Id.*

18 The Hospital brought this action in state court on the basis of state law seeking payment of
19 the bill and injunctive relief pursuant to California unfair competition law and common law. *See*
20 ECF No. 1-1. The Hospital contends that Defendants' failure to pay was unlawful under California
21 law because Defendants had confirmed that the patient was covered. *Id.* ¶¶ 26–28. Delta Health
22 removed the action to federal court. ECF No. 1. According to Delta Health, the Hospital's state
23 law claims are completely preempted by ERISA. *Id.* ¶ 5. Upon removal, the Hospital filed a
24 timely Motion to Remand. ECF No. 10. Defendant Delta Health filed an opposition, and the
25 Hospital filed a reply. ECF Nos. 12, 16. Delta Health subsequently filed a Motion to Dismiss
26 under Federal Rule of Civil Procedure 12(b)(6). ECF No. 19. The Hospital filed an opposition.
27 ECF No. 21. Defendant Delta Health did not file a reply.

1 *Marin Gen. Hosp.*, 581 F.3d at 946 (quoting *Davila*, 542 U.S. at 210). The defendant must show
2 both prongs to invoke federal jurisdiction. *Id.* at 947.

3 **III. DISCUSSION**

4 The Court finds that Defendants cannot meet the first prong — that the Hospital could have
5 brought its claim under section 502(a) — because ERISA only permits suits brought by an ERISA
6 plan’s participants, beneficiaries, fiduciaries, or assignees of these individuals — not other third
7 parties. Because the Hospital here is such a third party, the Hospital could not have brought suit in
8 federal court under ERISA. Accordingly, the Hospital’s claims are not completely preempted, and
9 the matter must be remanded to state court.

10 “Congress enacted ERISA to protect the interests of participants in employee benefit plans
11 and their beneficiaries by setting out substantive regulatory requirements for employee benefit
12 plans and to provide for appropriate remedies, sanctions, and ready access to the Federal courts.”
13 *Davila*, 542 U.S. at 208 (internal quotations and alterations omitted). Accordingly, the Act
14 established federal causes of action for those parties ERISA sought to protect. *See* 29 U.S.C.
15 § 1132(a). These parties are an ERISA plan’s participants, beneficiaries, and fiduciaries — not
16 other third parties. *See id.*

17 The Ninth Circuit, applying this limitation on who may bring suit under ERISA, found a
18 lack of federal subject-matter jurisdiction in a case factually indistinguishable from the instant
19 matter. *See The Meadows v. Employers Health Ins.*, 47 F.3d 1006, 1008 (9th Cir. 1995). In *The*
20 *Meadows*, the Ninth Circuit found that there was no ERISA preemption where a third party sued
21 “an ERISA plan not as an assignee of a purported ERISA beneficiary, but as an independent entity
22 claiming damages.” *Id.* (emphases omitted). In that case, a substance abuse treatment facility filed
23 several state law claims against an insurance plan that refused to pay bills for treatment despite
24 prior representations of a patient’s coverage. *Id.* at 1007–08. The Ninth Circuit held that these
25 independent third-party claims for damages were not completely preempted. *See id.* at 1008.
26 Under the ruling in *The Meadows*, the Hospital in the instant case could not have brought a
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1 section 502(a) action. The Hospital in the instant case is not a plan participant, beneficiary, or
2 fiduciary, and thus cannot sue under ERISA.

3 Defendants rely on *Misic v. Building Service Employees Health and Welfare Trust*, 789
4 F.2d 1374 (9th Cir. 1986) (per curiam), and *California Pacific Medical Center v. Concentra*
5 *Preferred Systems, Inc.*, 2004 WL 2331876 (N.D. Cal. Oct. 15, 2004), to contend that the Hospital
6 in the instant case could have brought suit under ERISA and that there is complete preemption
7 here. See ECF No. 12 at 5; ECF No. 19 at 5 n.2. Neither of these cases addresses the issue of
8 removal. Further, in both of these cases patients *assigned* their rights under an ERISA plan to a
9 health care provider, who then sued the plan. *Misic*, 789 F.2d at 1376; *California Pacific*, 2004
10 WL 2331876 at *5. The Ninth Circuit in *The Meadows* explicitly distinguished the treatment of
11 assignees in *Misic* from third parties who were not suing pursuant to an assignment of rights under
12 an ERISA plan. *The Meadows*, 47 F.3d at 1008 (“The question before us, however, is whether
13 ERISA preempts claims by a third-party who sues an ERISA plan not as an assignee of a purported
14 ERISA beneficiary, but as an independent entity claiming damages. We hold that ERISA does
15 not.”) (emphases omitted).

16 As in *The Meadows*, no party contends that the patient assigned to the Hospital in the
17 instant case any of the patient’s rights under the plan. To the contrary, Defendants concede that the
18 patient had no rights under the plan to assign. See ECF No. 12 at 2–3. The Hospital’s claims rest
19 not on rights as a beneficiary or as a beneficiary’s assignee, but rather on the independent damage
20 the Hospital allegedly suffered because of Delta Health’s representation that the patient was
21 eligible for coverage. See ECF No. 1-1 ¶ 21–26; ECF No. 10 at 3; see also *Marin Gen. Hosp.*, 581
22 F.3d at 948 (requiring remand when plaintiff is “suing in its own right pursuant to an independent
23 obligation” rather than suing “based on any assignment from the patient of his rights under his
24 ERISA plan pursuant to § 502(a)(1)(B)”). Accordingly, Plaintiff could not have brought this action
25 under section 502(a), and therefore, the first prong of the complete preemption test is not satisfied.
26 The Court must therefore remand.¹

27 ¹ Defendants’ contention that application of state law would conflict with ERISA is inapposite.
28 ECF No. 12 at 6–7. Conflict preemption may serve as a defense in state court, but it is insufficient

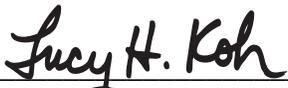
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IV. CONCLUSION

For the foregoing reasons, the Court GRANTS Plaintiff’s Motion to Remand. Because the Court lacks jurisdiction in this matter, the Court may not consider the merits of Defendant Delta Health’s Motion to Dismiss. Accordingly, the Motion to Dismiss is DENIED as moot. The Court orders the matter remanded to the California Superior Court for the County of Monterey. All pending hearing dates are vacated, and all pending motions are terminated.

IT IS SO ORDERED.

Dated: September 23, 2013



LUCY H. KOH
United States District Judge

to provide a federal court with removal jurisdiction. “The general rule is that a defense of federal preemption of a state-law claim, even conflict preemption under § 514(a) of ERISA, is an insufficient basis for original federal question jurisdiction under § 1331(a) and removal jurisdiction under § 1441(a).” *Marin Gen. Hosp.*, 581 F.3d at 945.