

SUNDOWN RANCH, INC., Plaintiff, VS. GENERAL AMERICAN LIFE INSURANCE COMPANY, Defendant.

CIVIL ACTION NO. 3:01-CV-0862-G

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION

July 17, 2001, Decided
July 17, 2001, Filed, Entered on Docket

DISPOSITION: All of Sundown's causes of action under state law DISMISSED with prejudice. Sundown's petition CONSTRUED. General American's motion to dismiss DENIED.

COUNSEL: For SUNDOWN RANCH INC, plaintiff: Christopher J Caso, Attorney at Law, Caso & Egelston, Dallas, TX USA.

For GENERAL AMERICAN LIFE INSURANCE COMPANY, defendant: Clint A Corrie, Kelly H Kolb, Joseph L Mira, Attorneys at Law, Vial Hamilton Koch & Knox, Dallas, TX USA.

JUDGES: A. JOE FISH, United States District Judge.

OPINIONBY: A. JOE FISH

OPINION: MEMORANDUM ORDER

Before the court is the motion to dismiss of the defendant General American Life Insurance Company ("General American"). For the reasons stated below, the motion is denied.

I. BACKGROUND

The plaintiff Sundown Ranch, Inc. ("Sundown"), a Texas corporation with its corporate office in Dallas, Texas, is a residential drug and alcohol treatment facility. Defendant General American Life Insurance Company's Notice of Removal ("Notice of Removal"), Exhibit A, Plaintiff's Original Petition ("Petition") P 1.01. General American is a corporation organized under Missouri law with its principal place of business in Saint Louis, Missouri. Notice of Removal P 2.

On or about April 17, 1997, Sundown admitted John Doe ("Doe") into its chemical dependence program. n1 Petition P 1.04. Doe is a dependent of John Vance ("Vance") and was thereby eligible for benefits under General American's group insurance plan (the "Plan"). Id. PP 1.03, 1.04. At the time of Doe's admission to Sundown, Vance executed an assignment of benefits to Sundown for Doe's treatment. Id. P 1.04.

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n1 Petition paragraph 1.04 states that Sundown admitted Doe on or about April 17, 1997. On the other hand, Petition paragraph 1.05 states that Doe began treatment at Sundown on April 17, 1996.

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Doe remained at Sundown until August 19, 1997. Id. P 1.05. During Doe's stay at Sundown, Sundown incurred \$ 47,835 in charges for Doe's chemical dependence treatment. Id. These charges were submitted to General American during Doe's tenure at Sundown. Id. Sundown deemed Doe's treatment "medically necessary." Id. PP 1.05, 1.07. However, General American subsequently notified Sundown that Doe's treatment was not "medically necessary." Id. P 1.06.

On March 13, 2001, Sundown, as the assignee of Doe's insurance benefits, filed suit against General American in the County Court of Law No. 2, Dallas County, Texas, to recover for its treatment of Doe. See generally Petition. Specifically, Sundown alleged eight causes of action under Texas law: (1) estoppel, (2) breach of contract, (3) violations of the Texas Insurance Code Article 21.21, et seq., (4) tortious interference with a contractual relationship, (5) bad faith and breach of the duty of good faith and fair dealing, (7) misrepresentation and/or negligent misrepresentation, and (8) violations of the Texas Deceptive Trade Practices Act ("DTPA"). Id. Sundown also asserted a claim under Section 502(a)(1)(B) of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1132, et seq. Id. at 7-8. In addition to these substantive claims, Sundown sought to recover attorney's fees, treble damages under the DTPA and the Texas Insurance Code, punitive damages, interest, and costs.

The parties do not dispute that the Plan constitutes an "employee benefit plan" as defined by ERISA, 29 U.S.C. § 1001, et seq., or that Doe was covered under the Plan. Brief in Support of Defendant's Motion to Dismiss ("Motion") at 2. Rather, Sundown alleges that General American incorrectly concluded that Doe's treatment was not "medically necessary," thereby improperly denying Doe benefits under the Plan and failing to pay Sundown pursuant to that plan. See generally Petition; Motion at 2.

On May 7, 2001, General American removed the case to this court. Following removal, General American promptly filed the instant motion. General American moves to dismiss all claims against it with the exception of Sundown's ERISA claim. Motion at 2. Sundown has not responded to that motion.

II. ANALYSIS

A. Sundown's State Law Claims Are Preempted Under ERISA

The Supreme Court discussed at length the effects of ERISA preemption in *Metropolitan Life Insurance Company v. Taylor*, 481 U.S. 58, 95 L. Ed. 2d 55, 107 S. Ct. 1542 (1987). Specifically, the Court held that ERISA is more than a defense to claims under state law. *Metropolitan*, 481 U.S. at 62-63. Instead, the Court held, the plaintiff's state law causes of action are displaced and recharacterized as a claim arising under federal law. Id. The Court concluded that ERISA preemption serves as an exception to the "well-pleaded complaint" rule and thereby can serve as the basis of removal from state court to federal court. Id. at 63-64. ("Congress may so completely pre-empt a particular area that any civil complaint raising this select group of claims is necessarily federal in character.").

Congressional intent determines whether a federal statute preempts a state cause of action. *FMC Corporation v. Holliday*, 498 U.S. 52, 56, 112 L. Ed. 2d 356, 111 S. Ct. 403 (1990). Any inquiry into such intent necessarily includes an examination of the statutory language and the structure and purpose of the statute taken in its entirety. *Id.* at 56-57. ERISA expressly preempts state laws "relating to" employee benefit plans. n2 See 29 U.S.C. § 1144(a); see also *McNeil v. Time Insurance Company*, 205 F.3d 179, 189 (5th Cir. 2000), cert. denied, U.S. , 149 L. Ed. 2d 106, 121 S. Ct. 1189 (2001). It is well settled that § 1144(a) is deliberately broad and expansive in its language and its application. n3 *Manning v. Hayes*, 212 F.3d 866, 870 (5th Cir. 2000), cert. denied, U.S. , 149 L. Ed. 2d 345, 121 S. Ct. 1401 (2001); *Corcoran v. United Healthcare, Inc.*, 965 F.2d 1321, 1328 (5th Cir.), cert. denied, 506 U.S. 1033, 121 L. Ed. 2d 684, 113 S. Ct. 812 (1992).

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n2 The ERISA preemption clause, states, in relevant part:

Except as provided in subsection (b) of this section, the provisions of this subchapter and subchapter III of this chapter shall supersede any and all State laws insofar as they may now or hereafter relate to any employee benefit plan described in section 1003(a) of this title. . . .

29 U.S.C. § 1144(a) (emphasis added).

n3 State law causes of action are barred under § 1144(a) if

(1) the state law claim addresses an area of exclusive federal concern, such as the right to receive benefits under the terms of an ERISA plan; and (2) the claim directly affects the relationship between the traditional ERISA entities -- the employer, the plan and its fiduciaries, and the participants and beneficiaries.

Hubbard v. Blue Cross & Blue Shield Association, 42 F.3d 942, 945 (5th Cir.) (citations omitted), cert. denied, 515 U.S. 1122, 132 L. Ed. 2d 280, 115 S. Ct. 2276 (1995).

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Sundown's state law claims allege that General American improperly denied Doe benefits under the Plan and failed to pay medical benefits to Sundown. See generally Petition. These claims require the court to examine and interpret the language of the Plan and the communications and representations made by and between Sundown and General American. See *Dowden v. Blue Cross & Blue Shield of Texas, Inc.*, 126 F.3d 641, 643 (5th Cir. 1997) (per curiam); *Hubbard*, 42 F.3d at 946; see also *Vega v. National Life Insurance, Services, Inc.*, 188 F.3d 287, 295-96 (5th Cir. 1999). The Plan is an integral part of an ERISA-governed plan, and Sundown and General

American are traditional ERISA entities. Thus, Sundown's petition implicates an ERISA-governed employee benefits plan, and its state law claims are preempted. See 29 U.S.C. § 1144(a); see also Metropolitan, 481 U.S. at 66-67.

B. The Effect of Preemption Is a New Cause of Action Under Federal Law

As a suit by an assignee to recover benefits from a covered plan, this case falls directly under 29 U.S.C. § 1132(a)(1)(B) of ERISA, "which provides an exclusive federal cause of action for resolution of such disputes." Metropolitan, 481 U.S. at 62-63. An assignee of benefits becomes a statutory beneficiary and thus may utilize 29 U.S.C. § 1132 to collect under the plan. Weaver v. Employers Underwriters, Inc., 13 F.3d 172, 177 (5th Cir.) (discussing Hermann Hospital v. MEBA Medical & Benefits Plan, 845 F.2d 1286 (5th Cir. 1988)), cert. denied, 511 U.S. 1129 (1994); see also Decatur Memorial Hospital v. Connecticut General Life Insurance Company, 990 F.2d 925, 927 (7th Cir. 1993). The court concludes that ERISA displaces Sundown's claims under Texas law and supports a new claim under federal law.

III. CONCLUSION

All of Sundown's causes of action under state law are DISMISSED with prejudice. Sundown's petition is CONSTRUED, however, as a claim for relief under 29 U.S.C. § 1132. Therefore, General American's motion to dismiss is DENIED. Sundown shall file and serve, no later than July 31, 2001, an amended pleading to reflect this construction.

SO ORDERED.

July 17, 2001.

A. JOE FISH

United States District Judge