



**FOR IMMEDIATE RELEASE**  
**JANUARY 13, 2020**

**FEDERAL JUDGE STAYS PORTION OF KNOX COUNTY HOSPITAL  
LAWSUIT AGAINST BCBS, ORDERS BOTH PARTIES TO ARBITRATE  
BREACH OF CONTRACT & NON-PAYMENT CLAIMS**

(Wichita Falls, TX, January 13, 2020) – A ruling by U.S. District Judge Reed O’Connor has left a portion of the Knox County Hospital District (KCHD) \$21 million lawsuit against Blue Cross / Blue Shield (BCBS) pending, as both parties have been ordered to enter arbitration. The judge ordered both parties to attempt Alternative Dispute Resolution arbitration – and he stayed the remaining portions of the lawsuit pending an arbitrator’s decision.

That means that Knox County can still pursue its legal claims against BCBS if the parties are unable to reach a settlement in arbitration.

The order issued in the U.S. District Court for the Northern District of Texas, Wichita Falls, Division, concludes:

“Where all of the issues raised before the court are subject to arbitration, dismissal is permissible... Here not all of Plaintiff’s (KCHD) claims are referred (to arbitration). But since this claim is dependent on the merits of the disputes that will be arbitrated, the Court exercises its discretion to stay this case pending the arbitrator’s determination.”

■ Honorable Reed O’Connor  
United States District Judge

The Court ruling came in response to Motions for Summary Judgement in the lawsuit (*Knox County Hospital District v. Health Care Service Corporation - 7:19-cv-000995-O-ND-TX-WTFD*) filed in U.S. District Court earlier in December. BCBS had filed a motion to have the entire matter sent to arbitration.

“The Board of Directors, employees and patients of Knox County Hospital could not be more pleased with Judge O’Connor’s decision to leave critical parts of this lawsuit pending, while ordering both parties into arbitration,” said Kelly Dawson, attorney for KCHD. “We appreciate the Court’s willingness to have a full hearing on the factual allegations we have asserted in the lawsuit.”

Dawson also applauded the court for moving quickly on the case which it originally filed in State District Court in September. BCBS moved to have the case moved to federal court and then filed a motion to have the lawsuit dismissed.

“The judge has made it clear that he wants this matter resolved in a timely fashion, and we will move quickly to meet his order,” Dawson said. “We’re pleased to have the option of coming back to court if we are unable to resolve some of the serious financial hardships that have been imposed on the Knox County Hospital. We want the citizens of Knox County to be fully covered before this issued is resolved.”

BCBS began with-holding payments from Knox County in 2017 – in violation of the state’s Prompt Pay Statue – and the Texas Department of Insurance (TDI) has refused to take action despite repeated complaints filed by KCHD. After a state District Judge issued a Temporary Restraining Order in September, BCBS filed to have the case heard in the Northern District of Texas Federal Court.

In its Motion for Summary Judgement filed in December, Knox County maintained that BCBS had engaged in a systematic pattern of nefarious activities, including, but are not limited to, fraud, slander, violations of the Texas Insurance Code and violations of Texas Civil Practices Code.

Knox County filed an amended complaint against Blue Cross Blue Shield in the Northern District of Texas Federal Court after the insurance giant had the case removed from state District Court in Knox County. The hospital’s complaint detailed the following causes of action against Chicago based Blue Cross Blue Shield of Texas (BCBSTX):

- Breach of contract for failing to pay agreed upon rate
- Violation of prompt payment laws according to the Texas Insurance Code
- Improper recoupment from a provider in violation of Texas law
- Retaliation
- Business disparagement

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*About Knox County Hospital District:*

Knox County Hospital District provides healthcare services for residents of Knox County and surrounding areas. The hospital district offers a wealth of medical services, including 24-hour emergency care, advanced radiology services, a clinical laboratory, physical therapy, patient education and more. The Knox County Hospital is a 25-bed acute care critical access facility located in Knox City, Texas which is 78 miles north of Abilene. The District also operates two rural health clinics, an outpatient retail pharmacy, home health, emergency medical services (EMS), a nursing home and durable medical equipment (DME) services.

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