

LAW OFFICES OF STEPHENSON, ACQUISTO & COLMAN, INC.
MELANIE JOY STEPHENSON-LAWS, ESQ. (SBN 113755)
RICHARD A. LOVICH, ESQ. (SBN 113472)
KARLENE J. ROGERS-ABERMAN, ESQ. (SBN 237883)
303 N. Glenoaks Blvd., Suite 700
Burbank, CA 91502

Telephone: (818) 559-4477
Facsimile: (818) 559-5484

Attorneys for Plaintiff
STANFORD HEALTH CARE, a California non-profit public benefit
corporation

SUPERIOR COURT OF CALIFORNIA
FOR THE COUNTY OF SANTA CLARA
UNLIMITED JURISDICTION

STANFORD HEALTH CARE, a
California nonprofit public benefit
corporation

Plaintiff,

vs.

CALIFORNIA PHYSICIANS'
SERVICE dba BLUE SHIELD OF
CALIFORNIA, a California corporation;
and DOES 1 THROUGH 25,
INCLUSIVE

Defendants

Case No.:

**COMPLAINT FOR DAMAGES
FOR:**

1. BREACH OF ORAL
CONTRACT;
2. NEGLIGENT
MISREPRESENTATION;
3. IMPLIED-IN-FACT CONTRACT
and
4. *QUANTUM MERUIT.*

PARTIES

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2
3 1. Plaintiff Stanford Health Care (“Stanford”) is a non-profit
4 public benefit corporation organized and existing pursuant to the laws of the State
5 of California. Stanford has its principal place of business in the City of Palo Alto,
6 County of Santa Clara, State of California. Stanford renders medically necessary
7 care to patients.

8
9 2. Defendant California Physicians' Service, doing business as
10 Blue Shield of California (“Blue Shield”) is a corporation organized and existing
11 pursuant to the laws of the State of California. Blue Shield has its principal place
12 of business in San Francisco, County of San Francisco, State of California.
13 Among other things, Blue Shield sponsors, funds, and/or administers health plans.

14
15 3. Stanford is unaware of the true names and capacities, whether
16 corporate, associate, individual, partnership, or otherwise of defendants Does 1
17 through 25, inclusive, and therefore sues such defendants by such fictitious names.
18 Stanford will seek leave of the Court to amend this complaint to allege their true
19 names and capacities when ascertained.

20
21 4. Blue Shield and Does 1 through 25, inclusive, shall be
22 collectively referred to as “Blue Shield.”

23
24 5. Blue Shield, at all relevant times, has transacted business in the
25 State of California. The violations alleged within this complaint have been and are
26 being carried out in the State of California.

27
28 6. At all relevant times Blue Shield, including the defendants

1 named "Doe," was and is the agent, employee, employer, joint venturer,
2 representative, alter ego, subsidiary, and/or partner of one or more of the other
3 defendants, and was, in performing the acts complained of herein, acting within the
4 scope of such agency, employment, joint venture, or partnership authority, and/or
5 is in some other way responsible for the acts of one or more of the other
6 defendants.

7 8 COMMON FACTUAL BACKGROUND

9
10 7. Stanford is informed and believes and thereon alleges that at all
11 relevant times the patients identified on the spreadsheet attached hereto as **Exhibit**
12 **1** to this Complaint (and which spreadsheet is incorporated herein by this reference
13 as though set forth in full) ("Patients") were enrolled beneficiaries and/or members
14 of a Covered California health plan sponsored, administered and/or financed by
15 Blue Shield.¹

16
17 8. On information and belief, Covered California is a program
18 established under the Patient Protection and Affordable Care Act which enables
19 Californians to obtain "brand name" private health insurance like Blue Shield's, at
20 federally subsidized rates—*i.e.*, the Patients receive assistance with their premium
21 payments.

22
23 9. Stanford is informed and believes and thereon alleges that at all
24 relevant times, Blue Shield provided, arranged, and/or paid for healthcare services
25 for its beneficiaries and/or members, including the Patients who acquired Blue
26

27 ¹ Stanford has limited disclosure of patient identification here pursuant to the privacy provisions
28 of the Health Insurance Portability & Accountability Act ("HIPAA"), 42 U.S.C. §§ 1320 *et seq.*,
and the California Constitution, art. 1 § 1.

1 Shield healthcare coverage through the Covered California program.

2
3 10. At or near the time of treatment Blue Shield verified that the
4 Patients were members of its health plan. In many instances, Blue Shield also
5 issued an authorization number to Stanford for the treatment rendered to its
6 beneficiaries and/or members. Pursuant to California Health & Safety Code
7 Section 1371.8, a health care service plan that authorizes a specific type of
8 treatment by a provider shall not rescind or modify this authorization after the
9 provider renders the health care service in good faith and pursuant to the
10 authorization for any reason.

11
12 11. In reliance on the verification of benefits and/or the
13 authorization provided, Stanford rendered medically necessary services, supplies,
14 and/or equipment to the Patients on the dates of service indicated on Exhibit 1.

15
16 12. For at least 5 of the 65 claims at issue, the above-described medical care rendered
17 by Stanford to the Patients were "emergency services" as that term is used and
18 defined in Cal. Health & Safety Code § 1371.4(b). As a consequence, Blue Shield
19 also had a statutory duty to fully and properly pay Stanford for such emergency
20 medical care rendered to those five patients.

21
22 13. Because Stanford did not have a written contract with Blue
23 Shield for Covered California members, Stanford was considered an "out of
24 network" provider for Blue Shield's Covered California members. Thus, Blue
25 Shield was not entitled to a discount for services provided by Stanford to Blue
26 Shield's Covered California members, and Stanford was entitled to 100% of its
27 total billed charges.

1 14. Stanford's usual and customary charges for the medically
2 necessary services, supplies, and/or equipment rendered to the Patients amounted
3 to \$18,543,315.67.

4
5 15. Stanford timely and properly billed Blue Shield for the
6 medically necessary services, supplies, and/or equipment it rendered to the
7 Patients.

8
9 16. Rather than properly paying Stanford for the medically
10 necessary services, supplies, and/or equipment Stanford rendered to the Patients,
11 Blue Shield only paid \$4,530,185.44, leaving a balance to be proven at trial but not
12 less than \$14,013,130.23, exclusive of interest.

13
14 17. As a result of the refusal of Blue Shield to properly pay
15 Stanford for the medically necessary services, supplies and/or equipment Stanford
16 rendered to the Patients, Stanford has been damaged in an amount to be proven at
17 trial but, not less than \$14,013,130.23, exclusive of interest.

18
19 **FIRST CAUSE OF ACTION**

20 (Breach of Oral Contract)

21 (Against Defendants Blue Shield, and Does 1 through 25)

22
23 18. Stanford incorporates by reference and re-alleges paragraphs 1
24 through 17 here as though set forth in full.

25
26 19. On or about the admission dates indicated on Exhibit 1,
27 Stanford contacted Blue Shield and spoke with Blue Shield's representatives to
28 verify the Patients' eligibility under Blue Shield's health plan and to confirm that

1 Blue Shield would pay for the medical services provided. In response, Blue
2 Shield's agents orally advised Stanford of any applicable copayment, coinsurance
3 and deductible amounts and represented that: i) the Patients were eligible
4 beneficiaries under Blue Shield's health plan; and ii) Stanford would be
5 reimbursed for the medically necessary services provided to the Patients at
6 Stanford's usual and customary total billed charges, subject to the copayments,
7 coinsurance, or deductible amounts disclosed. In various instances, a treatment
8 authorization number was issued.

9
10 20. Stanford promised to provide, and did provide, medically
11 necessary services to the Exhibit 1 Patients. Based upon such promises, Stanford
12 and Blue Shield entered into oral contracts regarding the rendering of medical care
13 and payment for medical care to be rendered to the Exhibit 1 Patients.

14
15 21. Stanford has performed all conditions required by it on its part
16 to be performed in accordance with the terms and conditions of the oral contracts.

17
18 22. Blue Shield breached the oral contracts by failing to pay
19 Stanford 100% of its usual and customary total billed charges for the medical care
20 given to the Exhibit 1 Patients.

21
22 23. As a direct and proximate result of Blue Shield's breaches,
23 Stanford suffered damages in the amount of \$14,013,130.23, exclusive of interest.

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1 29. Stanford reasonably relied on those misrepresentations.

2
3 30. Blue Shield refused and continued to refuse to pay Stanford the
4 full amount due despite the earlier representations of Blue Shield's agents to the
5 contrary.

6
7 31. As a direct and proximate result of the aforementioned
8 misrepresentations, Stanford was obstructed from pursuing other avenues of
9 reimbursement, rendered medical care on false pretenses, and has suffered
10 substantial detrimental damages in the principal sum of \$14,013,130.23,
11 representing Stanford's usual and customary total billed charges less underpayment
12 from Blue Shield.

13
14 **THIRD CAUSE OF ACTION**

15 (Breach of Implied-in-Fact Contract)

16 (Against Defendants Blue Shield, and Does 1 through 25)

17
18 32. Stanford incorporates by reference and re-alleges paragraphs 1
19 through 17 here as though set forth in full.

20
21 33. Prior to the treatment rendered by Stanford, Stanford and Blue
22 Shield impliedly agreed and understood that Stanford would render medically
23 necessary care to beneficiaries under Blue Shield's health plans, submit bills for
24 such care to Blue Shield, and that Blue Shield would pay Stanford at 100% of
25 Stanford's usual and customary total billed charges, as full and final settlement of
26 such care if no written contract governed the terms of their provider/payor
27 relationship.

1 34. On or about the time Stanford admitted the Patients, Stanford
2 and Blue Shield had entered into an implied-in-fact contract as demonstrated by
3 the actions and conduct of Blue Shield. Stanford alleges that Blue Shield offered
4 to reimburse Stanford, should Stanford provide medically necessary care to
5 beneficiaries under Blue Shield's health plans, at Stanford's usual and customary
6 total billed charges. Stanford accepted that offer and did in fact provide medically
7 necessary care to Blue Shield's health plan beneficiaries. Stanford properly billed
8 Blue Shield for the medically necessary services, and as demonstrated by Exhibit
9 1, Blue Shield did in fact actually reimburse Stanford for a portion of some of the
10 services rendered in partial compliance with and acknowledgment of the implied-
11 in-fact contract.

12
13 35. Stanford performed all conditions required on its part to be
14 performed in accordance with the terms and conditions of that implied-in-fact
15 contract. Stanford reasonably relied on Blue Shield's promises and conduct to pay
16 for medical services and continued treating the Patients in reliance on those
17 promises and upon such conduct.

18
19 36. Blue Shield breached that implied-in-fact contract by
20 underpaying Stanford for the medically necessary services, supplies and/or
21 equipment rendered or supplied to the Patients.

22
23 37. As a result of Blue Shield's breach of the implied contract,
24 Stanford suffered damages in an amount to be proven at trial but not less than the
25 sum of \$14,013,130.23, exclusive of interest.

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27 //
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1 **FOURTH CAUSE OF ACTION**

2 (*Quantum Meruit*)

3 (Against Blue Shield Blue Shield, and Does 1 through 25)

4
5 38. Stanford incorporates by reference and re-alleges paragraphs 1
6 through 17 here as though set forth in full.

7
8 39. Within the past two years, by its words and/or conduct, Blue
9 Shield requested that Stanford provide the Patients with medically necessary
10 services, supplies, and/or equipment.

11
12 40. Acting pursuant to the implied and/or express request of Blue
13 Shield, Stanford provided the Patients with medically necessary services, supplies,
14 and/or equipment.

15
16 41. Stanford's rendering of medically necessary services, supplies,
17 and/or equipment to the Patients was intended to, and did, benefit the Patients and
18 therefore Blue Shield.

19
20 42. When providing the Patients with medically necessary services,
21 supplies, and/or equipment, Stanford reasonably believed it would be fully
22 compensated by Blue Shield.

23
24 43. Since Blue Shield is a "health care service plan" as defined in
25 the California Health and Safety Code, at all relevant times Blue Shield was under
26 a statutory duty to pay for emergency services and care provided to its enrollees
27 until each enrollee was stabilized pursuant to California Health and Safety Code
28 §1371.4(b). Stanford rendered medically necessary, emergency services, supplies

1 and/or equipment to Blue Shield's maternity Patients from the time of the Patients'
2 admission, as set forth in Exhibit 1, to the time when the Patients' condition had
3 sufficiently stabilized to enable the Patients to be discharged or transferred.
4 California Health & Safety Code § 1371.4(b) provides, in pertinent part: "A health
5 care service plan shall reimburse providers for emergency services and care
6 provided to its enrollees." Blue Shield violated California Health & Safety Code §
7 1371.4 by failing to fully reimburse Stanford for the medically necessary,
8 emergency services, supplies, and/or equipment rendered to the Patients who
9 received emergency treatment.

10
11 44. Stanford's usual and customary total billed charges for the
12 medically necessary services, supplies, and/or equipment it rendered to the Patients
13 amounted to \$18,543,315.67.

14
15 45. Within the past two years, Stanford demanded that Blue Shield
16 pay for the medically necessary services, supplies, and/or equipment it rendered to
17 the Patients, but Blue Shield failed to fully reimburse Stanford, paying only
18 \$4,530,185.44.

19
20 46. As a direct and proximate result of the misconduct of Blue
21 Shield, Blue Shield damaged Stanford by not properly paying Stanford the usual
22 and customary value of the medically necessary services, supplies, and/or
23 equipment it rendered to the Patients in the sum of \$14,013,130.23, exclusive of
24 interest.

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1. for the principal sum \$14,013,130.23;
2. for interest on such principal sum at the rate of 15% *per annum*, pursuant to Cal. Health & Safety Code § 1371; or, in the alternative, for interest on such principal sum at the rate of 10% *per annum*, pursuant to Cal. Civ. Code § 3289;
3. for all costs of suit incurred herein; and,
4. for such other and further relief as the Court deems just and proper.

Dated: August 23, 2019

STEPHENSON, ACQUISTO &
COLMAN, INC.

~~KARLENE J. ROGERS-ABERMAN
Attorneys for
STANFORD HEALTH CARE
a California non-profit public benefit
corporation~~

EXHIBIT 1

PROVIDERS: LUCILE SALTER PACKARD CHILDREN'S HOSPITAL, STANFORD HEALTH CARE

FC 24523

EXHIBIT 1

No.	File Number	Admit Date	Discharge Date	Patient ID	Total Charges	Total Paid	Underpaid
1	000062324650	5/3/2018	5/23/2018	XED902648703	\$400,515.86	\$6,699.26	\$393,816.60
2	000059973895	3/22/2017	3/31/2017	XED902648709	\$342,072.24	\$18,000.00	\$324,072.24
3	000061113865	10/11/2017	10/14/2017	XED900709267	\$149,491.71	\$24,913.57	\$124,578.14
4	000062249992	5/9/2018	5/11/2018	XED906317446	\$136,129.77	\$0.00	\$136,129.77
5	000061825824	2/11/2018	2/22/2018	XED905546307	\$200,434.32	\$0.00	\$200,434.32
6	000062889360	9/4/2018	9/4/2018	XEK906361527	\$58,636.76	\$250.00	\$58,386.76
7	000061811848	3/8/2018	3/29/2018	XEK905886406	\$155,163.41	\$500.00	\$154,663.41
8	000062121382	4/19/2018	4/19/2018	XEK905886406	\$76,620.36	\$0.00	\$76,620.36
9	000062160445	4/16/2018	4/16/2018	XEK905886406	\$15,321.50	\$0.00	\$15,321.50
10	000061019425	11/10/2017	11/10/2017	XEA905250768	\$178,402.02	\$0.00	\$178,402.02
11	000061374027	12/20/2017	12/24/2017	XEK905008404	\$385,910.12	\$6,000.00	\$379,910.12
12	000061558527	12/27/2017	1/3/2018	XEK905008404	\$237,398.73	\$19,408.00	\$217,990.73
13	000061029483	10/23/2017	10/23/2017	XEA904659328	\$32,560.40	\$1,352.55	\$31,207.85
14	000061062792	11/17/2017	11/17/2017	XEK902697328	\$54,529.20	\$250.00	\$54,279.20
15	000061029267	10/4/2017	10/4/2017	XEA901813461	\$17,042.00	\$3,211.49	\$13,830.51
16	000058626240	7/18/2016	8/3/2016	XEK902538606	\$978,189.90	\$32,000.00	\$946,189.90
17	000062193165	5/8/2018	5/13/2018	XED906136812	\$103,338.97	\$0.00	\$103,338.97
18	000059591160	2/6/2017	2/28/2017	XED905502490	\$151,003.94	\$44,764.37	\$106,239.57
19	000060311571	5/31/2017	6/4/2017	XED904865737	\$238,545.83	\$8,000.00	\$230,545.83
20	000062267528	6/4/2018	6/4/2018	XED905535929	\$90,975.61	\$0.00	\$90,975.61
21	000060680517	8/3/2017	8/29/2017	XEA905215959	\$381,438.10	\$93,074.49	\$288,363.61
22	000061211955	2/25/2018	3/2/2018	XED900976720	\$218,920.15	\$1,250.00	\$216,420.15
23	000060517273	7/12/2017	7/12/2017	XEA901531582	\$39,123.56	\$7,601.53	\$31,522.03
24	000061216293	12/7/2017	12/23/2017	XEA905358110	\$43,513.26	\$19,988.61	\$23,524.65
25	000061039053	10/12/2017	10/28/2017	XEA905358110	\$41,062.60	\$5,383.56	\$35,679.04
26	000061124388	11/9/2017	11/24/2017	XEA905358110	\$35,738.11	\$3,845.98	\$31,892.13
27	000060277955	5/17/2017	5/23/2017	XEK905633598	\$377,761.86	\$7,029.54	\$370,732.32

28	000061330165	12/8/2017	12/10/2017	XEA90181713 4	\$246,731.93	\$49,327.62	\$197,404.31
29	000062637939	7/18/2018	7/18/2018	XED90635722 4	\$25,941.00	\$0.00	\$25,941.00
30	000061272989	1/2/2018	1/29/2018	XED90616069 3	\$99,417.99	\$0.00	\$99,417.99
31	000061051032	10/9/2017	10/13/2017	XED90523656 2	\$90,127.32	\$0.00	\$90,127.32
32	000060945754	9/13/2017	10/17/2017	XEA90557386 1	\$1,042,692.81	\$0.00	\$1,042,692.81
33	000071679807	12/26/2017	12/26/2017	XEK90081254 7	\$32,958.10	\$250.00	\$32,708.10
34	000063270595	10/5/2018	10/12/2018	XED90651705 2	\$435,231.44	\$3,500.00	\$431,731.44
35	000061756594	2/6/2018	2/10/2018	XEA90588082 2	\$325,898.36	\$42,558.59	\$283,339.77
36	000061401928	2/27/2018	2/27/2018	XEK90260952 7	\$80,168.50	\$0.00	\$80,168.50
37	000061401931	3/23/2018	3/31/2018	XEK90260952 7	\$80,168.50	\$0.00	\$80,168.50
38	000063036514	8/30/2018	8/31/2018	XEK90494494 7	\$19,713.39	\$500.00	\$19,213.39
39	000061450418	12/12/2017	12/17/2017	XEK90574438 9	\$451,719.03	\$10,000.00	\$441,719.03
40	000062965911	10/4/2018	10/7/2018	XED90567971 3	\$241,562.36	\$750.00	\$240,812.36
41	000061254708	11/3/2017	11/22/2017	XEA90511284 6	\$1,258,715.63	\$622,391.53	\$636,324.11
42	000060318885	5/24/2017	5/28/2017	XED90105207 9	\$107,809.23	\$38,816.00	\$68,993.23
43	000060378092	6/3/2017	6/7/2017	XED90105207 9	\$104,561.83	\$38,816.00	\$65,745.83
44	000062126494	3/31/2018	4/5/2018	XED90634820 6	\$85,611.53	\$1,250.00	\$84,361.53
45	000060223626	6/5/2017	6/6/2017	XEA90091281 2	\$50,839.02	\$18,098.60	\$32,740.42
46	000061799555	2/15/2018	2/16/2018	XED90468071 9	\$243,088.21	\$0.00	\$243,088.21
47	000063100699	9/18/2018	9/18/2018	XED90069171 8	\$86,001.43	\$250.00	\$85,751.43
48	000061944510	3/8/2018	3/8/2018	906367400	\$30,743.45	\$0.00	\$30,743.45
49	000057633518	12/21/2015	12/22/2015	XDP601A7199 2	\$121,929.38	\$0.00	\$121,618.29
50	000061101566	10/17/2017	10/21/2017	XED90069371 6	\$225,206.85	\$8,000.00	\$217,206.85
51	000059690479	2/23/2017	2/28/2017	XEA90269548 7	\$71,678.43	\$5,058.00	\$66,620.43
52	000062734277	7/12/2018	7/17/2018	XED90612820 5	\$466,844.30	\$0.00	\$466,844.30
53	000060852982	9/18/2017	9/30/2017	XED90588126 2	\$71,857.70	\$0.00	\$71,857.70
54	000060650593	7/24/2017	7/29/2017	XED90344596 5	\$66,262.49	\$10,000.00	\$56,262.49
55	000062691299	7/24/2018	7/28/2018	XED90616646 5	\$287,574.54	\$1,000.00	\$286,574.54
56	000061826325	2/11/2018	2/23/2018	XED90610464 6	\$117,268.37	\$3,000.00	\$114,268.37
57	000061172048	12/11/2017	12/11/2017	XEA90180771 4	\$61,700.71	\$0.00	\$61,700.71
58	000060230118	5/24/2017	5/24/2017	XEA90514882 0	\$21,197.00	\$3,524.60	\$17,672.40
59	000061835739	2/12/2018	2/21/2018	XED90638277 5	\$83,003.62	\$1,750.00	\$81,253.62

60	000060743863	8/16/2017	8/23/2017	XEK90068711 n	\$307,318.43	\$67,928.00	\$239,390.43
61	000061294853	12/28/2017	12/31/2017	XED90254387 0	\$238,199.90	\$500.00	\$237,699.90
62	000060080763	4/11/2017	7/18/2017	900200485	\$5,708,931.73	\$3,219,395.81	\$2,489,535.92
63	000060239018	6/28/2017	6/28/2017	XEA90499939 8	\$149,250.00	\$5,148.70	\$144,101.30
64	000061469414	12/11/2017	12/19/2017	XEA90599937 2	\$220,371.87	\$73,287.96	\$147,083.91
65	000061889575	3/9/2018	3/9/2018	XED90634228 1	\$45,179.00	\$0.00	\$45,179.00

\$14,013,130.23