

Montanile v. Board of Trustees of the National Elevator Industry Health Plan

Year: 2015

Court: U.S. Supreme Court

Case Number: 14-723

UP weighed in because the Court's decision could have broad-reaching implications for participants in disability plans as well as health plan participants. Most, if not all, employer-sponsored disability benefit plans coordinate benefits with other sources of disability income, the most important of which are Social Security benefits. Because a Social Security disability claim may take months, if not years, to resolve, and since the outcome is uncertain, disability benefit plans normally issue full benefit payments to claimants, and then seek reimbursement of the overpaid benefits in the event Social Security disability benefits are subsequently awarded. If a disability claimant fails to reimburse the plan, the disability plan may reduce benefits prospectively until the overpayment is recovered. Case law from the Federal Courts of Appeal for the 8th and 9th Circuits prohibits ERISA fiduciaries from imposing a lien seeking recovery from dissipated or untraceable assets because such a recovery constitutes legal, not equitable, relief. In the rare instance where the disability benefit participant is no longer receiving benefits from the plan, it is often the disability plan, and not the claimant, that has broken its promise. Thus, adopting the Petitioner's view, upholding 8th and 9th Circuit precedent will ensure that the remedies available to a fiduciary under ERISA maintain their equitable character as well as observe the letter of the Social Security Act prohibiting the assignment of Social Security benefits. UPdate 1/20/16: In the Opinion of the Court delivered by Justice Thomas, the Court agreed with UP and held a health plan may NOT pursue an equitable lien for recovery from a beneficiary's general assets under § 502(a)(3) because such action is not considered "appropriate equitable relief."

UP's brief was authored pro bono by Mark D. DeBofsky, Esq. and Martina B. Sherman, Esq. of DeBofsky and Associates, P.C., Tybe Anne Brett, Esq. of Feinstein Doyle Payne and Kravec, LLC, Executive Director

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