DISTRICT COURT DISMISSES CROSS-PLAN OFFSETTING CLAIM

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The United States District Court of the District of Minnesota held that participants did not have standing to sue a third party administrator ("TPA") over its practice of cross-plan offsetting. Cross-plan offsetting is a practice, used by some claims administrators, of using the assets of one health plan to recoup overpayments made to a healthcare provider by a different plan. Here, a class of plan participants alleged that this administrative practice violates the TPA's duty of loyalty as well as ERISA's prohibitions on self-dealing, representing both sides in a transaction, and transacting with a party in interest. However, the court did not address the substance of these claims because it held that the participants lacked standing. To have standing a plaintiff must be able to clearly trace a redressable injury to a defendant's conduct. The court reasoned that here, if the TPA breached these fiduciary duties, it would be an injury to the plan – not a traceable injury to the plan participants. While this case is a victory for the TPA, there remain a number of open issues related to this practice. Plan sponsors should review their services agreements and discuss with their TPAs whether they engage in the practice of cross-plan offsetting.

Scott v. UnitedHealth Group, (D. Minn.)

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