INSURANCE

CHARGING UNINSURED PATIENTS MORE THAN INSURED PATIENTS MAY BE BASIS FOR UNCONSCIONABILITY CLAIM

Moran v. Prime Healthcare Mgmt., Inc., 3 Cal. App. 5th 1131 (2016).
https://casetext.com/case/moran-v-prime-healthcare-mgmt-inc

FACTS: Gene Moran ("Plaintiff"), a self-pay patient went three times to the emergency room of a hospital owned and operated by Prime Healthcare Management ("Defendant"). Each time, Plaintiff signed a preprinted conditions of admission agreement and received medical treatment. Plaintiff received bills for the treatments that exceeded $10,000. Plaintiff's amended complaint was based on allegations the rates defendants charge self-pay patients are discriminatory, exceed the value of treatment and are excessive. Defendants argued that the counts in each pleading failed to state a cause of action. Plaintiff's third amended complaint ("TAC") had an attachment of the contract the Plaintiff had signed. Specifically, paragraph 18 of the contract provided that charity care and discounted payment programs were available.

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The TAC alleged that the Plaintiff sent correspondence to the hospital stating his unemployment status and asked the hospital to take into consideration his financial status but the Defendants had never responded. Defendants demurred to the TAC. The trial court sustained the demurrer without leave to amend and concluded plaintiff failed to allege sufficient facts.

HOLDING: Reversed.

REASONING: The Defendants argued that the Plaintiff could not maintain his cause of action because the hospital's variable pricing structure was legislatively endorsed. The court stated the argument only had partial merit. The court explained the safe harbor doctrine does not stop an action under the unfair competition law ("UCL") just because some other statute does not provide for the action or prohibit the conduct. The court found that the safe harbor doctrine applied in this case. The court explained that the Legislature finds it in the public interest to ensure citizens receive high quality health care. This is met by permitting negotiations of different contracts.

The court highlighted portions of the Hospital Fair Pricing Act, which requires hospitals to maintain a written policy regarding discounts for financially qualified patients. The court explained that the Hospital Fair Pricing Act imposes on licensed hospitals the duty to give notice and administer financial aid and charity care policies. The Plaintiff, to support the unlawful prong, alleged that the defendants billing and collection practices violated the CLRA as set form in the TAC's second cause of action. Specifically, defendants violated prong four because defendants inserted an unconscionable provision into their contracts. The Plaintiff argued the contract's financial liability provision is unconscionable. The Plaintiff argued that the defendants failed to charge the self-pay emergency room patients reasonable rates as required by the contract. The court explained the unconscionability doctrine ensures that the contracts, especially those of adhesion do not impose terms that are overly harsh or unduly oppressive. The court stated that in a contract of adhesion, the party of superior bargaining strength relegates the inferior party only the opportunity to accept the contract or reject it. The court concluded, unconscionable terms may take various forms but may generally be described as unfairly one-sided. In this case, the contract plaintiff signed was preprinted documents and the TAC alleged all emergency room patients had to sign the same document before being treated. The court wrote that the plaintiff had established a basis for maintaining his UCL cause of action based on the defendants' policy of billing self-pay patients the entire amount of the description rates.