SUPREME COURT OF ILLINOIS

Vine Street Clinic v. HealthLink, Inc.

Docket No. 99790 · No. 99790 · Decided September 21, 2006

SUMMARY

The Illinois Supreme Court reviews whether administrative fees charged by HealthLink to participating physicians violated section 22(A)(14) of the Illinois Medical Practice Act. The court holds that the percentage-based fee, calculated as 5% of amounts allowed for medical services, constituted prohibited fee sharing and was void, while HealthLink's subsequently adopted fixed flat fee was for administrative services and was permissible. The opinion also addresses the recoverability of previously paid fees and related claims under the Illinois Insurance Code.

CASE DETAILS

COURT	Supreme Court of Illinois
WRITING FOR THE COURT	Justice Karmeier; Chief Justice Thomas; Justice Freeman; Justice Fitzgerald; Justice Kilbride
JURISDICTION	Illinois
DECIDED	September 21, 2006
DOCKET	99790
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiffs appealed and HealthLink cross-appealed from a circuit court judgment on the pleadings. The appellate court affirmed in part and held that both HealthLink's percentage fee and flat fee violated the Medical Practice Act. The Illinois Supreme Court granted review pursuant to a certificate of importance under Supreme Court Rule 316.
STANDARD OF REVIEW	De novo review applies to the construction of a statute because statutory interpretation presents a question of law.
PRECEDENTIAL VALUE	Published Illinois Supreme Court opinion; binding statewide precedent.
PARTIES	Vine Street Clinic, Ursula Thatch, M.D. v. HealthLink, Inc.

TOPICS

health law · medical licensing · statutory interpretation · contracts · appellate procedure

PRACTICE AREAS

health law · statutory interpretation · medical licensing · contracts · appellate procedure

QUESTIONS PRESENTED

1. Whether HealthLink's percentage-based administrative fee violated section 22(A)(14) of the Illinois Medical Practice Act.
2. Whether HealthLink's fixed flat administrative fee violated section 22(A)(14) or Illinois public policy.
3. Whether plaintiffs could recover percentage-based or flat fees previously paid under their participating-provider agreements.
4. Whether plaintiffs could pursue a private action under the Illinois Insurance Code to recover administrative fees.
5. Whether plaintiffs' request that HealthLink divest itself of fees and apply them to a public fund or charity was properly before the Supreme Court.

HOLDINGS

1. Section 22(A)(14) prohibits a physician from sharing with a nonexempt person or entity a percentage of money earned from medical professional services personally performed by the physician. HealthLink's agreement requiring physicians to pay five percent of the amounts allowed for their medical services therefore violated the statute and was void under Illinois law.
2. HealthLink's fixed flat fee did not violate section 22(A)(14) and was not contrary to Illinois public policy because it was based on claims volume and physician specialty, rather than on the physician's revenue, billings, or professional fees.
3. Plaintiffs could not recover either the unlawful percentage-based fees or the flat fees previously paid under their participating-provider agreements.
4. Plaintiffs could not seek recovery under the Illinois Insurance Code because the Code does not provide a private right of action for enforcement of the insurance rules at issue.
5. The request was forfeited because plaintiffs did not raise it in the lower courts and did not support it with relevant legal authority.

KEY QUOTATIONS

> *"Thus, where HealthLink's agreement with plaintiffs required them to pay HealthLink an administrative fee, equal to 5% of the amounts allowed in HealthLink's rate schedule for medical services provided to members by plaintiffs, the agreement was in violation of section 22(A)(14)."* (12)

> *"Because a higher volume of claims or a more complicated specialty translates into a higher volume of work for HealthLink, the flat-fee arrangement now charged to participating physicians fairly compensates HealthLink without being a prohibited division of the physician's remuneration."* (14)

> *"In the instant case, where we have found the percentage-based fee agreement between plaintiffs and HealthLink to have violated the broad prohibition against sharing fees set forth in section 22(A)(14), the*

> *proper course is for the parties to be left "where they have placed themselves.""* (18)

FACTUAL BACKGROUND

HealthLink operated a network of health-care providers and processed participating physicians' claims for payment by insurers, self-funded plans, governmental entities, and union trusts. Vine Street Clinic and Dr. Thatch entered participating-provider agreements under which they paid HealthLink percentage-based administrative fees tied to amounts allowed for their medical services. After the Attorney General opined that the percentage fee violated the Medical Practice Act, HealthLink replaced it with a monthly flat fee based on physician specialty and prior claims volume. The plaintiffs challenged both fee arrangements and sought recovery of fees previously paid.

PROCEDURAL HISTORY

Vine Street Clinic filed a putative class action seeking declarations that HealthLink's percentage and flat administrative fees violated the Medical Practice Act and that the Illinois Insurance Code barred HealthLink from collecting the fees. The circuit court held the former percentage fee unlawful but the current flat fee lawful, denied recovery of previously paid fees, and dismissed the Insurance Code and unjust-enrichment claims. The appellate court affirmed the denial of repayment but held that both fees violated the Act. The Supreme Court affirmed the circuit court and reversed the appellate court in part.

DISPOSITION

other

CASES CITED

- Bowman v. American River Transportation Co., 217 Ill. 2d 75 (2005)
- Progressive Universal Insurance Co. of Illinois v. Liberty Mutual Fire Insurance Co., 215 Ill. 2d 121 (2005)
- In re Detention of Lieberman, 201 Ill. 2d 300 (2002)
- Michigan Avenue National Bank v. County of Cook, 191 Ill. 2d 493 (2000)
- People v. Ferrell, 277 Ill. App. 3d 74 (1995)
- Bonaguro v. County Officers Electoral Board, 158 Ill. 2d 391 (1994)
- City of Springfield v. Allphin, 74 Ill. 2d 117 (1978)
- Sparks & Wiewel Construction Co. v. Martin, 250 Ill. App. 3d 955 (1993)
- E&B Marketing Enterprises, Inc. v. Ryan, 209 Ill. App. 3d 626 (1991)
- Lieberman & Kraff, M.D., S.C. v. Desnick, 244 Ill. App. 3d 341 (1993)
- Practice Management Ltd. v. Schwartz, 256 Ill. App. 3d 949 (1993)
- TLC The Laser Center, Inc. v. Midwest Eye Institute II, Ltd., 306 Ill. App. 3d 411 (1999)
- Practice Management Associates, Inc. v. Orman, 614 So. 2d 1135 (Fla. App. 1993)
- Alternate Fuels, Inc. v. Director of the Illinois Environmental Protection Agency, 215 Ill. 2d 219 (2005)
- Andrews v. Kowa Printing Corp., 217 Ill. 2d 101 (2005)

- Ikpoh v. Department of Professional Regulation, 338 Ill. App. 3d 918 (2003)
- Carter-Shields v. Alton Health Institute, 201 Ill. 2d 441 (2002)
- Marvin N. Benn & Associates, Ltd. v. Nelsen Steel & Wire, Inc., 107 Ill. App. 3d 442 (1982)
- H&M Commercial Driver Leasing, Inc. v. Fox Valley Containers, Inc., 209 Ill. 2d 52 (2004)
- Schumann-Heink v. Folsom, 328 Ill. 321 (1927)
- Rees v. Schmits, 164 Ill. App. 250 (1911)
- King v. First Capital Financial Services Corp., 215 Ill. 2d 1 (2005)
- Evans v. Funk, 151 Ill. 650 (1894)
- Kanter & Eisenberg v. Madison Associates, 116 Ill. 2d 506 (1987)
- Harris v. Johnson, 218 Ill. App. 3d 588 (1991)
- Evans v. Funk, 38 Ill. App. 441 (1890)
- O'Hara v. Ahlgren, Blumenfeld & Kempster, 127 Ill. 2d 333 (1989)
- Schnackenberg v. Towle, 4 Ill. 2d 561 (1954)
- Leoris v. Dicks, 150 Ill. App. 3d 350 (1986)
- People v. Wilson, 143 Ill. 2d 236 (1991)
- Weis v. State Farm Mutual Automobile Insurance Co., 333 Ill. App. 3d 402 (2002)
- Village of McCook v. Illinois Bell Telephone Co., 335 Ill. App. 3d 32 (2002)
- People ex rel. Waller v. 1989 Ford F350 Truck, 162 Ill. 2d 78 (1994)
- People v. Ward, 215 Ill. 2d 317 (2005)

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