Health Care Providers Lacked Standing to Sue as ERISA Beneficiaries: Rojas v. Cigna Health and Life Insurance Company

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The U. S. Court of Appeals for the Second Circuit has affirmed a dismissal of claims by two physicians and their medical practice asserting standing under ERISA to enjoin an insurer from removing them from its coverage network. *Rojas v. Cigna Health and Life Insurance Company*, Case No. 14-3455 (2d Circ. July 15, 2015), held that, although the medical providers had a right to be reimbursed for services rendered, they were not beneficiaries under ERISA for the remedy they sought and therefore lacked standing to sue under that statute.

Background. The Plaintiffs were two physicians licensed in the State of New York, and their medical practice, who were in-network healthcare providers with the defendant, Cigna Health and Life Insurance Co. (?Cigna?). Cigna?s insureds, including those covered under ERISA-regulated health plans, use Cigna?s coverage to pay their bills when they receive medical services from the Plaintiffs, and the Plaintiffs, in turn, accept reduced reimbursement rates from Cigna under Cigna?s network contract. Cigna?s benefit plan notifies its insureds that the benefits are payable to them, but, at Cigna?s option, all or any part of the benefits may be paid directly to the provider whose charges are the basis of the claim. The Plaintiffs asserted that their Cigna-insured patients assigned to the Plaintiffs their right to collect payment directly from Cigna.

This dispute arose when Cigna became concerned about certain allergy tests performed by the Plaintiffs and decided that it had overpaid them more than $844,000 for tests for about 150 patients. Cigna asked the Plaintiffs to return that alleged overpayment, but they refused, so Cigna notified the Plaintiffs that it would terminate them from its provider network. The Plaintiffs then filed suit in federal district court, asserting, among other things, that Cigna had violated the anti-retaliation provisions in ERISA?s section 510. Those provisions prohibit any discrimination against an ERISA participant or beneficiary who exercises any right he or she may have under an ERISA plan. The Plaintiffs contended that they were

entitled to that protection, had a right to reinstatement under Cigna?s network, and demanded an injunction prohibiting Cigna from terminating Plaintiffs? network status. Notably, the Plaintiffs? lawsuit did not seek any payment under Cigna?s benefit plan.

The federal district court denied the Plaintiffs? injunction motion, finding that they lacked standing to seek relief under ERISA, and dismissed the Plaintiffs? case. The Plaintiffs appealed to the Second Circuit.

The Court?s Ruling. The Second Circuit?s ruling clarified key points of the disputes over the standing of medical providers to sue under ERISA?s civil remedies provision, section 502. The Court first held that these medical providers had no statutory standing under ERISA to pursue their claim, since none of the Plaintiffs was a plan participant or the beneficiary of a participant, within the narrow categories of plaintiffs named by Section 502. The *Rojas* Plaintiffs argued that they fell within Section 502?s definition of ?beneficiary? because they were persons who ?may become entitled to a benefit? under an ERISA plan, namely, payment for the medical services rendered under such plans. However, the Second Circuit held that Section 502?s term ?benefit? did not mean the payment for services rendered but, instead, meant the services themselves ? in this instance, medical, surgical or hospital care that a participant or designated beneficiary may receive from the *Rojas* Plaintiffs. Thus, that ?benefit? belonged solely to the patients of these Plaintiffs, not to the medical providers rendering the services. Although the Plaintiffs were entitled to be paid for those services, the Court said, ?[t]hat right to payment does not a beneficiary make.?

The Court then rejected the Plaintiffs? alternative argument that they had beneficiary status by virtue of written assignments from the Plan participants and beneficiaries. There was no evidence that Plaintiffs? patients had actually signed the assignment-of-benefits form cited in the Plaintiffs? complaint. Assuming for argument?s sake that assignments had been properly executed, the Court held that the assignment forms would transfer only the patients? right to be paid by Cigna, and no other rights that those patients might hold under ERISA. For example, the assignment forms did not transfer to the Plaintiffs any right the patients held to sue Cigna for breach of fiduciary duty. Moreover, the patients themselves were not network members and thus had no rights to prevent removal from the Cigna network; their assignments could not assign to the Plaintiffs a right the patients did not possess. Thus, the *Rojas* Plaintiffs did not obtain any derivative status by assignment as ERISA beneficiaries from the patients to support an injunction barring the Plaintiffs? ejection from Cigna?s provider network.

In summary, the Second Circuit concluded, ?Healthcare providers are not ?beneficiaries? of an ERISA welfare plan by virtue of their in-network status or their entitlement to payment. Patients may assign to their doctors the right to collect payment on their behalf in exchange for medical services, but the

doctors in this case do not seek payment; instead they seek to assert anti-retaliation protections which were not assigned to them.? The judgment of dismissal by the district court was therefore affirmed.

The Significant Lesson: *Rojas* provides helpful analysis and instruction in a very common scenario arising under ERISA health and medical benefit plans, explaining clearly that medical providers who hold a right of reimbursement do not thereby enjoy all of the statutory remedies provided to ERISA beneficiaries. In particular, the *Rojas* Plaintiffs over-reached by trying to use their status argument to dispute Cigna?s contractual decision to eject them from its network, something not supported by ERISA?s Section 502 remedies. But *Rojas* is careful to identify its limits, and those providers who use clearly stated assignments to recover payments under ERISA plans will likely find that *Rojas* can be distinguished in payment reimbursement cases. Providers might also be spurred by *Rojas* to write their assignment forms as broadly as possible, in order to seek a better basis to claim ERISA beneficiary status for remedies other than reimbursement for services.

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