

CLAIMS ADMINISTRATOR POTENTIALLY LIABLE FOR DELAY IN PAYING CLAIMS

Hodgson Russ Employee Benefits Newsletter
April 27, 2021

Technibilt, Ltd. (“Technibilt”) sponsored a self-insured medical plan (the “Plan”), for which Blue Cross and Blue Shield of North Carolina (“Blue Cross”) served as claims administrator. To protect against major claims during any period, Technibilt maintained a stop-loss policy. That policy covered claims paid during a policy period, rather than claims incurred during the policy period.

A covered dependent of a Plan participant became gravely ill with leukemia and incurred significant claims during 2018. Technibilt requested that Blue Cross pay the full amount of the claims in 2018. While a portion of the claims incurred in 2018 by the covered dependent were paid in 2018, a portion were not paid until 2019. The stop-loss policy did not cover the portion of the claim paid in 2019, resulting in an \$810,470.81 loss to the Plan. The Plan subsequently filed suit against Blue Cross, alleging that the delay in reimbursing the claims constituted a breach of fiduciary duty.

Given the scope of its discretion in serving as claims administrator for the Plan, the district court quickly determined that Blue Cross was serving as an ERISA fiduciary. After deciding this threshold question, the district court denied both Blue Cross and Technibilt’s motions for summary judgment, but in doing so the district court recognized that a delay in reimbursing a claim could constitute a breach of fiduciary duty.

Technibilt Group Insurance Plan v. Blue Cross of Blue Shield of North Carolina, 2021 WL 1147168 (W.D.N.C. March 25, 2021).

Attorneys

Peter Bradley
Michael Flanagan
Richard Kaiser
Ryan Murphy
Amy Walters

Practices & Industries

Employee Benefits

