UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

Suzanne Downey, on behalf of Plaintiff and a class v. ATI Holdings, LLC, doing business as ATI Physical Therapy, and Cherokee Funding II, LLC, doing business as Gain Servicing

Downey · No. 25-cv-5785 · Decided February 10, 2026

SUMMARY

The United States District Court for the Northern District of Illinois dismissed without prejudice Suzanne Downey's ERISA claim against ATI Holdings, LLC and Cherokee Funding II, LLC because the complaint did not plausibly allege rights or obligations arising under the ERISA plan. The court declined to exercise supplemental jurisdiction over the remaining state-law claims and stated that those claims would be remanded if Plaintiff did not seek to amend the ERISA claim. The court denied ATI Holdings' request for attorneys' fees.

CASE DETAILS

COURT	United States District Court for the Northern District of Illinois, Eastern Division
WRITING FOR THE COURT	April M. Perry
JURISDICTION	United States District Court for the Northern District of Illinois, Eastern Division
DECIDED	February 10, 2026
DOCKET	25-cv-5785
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff moved to remand her state-law claims after defendants removed the case based on an amended complaint adding an ERISA claim. ATI Holdings moved to dismiss all claims and requested attorneys' fees.
STANDARD OF REVIEW	On the Rule 12(b)(6) motion, the court accepted well-pleaded factual allegations as true and drew reasonable inferences in plaintiff's favor, asking whether the complaint stated a facially plausible claim. The court reviewed the request to retain supplemental jurisdiction for abuse-of-discretion-type discretionary considerations, including judicial economy, convenience, fairness, and comity.

PRECEDENTIAL VALUE	unpublished
PARTIES	Suzanne Downey, on behalf of Plaintiff and a class v. ATI Holdings, LLC, doing business as ATI Physical Therapy, Cherokee Funding II, LLC, doing business as Gain Servicing

TOPICS

motions to dismiss | subject matter jurisdiction | civil procedure | breach of contract | consumer protection

PRACTICE AREAS

ERISA | federal jurisdiction | civil procedure | contract law | consumer protection

QUESTIONS PRESENTED

1. Whether plaintiff plausibly stated an ERISA claim under 29 U.S.C. § 1132(a)(1)(B) against ATI Holdings and Cherokee Funding, including whether the alleged rights arose under the ERISA plan rather than an independent provider contract.
2. Whether the court should exercise supplemental jurisdiction over the remaining state-law claims after dismissing the sole federal claim, where defendants asserted defensive ERISA preemption.
3. Whether ATI Holdings was entitled to attorneys' fees under 29 U.S.C. § 1132(g)(1).

HOLDINGS

1. Plaintiff failed to state a plausible ERISA claim because the plan did not confer on her rights concerning medical providers' liens or impose obligations on defendants; her theory arose from the separate contract between Optum and ATI Holdings. Count VI was dismissed without prejudice.
2. After dismissing the sole federal claim, the court declined to exercise supplemental jurisdiction over Counts I through V and ordered those claims remanded to state court if plaintiff did not intend to replead the ERISA claim.
3. ATI Holdings was not entitled to attorneys' fees because plaintiff's position was not shown to be brought in bad faith or without substantial justification, and the unresolved question whether a medical provider may be a proper ERISA defendant made the claim not baseless.

KEY QUOTATIONS

> *"The benefits are an obligation of the plan, so the plan is the logical and normally the only proper defendant."*

> *"Complete preemption, really a jurisdictional rather than a preemption doctrine, confers exclusive federal jurisdiction in certain instances where Congress intended the scope of a federal law to be so broad as to entirely replace any state-law claim."*

> *"Conflict preemption, on the other hand, operates as a defense to state law claims and provides no independent basis for federal jurisdiction."*

> *"If the federal question is eliminated relatively soon after removal, it is ordinarily preferable to remand the case rather than dismiss the case."*

FACTUAL BACKGROUND

Plaintiff was an ERISA plan beneficiary who received physical therapy from ATI Holdings after being injured by a third-party tortfeasor. UHC partially paid ATI's bills, leaving a disputed amount of $6,800.44, and defendants asserted an Illinois health-care-services lien against plaintiff's tort settlement for that amount. Plaintiff alleged that an agreement between Optum and ATI prohibited ATI from collecting amounts beyond applicable deductibles or copays or imposing liens on insureds' tort recoveries, and she sought declaratory and other state-law relief, as well as an alternative ERISA claim.

PROCEDURAL HISTORY

The action was filed in the Circuit Court of Cook County, Illinois, on February 20, 2025. Defendants removed it to the Northern District of Illinois on May 23, 2025, after plaintiff amended the complaint to add an ERISA claim. The federal court dismissed the ERISA claim without prejudice, declined to exercise supplemental jurisdiction over the state-law claims if plaintiff did not intend to replead the ERISA claim, and ordered those claims remanded to state court on that condition; it denied attorneys' fees.

DISPOSITION

other

REMAND INSTRUCTIONS

Plaintiff was given until February 17, 2026, to notify the court whether she intended to file an amended complaint attempting to state a plausible ERISA claim. If she did not intend to replead the ERISA claim, Counts I through V were to be remanded to the Circuit Court of Cook County, Illinois.

CASES CITED

- Gibson v. City of Chicago, 910 F.2d 1510, 1520 (7th Cir. 1990)
- Kubiak v. City of Chicago, 810 F.3d 476, 480-81 (7th Cir. 2016)
- Roldan v. Stroud, 52 F.4th 335, 339 (7th Cir. 2022)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Boggs v. Boggs, 520 U.S. 833, 845 (1997)
- Massachusetts v. Morash, 490 U.S. 107, 115 (1989)
- Massachusetts Mutual Life Insurance Co. v. Russell, 473 U.S. 134, 148 (1985)
- Larson v. United Healthcare Insurance Co., 723 F.3d 905, 913 (7th Cir. 2013)
- Leister v. Dovetail, Inc., 546 F.3d 875, 879 (7th Cir. 2008)
- Concert Health Plan Ins. Co. v. Houston Nw. Partners, Ltd., 265 F.R.D. 319, 322 (N.D. Ill. 2010)

- Lone Star OB/GYN Associates v. Aetna Health Inc., 579 F.3d 525, 528 (5th Cir. 2009)
- Aetna Health Inc. v. Davila, 542 U.S. 200, 210 (2004)
- Royal Canin U.S.A., Inc. v. Wullschleger, 604 U.S. 22, 32 (2025)
- Administrative Committee of Wal-Mart Stores, Inc. Associates' Health & Welfare Plan v. Varco, 338 F.3d 680, 688 n.5 (7th Cir. 2003)
- Franciscan Skemp Healthcare, Inc. v. Central States Joint Board Health & Welfare Trust Fund, 538 F.3d 594, 596, 601 (7th Cir. 2008)
- Graf v. Elgin, Joliet and Eastern Railway Co., 790 F.2d 1341, 1347 (7th Cir. 1986)
- Carnegie-Mellon University v. Cohill, 484 U.S. 343, 350 (1988)
- Hardt v. Reliance Standard Life Insurance Co., 560 U.S. 242, 245 (2010)
- Leigh v. Engle, 727 F.2d 113, 139 n.39 (7th Cir. 1984)
- Huss v. IBM Medical & Dental Plan, 418 F. App'x 498, 512 (7th Cir. 2011)
- Kolbe & Kolbe Health & Welfare Benefit Plan v. Medical College of Wisconsin, Inc., 657 F.3d 496, 506 (7th Cir. 2011)
- Baxter International, Inc. v. Abbott Laboratories, 297 F.3d 544, 545 (7th Cir. 2002)
