

COURT RULES HEALTH PLAN ENTITLED TO REIMBURSEMENT FROM PARTICIPANT'S THIRD PARTY SETTLEMENT

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The United States Court of Appeals for the Fifth Circuit recently ruled that a health plan could enforce its reimbursement provision, even though that provision was part of a Summary Plan Description (“SPD”) and there was no separate plan document. The Employee Retirement Income Security Act (“ERISA”) requires plan administrators to furnish SPDs to plan beneficiaries. In addition, ERISA requires plans to be “established and maintained pursuant to a written instrument.” In this case, a plan participant was allegedly injured as a result of medical malpractice. The health plan covered the participant’s medical expenses and after she settled her malpractice claim, the plan sought reimbursement. The plan administrator sought to enforce the reimbursement provision in the SPD that stated “if a third party causes a Sickness or Injury for which you receive a settlement, judgment, or other recovery, you must use those proceeds to fully return to the Plan 100% of any Benefits you received for that Sickness or Injury.” However, the SPD also referenced a separate Plan Document that did not exist. The participant refused to reimburse the plan, arguing that the employer did not have an ERISA compliant written instrument. Although noting that the SPD was sloppy, the court determined that, in the absence of a separate plan document, the SPD would serve as the plan document and its terms would be enforceable. Although the plan administrator was ultimately successful, this case highlights the importance of plan documents. Plan sponsors should review their plan documents carefully to ensure they contain important provisions, and that the plan is coordinated with other relevant documents, such as an SPD or benefit booklet. *Rhea v. Alan Ritchey, Inc. Welfare Benefit Plan* (5th Cir., 2017).