

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

**Sagebrush LLC d/b/a The Edge Treatment Center v. Cigna Health
and Life Insurance Company and Cigna Healthcare of California,
Inc.**

Sagebrush LLC v. Cigna · No. 8:24-cv-00353-MEMF-JDE · Decided April 23, 2025

OPINION

Sagebrush LLC v. Cigna Health and Life Insurance Company
PER CURIAM.

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UNITED STATES DISTRICT COURT

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CENTRAL DISTRICT OF CALIFORNIA

10 11 Case No.: 8:24-cv-00353-MEMF-JDE

SAGEBRUSH LLC d/b/a THE EDGE

12 TREATMENT CENTER,

ORDER GRANTING IN PART MOTION

13 Plaintiff, FOR JUDGMENT ON THE PLEADINGS

[ECF NO. 26]

14 v. 15

16 CIGNA HEALTH AND LIFE INSURANCE

COMPANY and CIGNA HEALTHCARE OF

17 CALIFORNIA, INC.,

18 Defendants. 19

20 21 Before the Court is Defendants’ Motion for Judgment on the Pleadings. ECF No. 26. For the
22 reasons stated herein, the Court hereby GRANTS IN PART the Motion with leave to amend. 23
24 25 26 27 / / / 28 / / / 1 I. Background 2 A. Factual Allegations1 3 Plaintiff Sagebrush LLC
 (“Sagebrush”) provides medically necessary behavioral health 4 services to patients who were, at
all relevant times, policyholders of Defendant Cigna Health and 5 Life Insurance Company.2
Compl. ¶ 12. Before rendering services to patients, Sagebrush contacted 6 Cigna via telephone “to
verify eligibility for insurance coverage and request authorization.” Id. ¶ 13. 7 Cigna issued
authorization to cover the full extent of services provided to the patients. Id. After 8 treating the
patients, Sagebrush billed Cigna for the services provided and expected reimbursement 9 totaling
over \$8.4 million. Id. ¶ 14. Cigna only issued payments totaling around \$1.1 million to 10
Sagebrush. Id. ¶ 15. 11 B. Procedural History 12 On August 1, 2023, Sagebrush filed its

Complaint in County of Orange Superior Court, 13 alleging claims of: (1) breach of implied-in-fact contract; (2) unfair business practices under 14 California’s Unfair Competition Law (“UCL”); (3) unjust enrichment; (4) quantum meruit; and (5) 15 account stated. See Compl. On February 20, 2024, Cigna removed the action on the basis of federal 16 question jurisdiction. ECF No. 1-1. On May 13, 2024, Judge Carney denied Sagebrush’s motion to 17 remand. ECF No. 22. 18 On August 23, 2024, Cigna filed the instant Motion for Judgment on the Pleadings. ECF No. 19 26 (the “Motion”). On September 6, 2024, Cigna filed its opposition. ECF No. 27 (“Opposition”). 20 On September 13, 2024, Cigna filed a reply. ECF No. 29 (“Reply”). On February 12, 2025, Cigna 21 filed a notice of supplemental authority. ECF No. 35. 22 / / / 23 24 25 1 All facts stated herein are taken from the allegations in Plaintiff’s Complaint unless otherwise indicated. ECF No. 1-3 (“Compl.”). For the purposes of this Motion, the Court treats these factual allegations as true, but at 26 this stage of the litigation, the Court makes no finding on the truth of these allegations, and is therefore not— at this stage—finding that they are true. 27 2 It appears that Defendant Cigna Healthcare of California, Inc. was amended in as a defendant at some point. ECF No. 1-4. The Court will refer to Defendants collectively as “Cigna,” and understands their role in the 28 1 II. Applicable Law

2 Rule 12(c) of the Federal Rules of Civil Procedure provides that “[a]fter the pleadings are 3 closed—but early enough not to delay trial—a party may move for judgment on the pleadings.” Fed. 4 R. Civ. P. 12(c). “Judgment on the pleadings is properly granted when, accepting all factual 5 allegations in the complaint as true, there is no issue of material fact in dispute, and the moving party 6 is entitled to judgment as a matter of law.” *Chavez v. United States*, 683 F.3d 1102, 1108 (9th Cir. 7 2012) (internal quotation marks omitted). A court must construe all factual allegations in the 8 pleadings in the light most favorable to the non-moving party. *Fleming v. Pickard*, 581 F.3d 922, 9 925 (9th Cir. 2009). 10 A motion under Rule 12(c) is considered “functionally identical” to a motion under Rule 11 12(b)(6). *Lyon v. Chase Bank USA, N.A.*, 656 F.3d 877, 883 (9th Cir. 2011) (citing *Dworkin v. 12 Hustler Mag. Inc.*, 867 F.2d 1188, 1192 (9th Cir. 1989)). The key difference between these two 13 motions is just the timing of the filing. See *Dworkin*, 867 F.2d at 1192. Accordingly, judgment on 14 the pleadings should be entered when a complaint does not plead “enough facts to state a claim to 15 relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). A claim is 16 factually plausible when “the plaintiff pleads factual content that allows the court to draw the 17 reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 18 U.S. 662, 678 (2009). 19 If judgment on the pleadings is appropriate, a court may grant the non-moving party leave to 20 amend, grant dismissal, or enter a judgment. Leave to amend may be denied when “the court 21 determines that the allegation of other facts consistent with the challenged pleading could not 22 possibly cure the deficiency.” *Schreiber Distrib. Co. v. Serv-Well Furniture Co.*, 806 F.2d 1393, 23 1401 (9th Cir. 1986). Thus, leave to amend “is properly denied . . . if amendment would be futile.” 24 *Carrico v. City & Cnty. of San Francisco*, 656 F.3d 1002, 1008 (9th Cir. 2011). 25 III. Discussion 26 Cigna

moves for judgment on the basis that Sagebrush has failed to state a claim for all five 27 causes of action and that, alternatively, to the extent any claim for reimbursement is “governed by a 28 self-funded ERISA-governed employee benefit plan,” those claims are preempted. Motion at 4. For 1 the reasons discussed below, the Court finds that the claims are either sufficiently pleaded or that the 2 proposed amendments would be sufficient, and that it need not reach the issue of preemption at this 3 time. 4 A. Sagebrush Insufficiently Alleges a Breach of Implied Contract (Claim 1) 5 The elements of a breach of contract claim are: “(1) existence of the contract; (2) plaintiff’s 6 performance or excuse for nonperformance; (3) defendant’s breach; and (4) damages to plaintiff as a 7 result of the breach.” *Aton Ctr., Inc. v. United Healthcare Ins. Co.*, 93 Cal. App. 5th 1214, 1230 8 (2023) (citation omitted). A claim for breach of implied contract has the same elements as a claim 9 for breach of contract, “except that the promise is not expressed in words but is implied from the 10 promisor’s conduct.” *Id.* To show that a contract exists, a plaintiff must allege mutual assent and 11 consideration. *Chandler v. Roach*, 156 Cal. App. 2d 435, 440 (1957). 12 Here, the Court finds that as alleged, the Complaint does not adequately plead mutual assent. 13 In particular, the Complaint only states that Cigna “issued authorization to cover the full extent of 14 services provided” to its patients. Compl. ¶ 13. Even drawing all inferences in favor of Sagebrush, 15 this allegation has no bearing on how much Cigna agreed to pay for the services. While such 16 authorization manifested an assent to pay something, there is no indication that the agreed amount of 17 the payment would be “the usual and customary value of the services.” Opposition at 9; see *Allied 18 Anesthesia Med. Grp., Inc. v. Inland Empire Health Plan*, 80 Cal. App. 5th 794, 809 (2022) (finding 19 lack of mutual assent where the complaint failed “to identify any reasonable and customary rate or to 20 assert that such rate was communicated”).³ 21 Nevertheless, Sagebrush’s proposed amendments to the cause of action would likely be 22 sufficient to remedy the deficiency as they provide the context from which it would be reasonable to 23 infer mutual assent to pay a customary rate. In particular, Sagebrush has proposed amendments 24 alleging that Cigna has previously paid for services at 100% of Sagebrush’s billed rates. ECF No. 25 27-1, Ex. A (“Proposed FAC”). Cigna cites non-binding case law for the proposition that 26 27 3 The Court does not find that “partial payments” after the fact support mutual assent. Cigna’s conduct after the services were performed may at most be extrinsic evidence determining what the parties agreed to, but do 28 1 “verification of insurance coverage and authorization” itself is insufficient to state an implied 2 contract claim. Motion at 6. However, allegations that Cigna was aware of Sagebrush’s rates at the 3 time that it authorized the services at issue provide more than just verification and authorization, and 4 make it reasonable to infer that Cigna was agreeing to pay 100% of the billed rates as it had 5 previously done in the course of the parties’ business relationship.⁴ 6 The Court also finds adequate consideration. Cigna seems to argue that since it would have 7 been obligated to pay for the services under its patients’ pre-existing insurance coverage anyway, 8 there is a lack of consideration. Motion at 8. However, here, Sagebrush’s claim is not premised on 9 the pre-existing insurance contract. The implied

contract at issue here has clear and adequate 10 consideration—Sagebrush’s performance of services for Cigna’s clients. As Sagebrush notes, it was 11 “not obligated” to treat Cigna’s patients (Opposition at 12), and doing so no doubt provided some 12 benefit to Cigna. This is sufficient to support consideration. 13 Accordingly, the Court dismisses Sagebrush’s breach of implied contract claim with leave to 14 amend. 15 B. Sagebrush Insufficiently Alleges a Claim Under the UCL (Claim 2) 16 “While the scope of conduct covered by the UCL is broad, its remedies are limited. A UCL is 17 equitable in nature; damages cannot be recovered.” *Korea Supply Co. v. Lockheed Martin Corp.*, 29

18 Cal. 4th 1134, 1144 (2003) (internal citations omitted). In *Sonner v. Premier Nutrition Corporation*,

19 the Ninth Circuit held that a plaintiff “must establish that [it] lacks an adequate remedy at law before 20 securing equitable restitution” under the UCL. 971 F.3d 834, 844 (9th Cir. 2020). In particular, the 21 Ninth Circuit affirmed dismissal of a UCL claim where “the operative complaint does not allege that 22 [the plaintiff] lacks an adequate legal remedy.” *Id.* Here, Sagebrush admittedly seeks the exact same 23 amount under UCL as it does under its other claims seeking actual damages. See Compl. ¶¶ 31, 35 24 (both claims seeking \$7,267,347.06). Sagebrush also fails to address this issue in its opposition 25 26 4 The Court notes that allegations that a party had previously paid 100% of the billed rates was lacking in 27 *Pacific Bay Recovery, Inc. v. Cal. Physicians’ Servs., Inc.*, 12 Cal. App. 5th 200, 216 (2017) and *Allied Anesthesia Med. Group, Inc. v. Inland Empire Health Plan*, 80 Cal. App. 5th 794, 808 (2022), which Cigna 28 1 completely, which the Court considers a concession that it seeks the same in equitable restitution as 2 it does for compensatory damages. *Sonner*, 971 F.3d at 844 (noting the plaintiff “fails to explain how 3 the same amount of money for the exact same harm is inadequate or incomplete”).5 4 Accordingly, the Court dismisses Sagebrush’s UCL claim without leave to amend.6 5 C. Sagebrush Sufficiently Alleges a Claim of Unjust Enrichment (Claim 3) 6 Under California law, there is no “standalone cause of action” for unjust enrichment, but 7 when a plaintiff makes such a claim, “a court may ‘construe the cause of action as a quasi-contract 8 claim seeking restitution.’” *Astiana v. Hain Celestial Grp., Inc.*, 783 F.3d 753, 762 (9th Cir. 2015) 9 (citation omitted). The elements for such a claim require the “receipt of a benefit and the unjust 10 retention of the benefit at the expense of another.” *Peterson v. Cellco Partnership*, 164 Cal. App. 4th 11 1583, 1593 (2008) (citation omitted). 12 Cigna contends there is no allegation that Cigna received any benefit from the services 13 provided to its patients, and cites a district court case for the proposition that “services provided by 14 medical providers to patients do not inure to the benefit of the insurers.” *Armijo v. ILWU-PMA 15 Welfare Plan*, 2015 WL 13629562, at *24 (C.D. Cal. Aug. 21, 2025). However, the case relied on in 16 *Armijo* was a case that involved pre-existing contracts—the court found that “any benefit conferred 17 upon defendants by [the doctors] was simply an incident to [the doctors’] performance of their own 18 obligations [under applicable agreements].” *Cal. Med. Ass’n, Inc. v. Aetna U.S. Healthcare of Cal., Inc.*, 94 Cal. App. 4th 151, 174 (2001).

Here, there are no agreements obligating Sagebrush to perform any services to Cigna's patients. The Complaint alleges that Cigna benefitted from Sagebrush's treatment of its patients and retained the value of those services by not having to pay for those services. Compl. ¶¶ 40–41. There is a specific amount the services were worth, and although Cigna did not directly receive the services, it received the value of those services by paying less than what they allegedly were obligated to pay. As Sagebrush notes, Cigna was “spared the expense of 25 26 27 5 Although the Court acknowledges that a party may generally plead in the alternative, under Sonner, it is proper to dismiss a UCL claim on a motion to dismiss based on such a concession. 28 6 1 having to provide medically necessary services to the patients from another healthcare provider.”

2 Opposition at 18. The Court finds this sufficient to plead a benefit, which would have been retained

3 at Sagebrush's expense. 4 Accordingly, the Court finds the unjust enrichment claim sufficiently pleaded as a quasi- 5 contract claim. 6 D. Sagebrush Insufficiently Alleges a Claim of Quantum Meruit (Claim 4) 7 “[T]o recover under a quantum meruit theory, a plaintiff must establish both that he or she 8 was acting pursuant to either an express or implied request for such services from the defendant and 9 that the services rendered were intended to and did benefit the defendant.” Day v. Alta Bates Med. 10 Ctr., 98 Cal. App. 4th 243, 248 (2002) (emphases omitted). 11 Here, Sagebrush's theory of recovery on its quantum meruit claim specifically relies on 12 compliance with 28 CCR section 1300.71(a)(3)(B). Compl. ¶¶ 46–47. However, (a)(3)(B) makes an 13 exception for providers that provide “non-emergency services”—in such a case, the statute limits 14 reimbursement to “the amount set forth in the enrollee's Evidence of Coverage.” 28 CCR § 15 1300.71(a)(3)(C). Sagebrush does not dispute that the services alleged are non-emergency services. 16 Therefore, any recovery based on quantum meruit under this section is limited by the Evidence of 17 Coverage and is not based on Sagebrush's reasonable and customary values. See Pacific Bay 18 Recovery, Inc., 12 Cal. App. at 209 (2017) (“As such, its right to reimbursement, if any, would be 19 found under the applicable [Evidence of Coverage].”). The California Court of Appeal in Pacific 20 Bay Recovery has instructed that “quantum meruit recovery is inappropriate where it would frustrate 21 the law.” Id. at 215.7 Thus, as Sagebrush's quantum meruit theory is incompatible with the law, the 22 Court finds that the claim is not sufficiently pleaded. 23 Accordingly, the Court dismisses the quantum meruit claim without leave to amend as it 24 finds that amendment would be futile as a matter of law. 25 26 7 Sagebrush cites to a non-binding district case that was issued prior to Pacific Bay Recovery to support its 27 quantum meruit argument. San Joaquin General Hospital v. United Healthcare Ins. Co., 2017 WL 1093835 (E.D. March 23, 2017). However, it does not appear that the allegations in San Joaquin were reliant on 28 28 1 E. Sagebrush Insufficiently Alleges a Claim of Account Stated (Claim 5). 2 “The essential elements of an account stated are: (1) previous transactions between the 3 parties establishing the relationship of debtor and creditor; (2) an agreement between the parties, 4 express or implied, on

the amount due from the debtor to the creditor; (3) a promise by the debtor, 5 express or implied, to pay the amount due.” *Zinn v. Fred R. Bright Co.*, 271 Cal. App. 2d 597, 600 6 (1969). Here, for the reasons discussed with the implied breach of contract claim, the Court finds 7 this claim insufficient because the allegations do not provide grounds to infer that Cigna agreed to 8 pay any specific amount to Sagebrush. However, as with that claim, the Court finds that Sagebrush’s 9 proposed amendments would cure the deficiency. 10 Accordingly, the Court dismisses the account stated claim with leave to amend. 11 F. The Court Does Not Reach the Issue of ERISA Preemption 12 Cigna contends that regardless of the findings on the prior claims, ERISA preempts all of 13 Sagebrush’s claims to the extent that any reimbursement claim is governed by an ERISA plan. 14 ERISA preemption applies to all state laws that “relate to any employee benefit plan that ERISA 15 covers.” *Bristol SL Holdings, Inc. v. Cigna Health & Life Ins. Co.*, 103 F.4th 597, 602 (9th Cir. 16 2024). “The Supreme Court has identified ‘two categories’ of state law claims that ‘relate to’ an 17 ERISA plan—claims that have a ‘reference to’ an ERISA plan, and claims that have ‘an 18 impermissible connection with’ an ERISA plan.” *Id.* The Ninth Circuit in *Bristol* held that “state law 19 contract claims based on an out-of-network provider’s calls to a plan administrator seeking to 20 verify plan coverage and obtain preauthorization for medical services” were preempted. *Id.* In 21 particular, the Ninth Circuit found the claims both had a reference to as well as an impermissible 22 connection with an ERISA plan. See *id.* 23 Here, the pleadings do not indicate that there are any ERISA plans at issue. At the hearing, 24 counsel for Cigna pointed to the Complaint’s allegation that “Cigna provides and operates health 25 plans that pay for healthcare services provided by Sagebrush to its policy holders and their 26 dependents.” Compl. ¶ 3. However, this allegation does not support the existence of an ERISA plan. 27 The Court will therefore refrain from addressing the preemption question unless and until this issue 28 is revealed by the pleadings. This is without prejudice to Cigna raising this issue at the motion for 1 | summary judgment stage to the extent that it is undisputed that some of the reimbursement claims 2 | are governed by an ERISA plan. 3 IV. Conclusion 4 For the foregoing reasons, the Court hereby ORDERS as follows: 5 1. Cigna’s Motion for Judgment on the Pleadings is GRANTED IN PART: 6 a. Claim 1 for breach of implied contract is dismissed with leave to amend; 7 b. Claim 2 for violation of the UCL is dismissed without leave to amend; 8 c. Claim 4 for quantum meruit is dismissed without leave to amend; and 9 d. Claim 5 for account stated is dismissed with leave to amend. 10 2. Sagebrush is GRANTED LEAVE TO AMEND its claims for breach of implied contract 11 (Claim 1) and account stated (Claim 5) within thirty (30) days of this Order. 12 3. If Sagebrush does not file an amended complaint within thirty (30) days of this Order, only 13 its claim for unjust enrichment/quasi contract (Claim 3) will remain, and the thirtieth (30th) 14 day from the date of this Order will be deemed the date of filing for purposes of calculating 15 when Cigna’s Answer is due. 16 17 IT IS SO ORDERED. 18 eenneoeneneny re 19 | Dated: April 21, 2025 =

20 MAAME EWUSI-MENSAH FRIMPONG

21 United States District Judge 22 23 24 25 26 27 28

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