

Publications

# Supreme Court Issues Decision in Favor Of Groom Client in *Sereboff v. Mid Atlantic Medical Services, Inc.*

**ATTORNEYS & PROFESSIONALS**

**Thomas Fitzgerald**

[tfitzgerald@groom.com](mailto:tfitzgerald@groom.com)

202-861-6617

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Author: Sarah Huck

In a unanimous decision, the United States Supreme Court has resolved a serious split among the circuit courts of appeals in favor of one of Grooms clients. The Court ruled that health plan fiduciaries can enforce rights contained in the employer's plan document to require plan participants to reimburse medical expenses under ERISA § 502(a)(3). Chief Justice Roberts wrote the opinion for the Court in *Sereboff v. Mid Atlantic Medical Services, Inc.* (decided May 15, 2006). Groom attorneys Tom Fitzgerald, Bill Hanrahan and Sarah Huck served as co-counsel in the case.

The Sereboffs were covered under a self-funded health plan sponsored by Ms. Sereboff's employer, Mid Atlantic Medical Services, Inc. (Mid Atlantic) is a fiduciary of the plan. In 2000, the Sereboffs were injured in an automobile accident. The plan paid \$75,000 in medical expenses on behalf of the Sereboffs.

The Sereboffs sued the party responsible for their injuries in state court and recovered a \$750,000 settlement. After the Sereboffs refused to repay the plan for their medical expenses, Mid Atlantic sued the Sereboffs in the District of Maryland on behalf of the employer plan under section 502(a)(3) of ERISA, asserting the plan's reimbursement rights and requesting restitution of the disputed settlement funds held by the Sereboffs. The Fourth Circuit affirmed the District Courts decision in Mid Atlantic's favor.

Resolving a four-to-two circuit split on how to apply the Court's 2002 decision in *Great-West Life & Annuity Inc. v. Knudson*, the Supreme Court found that Mid Atlantic's claim and the remedy it sought were equitable in nature. Distinguishing the *Great-West* decision, the Court found that the terms of the plan document created an equitable lien upon the personal injury settlement proceeds equal to the amount the plan had paid in medical expenses arising out of the accident. These settlement proceeds therefore constituted specifically identifiable funds within the possession and control of the Sereboffs that equity courts would traditionally award to the holder of an equitable lien. The Court concluded that Mid Atlantic's action to enforce the plans

reimbursement rights qualified as equitable relief under ERISA § 502(a)(3).

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