

Galloway Exposes Medical Funding Scheme and Obtains Victory for Defense on Collateral Source Rule

In a consolidated three-plaintiff personal injury lawsuit, Galloway attorneys James Prather and Bowman Fetzer obtained a significant victory for our client in what was originally thought to be a legitimate trucking accident but was later uncovered to apparently have been staged. *Williams v. IQS Insurance Risk Retention, et al.*, Eastern District of Louisiana, No. 18-2472 c/w 18-6113. All three of the plaintiffs underwent spine surgery and sought \$750,000 in combined medical expenses and well over \$1 million in general damages. During discovery, however, we exposed a medical funding scheme designed to increase the total potential damages award. In short, the doctors drastically inflated their charges by more than \$500,000 under contracts with a medical funding company while the plaintiffs sought the full \$750,000 from the defendants. After trial, plaintiffs' counsel would pay the funding company the full \$750,000, yet the doctors had already agreed to accept only \$238,000 from the funding company instead.

The plaintiffs argued that the funding company was a collateral source and moved to exclude defense arguments or evidence of the funding arrangement at trial. After exposing the scheme in discovery, we argued to the contrary that, under the "collateral source" rule, a plaintiff cannot recover the full charged amount of his medical expenses when discounts are negotiated by his attorney without having first paid for the benefit (such as through incurred health insurance premiums). Moreover, the funding company was not a collateral source because the plaintiffs had no idea how their medical bills were paid and paid no premiums to the funding company. The Court agreed, holding that the collateral source rule did not apply and plaintiffs were only entitled to recover what the medical providers were actually paid. This is an important decision to prevent abuse of the collateral source rule in future litigation.