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Harper v. Health Care Service Corporation

Appellate Court of Illinois, First District - May 4, 2023 - N.E.3d - 2023 IL App (1st) 220078 - 2023 WL 3238760

Purported taxpayer brought derivative action on behalf of city and county against city and administrator of city's employee health care plan, asserting various theories of recovery under the Municipal Code, state constitution, the Freedom of Information Act (FOIA), and Medical Practice Act, seeking return of taxpayer funds city used to pay administrator.

The Circuit Court granted administrator and city's motion to dismiss with respect to pleadings and motion for involuntary dismissal, and dismissed all of purported taxpayer's claims. Purported taxpayer appealed.

The Appellate Court held that:

- City was not required to comply with statute governing award of municipal contracts;
- City duly executed agreements with administrator under municipal ordinance;
- Purported taxpayer lacked standing to bring cause of action under the Medical Practice Act;
- Purported taxpayer could not recover taxpayer funds under theory of unjust enrichment;
- Administrator was not a "public body" within meaning of FOIA;
- Purported taxpayer failed to state cause of action that city and administrator violated the "prior appropriations doctrine"; and
- Order denying purported taxpayer's motion for partial summary judgment was appealable.

City, in exercising its home rule authority, was not required to comply with statute governing award of municipal contracts when city's mayor, comptroller, and purchasing agent's allegedly delayed signing agreements with administrator of city's employee health care plan until years after agreements' effective dates, in purported taxpayer's derivative action on behalf of city and county against city and administrator; absent any express statutory limitation or preemption of city's ability to contract for and administer health care coverage for its employees, city was free to exercise its home rule authority without being bound by requirements of the statute, including signing contracts after their effective dates, giving them retrospective effect, and providing for administrator's continuation of services in between contracts.

City, in exercising its home rule authority, duly executed contracts with administrator of city's employee health care plan for purposes of ordinance providing that no contract was binding on city unless it had been duly executed, in purported taxpayer's derivative action on behalf of city and county against city and administrator, alleging city's mayor, comptroller, and purchasing agent's delay in signing contracts with administrator until years after their effective dates rendered them null and void under statute governing award of municipal contracts, and thus were not binding under ordinance; under its home rule authority, city established its own procedures for executing contracts, which included signing them after their effective dates and giving them retrospective effect.

Purported taxpayer lacked standing to bring cause of action alleging that administrator of city's employee health care plan violated the Medical Practice Act by negotiating reduced fees from its third-party medical providers, in purported taxpayer's derivative action on behalf of city and county against administrator and city; far from redressing any injury to the city, a successful prosecution of purported taxpayer's claims would harm city by preventing administrator from negotiating reduced fees from its medical providers and then passing on some or all of those savings to the city.

Purported taxpayer failed to specifically plead that medical providers with whom administrator of city's employee health care plan negotiated contracts for reduced fees were subject to licensure requirements under the Medical Practice Act, in purported taxpayer's derivative action on behalf of city and county against administrator and city, where some of the providers about which purported taxpayer complained were pharmacists, who were licensed under the Pharmacy Practice Act and not the Medical Practice Act.

Purported taxpayer could not recover taxpayer funds city used to pay administrator of city's employee health care plan under a theory of unjust enrichment, in purported taxpayer's derivative action on behalf of city and county against administrator and city, where agreements between city and administrator for plan administration services were proper exercises of city's home rule authority and, as such, were valid and enforceable contracts.

Administrator of city's employee health care plan was not a "public body" within meaning of the Freedom of Information Act (FOIA), and therefore was not required to make its agreements with city for plan administration services available for public inspection under FOIA, in taxpayer's derivative action on behalf of city and county against administrator and city, where administrator was a mutual insurance company.

Purported taxpayer failed to state a cause of action that city and administrator of city's employee health care plan violated the "prior appropriations doctrine" by allegedly failing to identify administrator in city's annual appropriations ordinances and in failing to fully disclose and approve administrator's fees before it began performing under contracts for plan administration services, where purported taxpayer cited no statutory provisions or constitutional law to support her invocation of the doctrine.

Purported taxpayer forfeited on appeal issue of whether city and administrator of city's employee health care plan violated the "prior appropriations doctrine" by failing to comply with state constitutional provision requiring units of local government to make payments from public funds only as authorized by law and statute providing that a municipality cannot incur expenses unless an appropriation was previously made concerning that expense, where purported taxpayer did not allege her theory in her amended complaint, but raised it for the first time on appeal.

Involuntary dismissal of purported taxpayer's claim that city and administrator of city's employee health care plan violated the "prior appropriations doctrine" was warranted, where administrator attached city's answer to purported taxpayer's interrogatories, in which it explained how its annual appropriation ordinances appropriated monies to specific funds used to pay administrator's administration of the plan, and purported taxpayer failed to present any evidence that city and administrator's affirmative defense was unfounded or required resolution of an essential element of material fact.

Order denying purported taxpayer's motion for partial summary judgment, on theory that contracts between city and administrator of city's employee health care plan was void under statute governing award of municipal contracts and ordinance providing that no contract was binding on city unless it had been duly executed because they were signed by city's mayor years after their effective date,

was appealable, where subsequent dismissal of purported taxpayer’s amended complaint was final and appealable, and no trial or hearing had been conducted.

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