UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Owens v. Blue Shield of California

No. 24-cv-00400-HSG (N.D. Cal. Mar. 20, 2025) · No. 24-cv-00400-HSG · Decided March 20, 2025

SUMMARY

The United States District Court for the Northern District of California partially granted and partially denied motions to dismiss claims arising from the retroactive termination of Plaintiff Stephanie Owens's Cal-COBRA health coverage. The court held that the continuation coverage remained subject to ERISA and allowed the denial-of-benefits and federal COBRA notice claims to proceed, while dismissing claims under ERISA §§ 1132(a)(2), 1132(a)(3), and 1105. The court also dismissed the § 1132(a)(1)(A) penalties claim against Blue Shield but allowed that claim to proceed against Frederickson and Gallagher.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Haywood S. Gilliam, Jr.
JURISDICTION	United States District Court for the Northern District of California
DECIDED	March 20, 2025
DOCKET	24-cv-00400-HSG
DISPOSITION	other
PROCEDURAL POSTURE	Three defendants moved to dismiss Plaintiff's ERISA-related claims under Federal Rule of Civil Procedure 12(b)(6). The court considered the motions without oral argument and granted them in part and denied them in part.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, dismissal is appropriate only when the complaint lacks a cognizable legal theory or sufficient facts to support one. The court accepts well-pleaded factual allegations as true and construes the pleadings in the nonmoving party's favor, but does not accept conclusory allegations, unwarranted factual deductions, or unreasonable inferences.
PRECEDENTIAL VALUE	Unknown; federal district court order with no reported citation in the source.

TOPICS

motions to dismiss | employee benefits | insurance | health law | civil procedure

PRACTICE AREAS

civil procedure | employee benefits | insurance | health law | employment law

QUESTIONS PRESENTED

1. Whether Owens's Cal-COBRA continuation coverage remained subject to ERISA.
2. Whether Owens adequately pleaded an ERISA claim for denial of benefits under 29 U.S.C. § 1132(a)(1)(B) against Blue Shield, Frederickson, and Gallagher.
3. Whether Owens adequately pleaded a plan-wide injury supporting relief under 29 U.S.C. § 1132(a)(2).
4. Whether Owens adequately pleaded a claim for equitable relief and breach of fiduciary duty under 29 U.S.C. § 1132(a)(3).
5. Whether Owens adequately pleaded claims for statutory penalties for failure to provide plan documents under 29 U.S.C. §§ 1132(a)(1)(A) and 1132(c), and claims based on inadequate COBRA notice under 29 U.S.C. § 1166.

HOLDINGS

1. A Cal-COBRA continuation policy that allows an employee to continue coverage under an employer's ERISA-governed plan by paying the premiums herself remains subject to ERISA.
2. The complaint adequately stated a claim for benefits under § 1132(a)(1)(B) against Blue Shield, Frederickson, and Gallagher at the motion-to-dismiss stage.
3. The § 1132(a)(2) claim was dismissed because the complaint alleged individual participant injuries rather than injury to the ERISA plan as a whole.
4. The § 1132(a)(3) claim was dismissed because the complaint did not clearly identify the equitable theory or relief sought and did not distinguish the claim from the denial-of-benefits claim.
5. The statutory-penalties claim was dismissed as to Blue Shield but survived as to Frederickson and Gallagher.
6. The court denied dismissal of the § 1166 notice claim because defendants provided no authority establishing that federal COBRA notice requirements cannot apply after a plaintiff elects Cal-COBRA coverage.
7. The court dismissed the claim under § 1105 as to all three defendants.

KEY QUOTATIONS

> *"Under a "continuation" policy, an individual employee elects to continue receiving health coverage under an employer's ERISA-governed plan after her employment ends by paying the premiums herself."* (Section III.A)

> *"If the policy was governed by ERISA when [the plaintiff] was at [his employer], it continued to be governed by ERISA once he left."* (Section III.A)

> *"This Section, therefore, "gives a remedy for injuries to the ERISA plan as a whole, but not for injuries suffered by individual participants as a result of a fiduciary breach.""* (Section III.B.ii.a)

> *"The Court GRANTS IN PART and DENIES IN PART the motions to dismiss."* (Section IV)

FACTUAL BACKGROUND

Owens's employment with Frederickson ended on March 12, 2020, after which she elected Cal-COBRA continuation coverage under the Frederickson employer health plan and paid premiums directly to Blue Shield. After Frederickson was acquired by Gallagher, Frederickson advised Blue Shield to cancel the group coverage effective July 1, 2022, but Blue Shield did not terminate it until December 2022 and made the termination retroactive. Owens alleged that she received no advance notice, that Blue Shield had preapproved her cancer radiation treatment and continued accepting premiums, and that she incurred unpaid medical bills after coverage was retroactively cancelled.

PROCEDURAL HISTORY

Stephanie Owens filed a complaint against Blue Shield of California, Frederickson, and Gallagher arising from the retroactive termination of her Cal-COBRA continuation health coverage and the resulting unpaid medical expenses. Defendants separately moved to dismiss. The court denied dismissal of the ERISA applicability issue and several claims, but dismissed claims under 29 U.S.C. §§ 1132(a)(2), 1132(a)(3), and 1105 against all defendants, and dismissed the § 1132(a)(1)(A) claim against Blue Shield. The court granted leave to amend within 21 days, without adding new parties or claims.

DISPOSITION

other

CASES CITED

- Mendiondo v. Centinela Hospital Medical Center, 521 F.3d 1097, 1104 (9th Cir. 2008)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 570 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Manzarek, 519 F.3d at 1031
- In re Gilead Sciences Securities Litigation, 536 F.3d 1049, 1055 (9th Cir. 2008)
- Charnaux v. Health Net, No. C 03-05875 SI, 2004 WL 2645976, at *4 (N.D. Cal. Nov. 16, 2004)
- Scott v. Gulf Oil Corp., 754 F.2d 1499, 1501-1502 (9th Cir. 1985)
- Waks v. Empire Blue Cross/Blue Shield, 263 F.3d 872, 874-877 (9th Cir. 2001)
- Qualls By & Through Qualls v. Blue Cross of California, Inc., 22 F.3d 839, 842-844 & nn.1, 4 (9th Cir. 1994)
- Doe v. CVS Pharmacy, Inc., 982 F.3d 1204, 1213 (9th Cir. 2020)
- Wise v. Verizon Communications, Inc., 600 F.3d 1180, 1189 (9th Cir. 2010)

- LaRue v. DeWolff, Boberg & Associates, Inc., 552 U.S. 248, 256 (2008)
- Massachusetts Mutual Life Insurance Co. v. Russell, 473 U.S. 134, 142 (1985)
- Mathews v. Chevron Corp., 362 F.3d 1172, 1178 (9th Cir. 2004)
- Waller v. Blue Cross of California, 32 F.3d 1337, 1342 (9th Cir. 1994)
