U.S. Supreme Court Decision Protects Healthcare Providers

On January 20, 2016, the United States Supreme Court issued a decision in Montanile v. Board of Trustees of the National Elevator Industry Health Benefit Plan. The Montanile decision limits a payor's (e.g. United, Anthem, Connecticare, Aetna or Cigna) ability to recover overpayments made on behalf of an ERISA plan to a non-participating provider.

In Montanile, a driver with health insurance paid for by an ERISA plan was injured in an automobile accident. The driver, Mr. Montanile, incurred more than $120,000 in medical bills, which were paid by his insurer. Mr. Montanile later settled his negligence case against the other driver for $500,000. Like most ERISA plans, the National Elevator Industry plan contained a subrogation clause requiring a participant to reimburse the plan "if the participant later recovers money from the third party for his injuries." Neither Mr. Montanile nor his counsel repaid the ERISA plan the $120,000 paid for his medical care.

ERISA is a complex statutory scheme which preempts other state and federal claims and limits the remedies available exclusively to those specified in ERISA. Section 502(a)(3) of ERISA allows ERISA plans to obtain equitable relief, such as an injunction or disgorgement of funds held in trust. Legal relief, such as an award of damages payable from a defendant's assets, is not permitted under ERISA.

On behalf of an eight member majority, Justice Thomas rejected the National Elevator Industry plan's argument and explained, "[e]quitable remedies are, as a general rule, directed against some specific thing … rather ... than a right to recover a sum of money generally out of the defendant's assets." Because Mr. Montanile had spent the settlement money, there was no fund against which an equitable lien could be enforced. Moreover, a general award of damages is not permitted by ERISA.

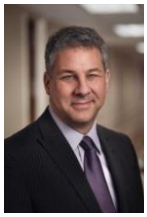
Acting on behalf of ERISA plans, payors occasionally sue non-participating providers for overpayments. The Montanile decision, along with the Supreme Court's January 25, 2016 decision in Airtran Airways, Inc. v. Elem, suggests that if a provider puts payments on non-participating claims in a separate account and then spends all of the funds in that account to zero, the provider will likely be immune from claims by payors or ERISA plans for recoupment.

Contact Us

For more information please contact Gregory J. Pepe or Simon I. Allentuch at 203.821.2000 or www.npmlaw.com.

G. Pepe

Gregory J. Pepe, principal, practices in the areas of Alternative Dispute Resolution & Mediation, Commercial Finance & Banking, Corporate & Business Transactions and Healthcare Law.



S. Allentuch

Simon I. Allentuch, principal, practices in the areas of Alternative Dispute Resolution & Mediation, Commercial Litigation and Employment & Labor Law. He represents clients in business tort, contract, restrictive covenant, consumer fraud and professional negligence lawsuits.