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INSURANCE LITIGATION AND REGULATION PRACTICE CASE OF THE MONTH

Physicians Multispecialty Group v. The Health Care Plan of Horton Homes, Inc., Horton Homes, Inc.
17 Fla. L. Weekly Fed. C630a

HEALTHCARE PROVIDER/ASSIGNEE CANNOT SUE ERISA PLAN IN FACE OF UNAMBIGUOUS PLAN TERMS PROHIBITING SUCH AN ASSIGNMENT

Employer offered and funded an ERISA medical benefit plan to its employees. The ERISA plan extended coverage to employees' dependents as long as the dependents met certain conditions. Employee began working and enrolled himself, his daughter, and four other minor children in the ERISA plan. The employee's daughter contracted a severe infection for which she was hospitalized and treated by physicians practicing with healthcare provider. The employee's daughter remained hospitalized for more than a month until she passed away.

Shortly after her death, the healthcare provider obtained a written assignment from the administrator of her estate and filed a claim with the ERISA plan to recover the cost of medical services rendered. The healthcare provider's claim was denied on the ground that the employee's daughter was not an eligible dependent child under the ERISA plan definitions. The healthcare provider exhausted its administrative remedies and initiated the present action, asserting an ERISA claim seeking to establish eligibility for benefits and to recover the costs of its medical services rendered. The district court entered summary judgment in favor of the healthcare provider.

On appeal, the Eleventh Circuit answered the following question:

whether a provider-assignee can sue an ERISA plan, where the terms of the plan forbid such an assignment.

Answering this question of first impression in the Eleventh Circuit, the court reversed the district court's order granting summary judgment on the basis that the anti-assignment clause in the ERISA plan precludes the healthcare provider from maintaining an ERISA action based on its reliance upon an assignment of benefits. The Eleventh Circuit held that the following unambiguous, anti-assignment clause in the health care plan precluded the health care provider from maintaining an ERISA action based on the health care provider's reliance upon an assignment of benefits:

ASSIGNABILITY

Amounts payable at any time may be used to make direct payments to health care providers. Except as applicable law may otherwise require, no amount payable at any time hereunder shall be subject in any manner to alienation by . . . assignment . . . of any kind[]. Any attempt to . . . assign . . . any such amount, whether presently or hereafter payable, shall be void

The Eleventh Circuit held that ERISA's silence on the assignability issue could not be interpreted to mandate affirmatively an absolute right to assign. The court held that the matter of assignability of welfare benefits is left to the agreement of the contracting parties and the terms of the ERISA plan. The Eleventh Circuit now follows the majority of federal courts that have concluded that an assignment is ineffectual if the plan contains an unambiguous anti-assignment provision.

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