California Limits Recovery of Medical Expenses to Amount Reimbursed by Insurance

In California a highly anticipated ruling from the California Supreme Court in a civil lawsuit, Howell v. Hamilton Meats 2011 Cal. LEXIS 8119, was issued on August 18, 2011. At issue in Howell was the amount a plaintiff in a personal injury lawsuit should be able to collect for past medical expenses.

Central to this issue is California’s collateral source rule whereby plaintiffs in personal injury actions can recover full damages even though they already have received compensation for their injuries from such “collateral sources” as medical insurance. (Arambula v. Wells (1999) 72 CalApp.4th 1006, 1009). Until Howell, a plaintiff’s recovery under the collateral source rule was to be limited by Hanif v. Housing Authority (1988) 200 Cal.App.3d 635, in which the court ruled “a plaintiff is entitled to recover up to, and no more than, the actual amount expended or incurred for past medical services so long as that amount is reasonable.”

In Howell, plaintiff was awarded by special verdict approximately $190,000 for past medical costs she incurred as a result of recovery from a car accident. Defendant won a post trial motion, under Hanif, where plaintiff’s award was reduced to $60,000 or the amount which her health care insurance actually paid for the medical services she received.

In build up to the Supreme Court’s ruling, in November 2009 the Court of Appeal, 4th District, in Howell v. Hamilton Meats & Provisions, Inc., 2009 Cal. App. LEXIS 1874, held a Plaintiff with private health care insurance may recover as economic damages the amount of past medical expenses that health care providers have billed, including the amount which neither the plaintiff nor her health care insurer is obligated to pay. Under the Court of Appeal’s analysis, Hanif did not apply to personal injury cases involving private medical insurance and the Court of Appeal reinstated plaintiff’s award of $190,000.

The case was then taken up by the California Supreme Court and has been closely monitored by consumer attorneys, defense attorneys and insurance companies. A ruling by the Supreme Court would affect billions of dollars in future civil lawsuit judgments.

On August 18, 2011 the Supreme Court ruled 6-1 that an injured person who sues the wrongdoer seeking to collect economic damages for past medical expenses, may not recover the undiscounted sum stated in the provider’s bill, that was never actually paid by or on behalf of the injured person. The Court referenced California Civil Code section 3281 and 3282 explaining damages are awarded to compensate for detriment suffered and detriment is a loss or harm to person or property. Under this setting the Court held it is appropriate for an injured person to recover in damages the amount her insurer actually paid for her medical care.

As many people are aware the amount health care providers bill for their services is very
different from what the insurance company pays for full satisfaction of services rendered.

While the California Supreme Court made clear plaintiffs may not recover for the amount billed by a health care provider and indicated the appropriate amount a plaintiff should recover is what was actually paid, the lone dissenter in the ruling argued plaintiff should still be able to put on evidence of the fair market value of the services rendered. For now, personal injury plaintiffs will be limited in California to recover past medical damages as to what was actually paid, but in time I am sure there will be other cases testing the dissent’s opinion that plaintiffs should be able to put on evidence and seek recovery for the fair market value of past medical services rendered.

This situation is not unique to California. In fact in the Supreme Court’s ruling, both plaintiff and defendant in this case pointed to how this situation is handled in other states. The majority ruling of the Supreme Court looked to case law outside of California to support it’s decision as well. (See Boutte v. Kelly (La. Ct. App. 2003) 863 So. 2d 530, 552-553; Kastick v. U-Haul Co. of Western Michigan (N.Y. App. Div. 2002) 740 N.Y.S. 2d 167, 169; Moorehead v. Crozer Chester Medical Center (Pa. 2001) 786 A. 2d at pp. 789-791; and Robinson v. Bates (Ohio 2006) 857 N.E. 2d 1195,1200)

Additionally a recent ruling came down in July 2011 involving a plaintiff covered by Medicare part B by the Supreme Court of Texas in Haygood v. De Escabedo, 2011 WL 2601363 (Tex.). In Haygood, the Supreme Court reviewed a case where an injured motorist was awarded damages for past medical expenses in excess of what was paid or owed. The Supreme Court remanded the case with instructions to limit recovery to the amount actually paid or incurred and further held that only evidence of recoverable medical expenses is admissible at trial. In addressing the issue of the collateral source rule, the Supreme Court stated: “the collateral source rule continues to apply to such expenses, and the jury should not be told they will be covered by insurance. Nor should the jury be told that a health care provider adjusted its charges because of insurance.” (Haygood at p. 6)

The issue of recovery of past medical expenses in personal injury cases will remain a hot button issue, but for the time being more and more courts across the country are limiting recovery to what is actually paid for medical services. Whether this is a sign of the current economic times or something that is longer lasting remains to be seen.

For more information about this topic, please contact one of our business attorneys at 619.238.1712

General Liability [1]
Healthcare [2]
Professional Liability [3]

Back to Articles [4]

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