

***Dameron Hospital Association v. AAA, et al.* (2014) 228 Cal.App.4th 514**

HLA liens are extinguished when the underlying debt has been paid in full, however, hospitals can contractually protect the right to recover under an HLA lien even after payment by the patient's health care provider.

FACTS AND PROCEDURAL POSTURE

Dameron Hospital Association treated patients brought to its emergency room. Each patient had been injured in automobile accidents caused by drivers insured by either AAA or Allstate. The patients each had Kaiser health plans. Kaiser paid Dameron a discounted rate for the services provided based on the existing rate agreement between Dameron and Kaiser. Dameron subsequently served HLA liens on AAA and Allstate. In each case, AAA and Allstate settled with the patients individually, without acknowledging the HLA liens.

Dameron sued AAA and Allstate in this action seeking to recover the difference between the negotiated rate paid by Kaiser, and the full billed amount of the services, pursuant to its HLA liens. AAA and Allstate each moved for summary judgment on the grounds that Dameron could not recover under the HLA liens because the underlying debts had been extinguished by payments in full by the patients' health plan (Kaiser). The court granted summary judgment for both AAA and Allstate. This appeal followed.

DISCUSSION

The appeal focused heavily on *Parnell v. Adventist Health System/West* (2005) 35 Cal.4th 595. *Parnell* held, in part, that payment of the underlying debt extinguished a hospital's HLA lien because an HLA lien must be based on an underlying obligation. Thus, where a hospital accepts a "payment in full" from a health care plan, the third party tortfeasor is relieved of any obligation under the HLA. However, *Parnell* also held that hospitals could preserve their right to recover under an HLA lien by providing as much in the contract with the health care provider.

The court rejected AAA and Allstate's contention that *Parnell* was no longer valid authority for the proposition that hospitals could contractually reserve the right to recover their customary rates even after being paid the negotiated rate by injured patient's health plans. In making this argument, AAA and Allstate cited the Knox-Keene Health Care Service Plan Act of 1975, *Howell v. Hamilton Meats & Provisions, Inc.* (2011) 52 Cal.4th 541 and *Corenbaum v. Lampkin* (2013) 215 Cal.App.4th 1308. The court noted that the Knox-Keene Act was meant only as a patient protection mechanism, and makes no mention of balance billing, third party tortfeasors, or liability insurance companies. The court explained that *Howell* dealt solely with the issue of the amount of medical bills the *patient* could recover from the tortfeasor. The *Corenbaum* decision was similarly limited to the issue of the relevance of full cost medical bills to the *patient's* claim against the tortfeasor. Neither case affected the holding of *Parnell*.

Finally, the court considered the existing contract between Dameron and Kaiser. Because the contract provided that payments made by Kaiser were "payments in full" and because there was no specific reservation of Dameron's right to recover HLA liens from tortfeasors after payment by Kaiser, Dameron's HLA liens were extinguished when it accepted payment from Kaiser.

The court affirmed judgment for AAA and Allstate.