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SDNY Hands Self-Insured Health Plans a Total Win

In what can only be described as a complete and total win for self-insured health plan sponsors, the Southern District of New York recently upheld a plan's prohibition on assignments of benefits. While a number of cases exist upholding prohibitions on assignments of benefits, what makes this case unique is that the court utterly and methodically destroyed virtually every argument that has been advanced by plaintiffs on this issue.

The case, Medical Society of the State of New York vs. Unitedhealth Group, (SDNY, March 28, 2019), was brought by a group of out-of-network providers as a claim for benefits under ERISA 502(a)(1)(B) under the theory that participant benefits had been assigned to the providers. The out-of-network providers had obtained from the patient/participants an assignment of benefits, a designation as authorized representative under ERISA, and a general power of attorney.

United argued that the purported assignment of benefits was invalid as a matter of law, because the plan specifically prohibits assignments of benefits. The plaintiffs, on the other hand, argued that such plan language did not apply because United waived such prohibition by engaging in the following actions –

- Remitting payments directly to the plaintiff / providers;
- Sending notices of claim denials to the plaintiff / providers, and noting that the providers could appeal such denial if their patients had properly authorized them to do so; and
- Offsetting payments to the plaintiff / providers by overpayments.

The court examined each of the waiver arguments, concluding that each of the waiver arguments were ineffective to overturn the prohibition. Specifically, none of the actions evidenced a clear manifestation of an intent to waive the anti-assignment clauses.

This case is a clear win for plan sponsors who have been fighting these and similar out-of-network provider lawsuits over the past five to seven years. At the same time, this case is a reminder of the need for clear and unambiguous anti-assignment language in health plan documents and summary plan descriptions. The win for health plan sponsors that this case provides was only possible because the anti-assignment language was included in the documents and properly drafted. Further, the anti-assignment language should have clear language preventing waivers, unless such waiver is in writing and signed by the appropriate parties.