



Iowa General Assembly

2016 Legal Updates

Legislative Services Agency – Legal Services Division

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Purpose. *Legal update briefings are prepared by the nonpartisan Legal Services Division of the Legislative Services Agency. A legal update briefing is intended to inform legislators, legislative staff, and other persons interested in legislative matters of recent court decisions, Attorney General Opinions, regulatory actions, federal actions, and other occurrences of a legal nature that may be pertinent to the General Assembly's consideration of a topic. Although a briefing may identify issues for consideration by the General Assembly, a briefing should not be interpreted as advocating any particular course of action.*

WORKERS COMPENSATION-PAYMENT OF MEDICAL EXPENSES-NO AUTHORIZATION OR CASUAL CONNECTION

Filed by the Iowa Supreme Court

April 15, 2016

Ramirez-Trujillo v. Quality Egg, L.L.C.

No. 14-0640

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Facts. In 2009, employee Ramirez-Trujillo slipped on an egg at work and injured her back. Her employer, Quality Egg, L.L.C., acknowledged liability for the injury and paid for medical treatment of the injury until September 2009 when she was released to full duty with no work restrictions. Later, the employee brought a workers' compensation claim seeking additional workers' compensation benefits and reimbursement of medical expenses for back treatment in 2010 and 2011. Quality Egg argued that it did not authorize the additional medical treatment and that the treatment was not causally connected to the employee's workplace injury.

Workers' Compensation Commission Hearing and Appeal. A Deputy Workers' Compensation Commissioner issued an arbitration decision concluding that Ramirez-Trujillo's condition in 2010 and 2011 was not the result of her work injury and denying her claims for workers' compensation benefits and medical expenses incurred after September 2009. On appeal, the Workers' Compensation Commissioner (Commissioner) affirmed the deputy's conclusion that Ramirez-Trujillo's condition in 2010 and 2011 was not causally related to her 2009 workplace injury and she was not entitled to further workers' compensation benefits. However, the Commissioner held that Quality Egg was liable to pay for her medical expenses during that time because the expenses were incurred while seeking care from providers authorized by Quality Egg and Quality Egg had failed to notify her that it was no longer authorizing medical care as required by Iowa Code section 85.27(4).

Judicial Review of Agency Decision. On judicial review, the district court affirmed the final agency decision in part and reversed in part. The district court agreed that Ramirez-Trujillo's condition after 2009 was not causally related to her work injury but concluded that the Commissioner had misinterpreted Iowa Code section 85.27(4). The district court found that Quality Egg reasonably believed that Ramirez-Trujillo had recovered from her work injury and would not seek further treatment after September 2009, and that Quality Egg did not receive notice that Ramirez-Trujillo was seeking further care for her work injury. The district court thus found that Quality Egg was not liable for medical expenses incurred after 2009.

Court of Appeals Decision. On appellate review, the Court of Appeals affirmed the portion of the district court judgment which found that Ramirez-Trujillo's condition after September 2009 was not causally related to her work injury. However, the Court of Appeals concluded that the district court had erroneously interpreted Iowa Code section 85.27(4) and reinstated the Commissioner's ruling that Quality Egg was liable to pay for Ramirez-Trujillo's medical expenses in 2010 and 2011. Both parties sought further review of the Court of Appeals decision.

Application for Further Review. In granting the Application for Further Review, the Supreme Court (Court) chose to review only the issue concerning the proper interpretation of Iowa Code section 85.27(4).

Issue. Whether the Commissioner was correct in concluding that employer Quality Egg was liable to pay for employee Ramirez-Trujillo's medical expenses which were not causally related to her work injury, when the expenses were incurred while the employee sought care from providers authorized by Quality Egg and Quality Egg failed to notify her that it was no longer authorizing medical care as required by Iowa Code section 85.27(4).

Holding. An employer is liable for the cost of care an employee receives from an authorized medical provider unless the employer shows that it gave the employee actual notice of a change in authorization as required by Iowa Code section 85.27(4) or proves, by a preponderance of the evidence, that the employee knew or reasonably should have known either that the care was unrelated to the medical condition upon which the employee's claim for workers' compensation benefits was based or that the employer was no longer authorizing the care at the time the employee received it.

Analysis. Iowa Code section 85.27(4) provides in pertinent part:

For purposes of this section, the employer is obliged to furnish reasonable services and supplies to treat an injured employee, and has the right to choose the care. If the employer chooses the care, the employer shall hold the employee harmless for the cost of care until the employer notifies the employee that the employer is no longer authorizing all or any part of the care and the reason for the change in authorization [emphasis added].

Scope of Review. At issue in this case is how the Legislature intended the second sentence of the statute to modify the right of employers to choose care for injured employees. The Court observed that the Legislature enacted the first sentence in Iowa Code section 85.27(4) granting employers a right to choose care in 1976. The second sentence of that subsection was enacted in 2004.

The Court opined that it would not defer to the Commissioner's interpretation of the statute, noting it was not "firmly convinced" the Legislature intended to delegate interpretative authority to the Commissioner. To determine legislative intent, the Court looked at the language of the statute. The Court also concluded that reasonable persons could disagree as to the meaning of the statute, allowing the Court to consider rules of statutory construction in its interpretive analysis.

Employer's Right to Choose Care. The Court found that in enacting the right-to-choose provision in Iowa Code section 85.27(4), the Legislature sought to balance the interests of injured employees against the competing interests of their employers. An employer obtains the right to choose medical care only by conceding the compensability of the claimed injury. This does not mean that the employer cannot disagree with the employee as to the nature or extent of the disability caused by a workplace injury. But if the right to choose care is exercised, the employer is responsible for the cost of that care up to the time the employer notifies the employee that it is no longer authorizing such care and the reason for the change.

The Court found that an employer's power to choose care includes the responsibility to monitor the care to determine when further care will no longer be authorized. The statute does not obligate employees to investigate or inquire as to whether an authorization remains in force before seeking care. The obligation rests on the employer who authorizes care to pay the costs of that care until the employer notifies the employee that it is no longer authorizing care. However, the Court also found that employer liability under the statute is premised upon an employer's choice of care for a particular injury. The Legislature did not intend an employer who acknowledges the compensability of a foot injury to be liable for expenses the employee incurred after getting the flu merely because the care was provided by a provider authorized by the employer.

Limitations on Employer's Liability. The Court found that Iowa Code section 85.27(4) limits employer liability for authorized care to expenses related to care for the medical condition for which the employee sought care after a workplace injury and upon which the employee's claim for workers' compensation benefits is based. The statute does not permit an employee to take advantage of an employer by seeking compensation after the fact for care the employee knew or should have known was not within the scope of the employer's prior authorization. The statute does not require an employer to notify an employee it is no longer authorizing care when the employee knows or reasonably should know that the care sought is for a condition unrelated to a compensable workplace injury or that the prior authorization is no longer in effect.

The Court concluded that in order to avoid liability for care, an employer must give the employee actual notice of a change in authorization as required in Iowa Code section 85.27(4). However, the Court also concluded an employer may prove it is not liable for the cost of care an employee received from an authorized medical provider despite the employer's failure to give the notice required by the statute under limited circumstances.

Totality of Circumstances Standard. Under limited circumstances, the employer may prove the employee had knowledge of facts and circumstances that would have led a reasonable employee to conclude the employer was no longer authorizing care for the claimed injury. The determinative question is whether the totality of the circumstances indicates the employee knew or should have known the employer no longer authorized the care the employee received, not whether the employee believed the care was compensable when the employee received it.

The Court further specified what facts and circumstances should be considered by the Commissioner in determining whether an employee knew or reasonably should have known the employer no longer authorized the care the employee

received at the time the employee received it. These facts and circumstances are: 1) the method in which the employer communicated to the employee that care was authorized throughout the period during which the employer concedes care was authorized; 2) the actual communications between the employer and employee throughout that period and thereafter concerning the injury, the care, and the costs of the care; 3) any communications between the employee and medical providers; 4) how much time passed between the date the employer authorized care and the date the employee sought the disputed care; 5) the nature of the injury for which the employer authorized care; 6) the nature of the care the employee received, including the overall course of the care and the frequency with which the employee sought or received care throughout the period during which the employer conceded care was authorized and thereafter; and 7) any other matters shown by the evidence that bear on what the employee knew or did not know with respect to the question of whether the employer authorized the care sought when the employee received it.

Remand. The Court remanded the case with instructions to the Commissioner to determine whether Quality Egg proved by a preponderance of the evidence that Ramirez-Trujillo knew or reasonably should have known Quality Egg no longer authorized further care for her back injury when she incurred the disputed medical expenses.

Dissent. One justice dissented. The dissent opined that Iowa Code section 85.27(4) is not ambiguous. The Commissioner correctly applied the clear language of the statute and concluded that Quality Egg is obligated to pay for medical expenses Ramirez-Trujillo incurred for treatment by the authorized provider after September 2009 because Quality Egg failed to notify her that further treatment by that provider was not authorized.

The dissent further opined that the majority's new standard for determining whether an employer's authorization of care can terminate notwithstanding the employer's failure to notify the injured employee of the termination is not found in the statute and is incompatible with the clear language of the statute. The new standard will create confusion and uncertainty among parties in workers' compensation cases about whether medical care is authorized and will "spawn" more litigation. The clear language of the statute and its bright-line allocation of responsibility for care provided by authorized providers prior to notice of a change is superior to and simpler than the majority's new unwieldy standard.

The dissent recognized that applying a bright-line standard in this case would result in Quality Egg being held liable for some medical expenses which the Commissioner ultimately found were not causally related to Ramirez-Trujillo's compensable injury. However, the dissent opined that employers have access to detailed information about their authorized providers' services and their employees' responses to treatment and are well-equipped to protect their interests under Iowa Code section 85.27(4).

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