

AZ District Court Holds Auto Insurer Did Not Breach Contract or Commit Bad Faith in Reimbursing Insured for Reduced Amounts Medical Provider Accepted as Payment; Reduced Amounts Are “Reasonable Medical Expenses Incurred”

Jimenez v. Progressive Preferred Ins. Co.

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This case arose from a motor vehicle accident on December 25, 2013. Plaintiff Jimenez had a Progressive auto policy with medical payment coverage of \$5,000 per person, but did not have health insurance. After the accident, Jimenez demanded the \$5,000 maximum medical coverage from Progressive and detailed his total medical expenses of \$6,719. Progressive reviewed the medical records and determined that the medical providers had agreed in contracts with Progressive’s contracted health insurers to accept reduced amounts as payment in full. And here, the medical providers had accepted \$3,455.09 as payment in full of the original \$6,719.00 billed. As a result, Progressive paid Jimenez \$3,455.09 as the amount of “reasonable expenses incurred for necessary medical services” that Jimenez paid for his medical care. Jimenez sued in Arizona District Court, arguing he was entitled to the full \$5,000 to use however he saw fit because he independently owed his doctors \$6,719. Progressive argued that the only reasonable expenses Jimenez had incurred were \$3,455.09, the amount the healthcare providers agreed to accept as payment in full.

The court agreed with Progressive, ruling that Progressive properly paid Jimenez the \$3,455.09. The court recognized “the ‘unique payment practices of the health care industry,’ whereby “health care providers routinely accept an amount less than the amount billed as payment in full.” Although Ninth Circuit and Arizona Supreme Court cases have held that the original billed amounts had been “incurred,” the cases had not addressed “the proper interpretation of the word ‘reasonable’ when applied to such charges.” The court reasoned that even if it were to agree with Jimenez that he had “incurred” the full amount reflected in the original charges, Progressive never agreed to pay such charges. Because the contract between Jimenez and Progressive required Progressive to pay the reasonable expenses incurred for necessary medical services, and no Arizona case required an insurance company to accept the originally billed amounts as “reasonable,” the court held that

“the “reasonable expenses incurred for necessary medical services” are those expenses which the healthcare provider accepts as payment in full. Progressive did not breach the parties’ contract by paying the amount the healthcare providers agreed to accept as payment in full.”

The court reasoned that “[t]he illogic of Jimenez’s argument is that if Jimenez’s providers had billed him \$1 billion for his medical services, presumably Jimenez would not claim that \$1 billion should be deemed a reasonable expense simply because he received a \$1 billion bill.”

Jimenez has appealed, and the case is pending in the Ninth Circuit Court of Appeals.

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EILEEN GILBRIDE leads the firm's Appellate Department, and focuses her practice on representing clients in federal and state appellate matters and dispositive motions. She also counsels and assists trial lawyers in the substantive areas of their practices, from the answer stage through the post-trial motion stage. Eileen has handled 400+ appeals at every level of the state and federal courts, in Arizona and other states, which have resulted in more than 80 published decisions.

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