



# Pennsylvania Chiropractic Association v. Independence Hospital Indemnity Plan

## 805 F.3d 926 (7th Cir. 2015)

Topics Covered: Due Process, ERISA Preemption

**Outcome: Very Unfavorable**

### Issue

The issue in this case was whether in-network health care providers are entitled to claim procedural rights under the Employee Retirement Income Security Act (ERISA) as “beneficiaries” of health insurance plans.

### AMA Interest

The AMA believes managed care plans should afford physicians due process in their payment procedures, including the appeals of payment denials.

### Case Summary

The plaintiff chiropractors contracted with Independence Blue Cross (n/k/a Independence Hospital Indemnity Plan) (IBC). The chiropractors made a practice of contacting IBC before rendering a service and to confirm whether the proposed service was properly covered under the patient’s applicable health insurance. The chiropractors also made a practice of having their patients assign them their insurance policy benefits.

After this process was in place, IBC suffered what it characterized as a “computer glitch,” under which it made certain payments to its in-network chiropractors for services deemed at the time to be covered, but which IBC later determined to have been uncovered. IBC subsequently recouped these payments by refusing to pay for later services, even if those later services were rendered to different patients. IBC sent notices of the errors and the recoupments to some chiropractors; however, for other chiropractors it made recoupments without notice.

The affected chiropractors brought a class action and associational representation lawsuit in the United States District Court for the Northern District of Illinois. They sought recovery of the recoupments and a court order, which would require IBC to modify its appeal procedures. The chiropractors asserted that they were “beneficiaries” under ERISA § 3(8) because they were “designated” by the benefit plan itself as the party entitled to receive benefit payments. As beneficiaries, they were entitled to procedural protections under ERISA § 503 (requiring “adequate notice” and “a full and fair review” of any claim denials).

Most of the chiropractors' claims were either dismissed or settled. However, the claim of the Pennsylvania Chiropractic Association (PCA), derived from a claimed right of associational standing, proceeded to trial. After a three day bench trial, the court found in favor of PCA. Based on language in various documents describing the chiropractic patients' health insurance benefits, the court held that the chiropractors were, in fact, ERISA beneficiaries and had been deprived of the procedural protections of ERISA § 503.

The court enjoined IBC to modify its payment procedures to accord with ERISA § 503. It also awarded the PCA attorneys approximately \$1.8 million, under ERISA § 502(g). IBC appealed to the Seventh Circuit Court of Appeals.

On October 1, 2015, the Seventh Circuit reversed, finding, as an evidentiary matter, that the chiropractors had failed to establish the existence of an employer benefit plan under which they could assert a claim of ERISA beneficiary status.

### **Litigation Center Involvement**

The Litigation Center, along with the Illinois State Medical Society, filed an amicus brief to support the PCA.

United States Court of Appeals for the Seventh Circuit brief