

DISTRICT COURT HOLDS TPA IS A FIDUCIARY AND EXCLUSION OF AUTISM TREATMENT VIOLATED PARITY ACT

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The US District Court for the Northern District of California recently held that a third party claims administrator (TPA) breached its fiduciary duty in excluding certain autism related services under an employer's self-funded medical plan. An entity may be considered a fiduciary by being formally identified as a "named" fiduciary of the plan, or a "functional" fiduciary based on its actions. Although the TPA argued it was neither a named nor a functional fiduciary, the court found that the TPA exercised sufficient discretion in making benefit determinations to be considered a functional fiduciary with respect to the participant's benefits under the plan. The court also held that the exclusion of autism services under the plan violated the Mental Health Parity and Addiction Equity Act ("Parity Act"). The Parity Act generally prohibits a plan from imposing treatment limitations on mental health benefits that are not imposed on medical/surgical benefits. Here, the exclusion created a separate treatment limitation applicable only to services for a mental health condition and therefore violated the plain terms of the Parity Act. This case highlights two issues of increasing importance to sponsors of self-insured medical plans - fiduciary compliance and compliance with the Parity Act. The recently enacted Consolidated Appropriations Act requires plan sponsors to be prepared to provide a comparative analysis of non-quantitative treatment limitations on mental health and substance abuse disorders. We expect additional guidance on the implementation of these new rules.

Doe v. United Behavioral Health, 2021 WL 842577 (N.D. Cal.)

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