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Sixth Circuit Highlights Importance of the Plan Document

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A recent decision by the U.S. Court of Appeals for the Sixth Circuit (*Patterson v. United HealthCare Ins. Co.*, No. 22-3167, 2023 WL 4882436 (6th Cir. Aug. 1, 2023)) illustrates the importance of clearly describing key plan terms in the plan document and summary plan description. Incomplete documentation or disclosure can nullify rights of the plan and its sponsor.

Patterson involved a medical plan's right to be reimbursed for medical expenses paid by the plan in the event the plan participant recovers funds from a responsible third party. A plan participant was injured in a traffic accident and his plan covered his medical costs. When the participant later recovered damages from the person who caused the accident, the plan's insurer asserted its right to be reimbursed. The insurer pointed to language in the plan's summary plan description that gave the plan a right to be reimbursed out of the participant's recovery. The parties eventually settled for $25,000.

A few months later, the participant's wife was injured in a second traffic accident. Again, the plan paid the injured wife's medical expenses and the insurer sought reimbursement out of any recovery from the other driver. This time, the participant's wife was able to establish that although the plan's right of recovery was described in the summary plan description, it was not described in the formal plan document. Consequently, the plan's insurer was not entitled to reimbursement from the participant's wife.

Based on his wife's experience, the participant then sued the plan's insurer to get back his $25,000. The insurer refused based on technical arguments under ERISA's enforcement provisions. The district court dismissed the case, but the Sixth Circuit reversed, concluding that ERISA gave the participant a right to seek recovery of his $25,000.

Proskauer's Perspective

Although ERISA generally allows medical plans (and plan sponsors) to recover benefit payments when the recipient recovers damages from a third party, the plan's rights must be detailed in both the plan document and summary plan description. Any ambiguity or lack of detail could be fatal to the plan's case. The *Patterson* case is a good reminder of the importance of having documents that are thorough, clear, and carefully drafted.

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