HINSHAW

Alerts

Utah Court Rules ERISA Plan Was Wrong to Deny Coverage for Mental Health Care Received at Residential Treatment Facility

October 5, 2020
The LHD/ERISA Advisor

In *Raymond M. v. Beacon Health Options, Inc.*, 2020 U.S. Dist. LEXIS 94615 (D. Utah, May 29, 2020), a Utah district court held that an ERISA plan improperly applied acute-level criteria when denying benefits for a participant's sub-acute mental health care at a residential treatment facility (RTF).

The availability of health insurance benefits for treatment at RTFs is an active issue in the ERISA industry. Plaintiffs contesting coverage denials for such treatment often allege that plan administrators improperly or inconsistently apply medical necessity criteria to claims involving stays at RTFs. The Plaintiffs in *Raymond*—who sought coverage under a plan offered by Chevron Corporation ("Plan") for their daughter—successfully made this argument.

The daughter had a longstanding history of mental health and substance abuse conditions. In 2015, the participant parents ("Plaintiffs") admitted their daughter to an all-girls RTF program in Utah, where the daughter was diagnosed with depressive disorders, as well as substance abuse and addictive disorders. Although the Plan provided benefits for approximately one month of treatment, it denied benefits for the next nine months after determining that the RTF care was no longer "medically necessary" for the girl's condition and symptoms. After exhausting their administrative remedies, Plaintiffs sued the Plan in federal court.

Applying *de novo* review, the district court granted Plaintiffs' motion for summary judgment on two primary grounds. First, the court held that the Plan failed to consider the girl's substance abuse issues as an independent basis, separate from the depressive disorders, for awarding benefits. Second, the court found that while the Plan classified RTF treatment as sub-acute care, it applied acute-level medical necessity criteria to the Plaintiffs' claim.

Specifically, the Plan defined "residential treatment" as providing mental health or substance abuse treatment for "patients who don't require acute-care services or 24-hour nursing care." At the same time, the Plan's continued care criteria for RTF treatment required showings that the patient "must have mood, thought, or behavior disorder of such severity that there would be a danger to self or others if treated at a less restrictive level of care" and a "[s]evere deficit in ability to perform self-care activity is present (i.e. self-neglect with inability to provide for self at lower level of care)."

Attorneys

Peter J. Felsenfeld

Service Areas

Life, Health, Disability & ERISA Litigation

The court held that these continued care requirements reflected acute standards that contradicted with the Plan's RTF definition. According to the court, "[t]hese criteria appear to require acute-level symptoms to warrant continued benefits for care that the Plan unambiguously defines as subacute."

In addition, the court held that the Plan failed to provide Plaintiffs with adequate findings to explain the grounds for its decision. Accordingly, the court found that by denying Plaintiffs' benefits the Plan acted in an arbitrary and capricious manner. Because of the lack of findings supporting the denial, however, the court declined to award benefits. Instead, it remanded the case for a renewed evaluation of the claim consistent with the decision.

In light of *Raymond M.*, ERISA plans may want to re-evaluate their medical necessity criteria for stays at RTFs with an eye towards determining if any possible inconsistencies exist with other language in the plan.