

Headline News

Supreme Court Rules Federal Law Trumps State Law HMO Suits

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WASHINGTON -- The Supreme Court of the United States unanimously ruled in favor of the firm's client that individuals may not use state laws to sue HMOs that administer employer-provided healthcare coverage. The case is *Aetna Health Inc. v. Davila*, 2004 WL 1373230 (U.S. June 21, 2004).

Under federal law, people who obtain their healthcare coverage through private employers are required to challenge an adverse coverage determination by establishing their right to the benefit, either before or after the treatment is performed. When suits are brought in state court, such suits can be "removed" from state to federal court and are tried without a jury. Under the laws of various states, however, individuals who seek damages resulting from an adverse coverage determination often claim the right to sue for personal injuries allegedly caused by the denial of coverage. The Supreme Court rejected two such claims brought under the Texas Health Care Liability Act.

In the first case, Juan Davila filed a lawsuit against his health insurer, Aetna Health Inc., for negligence. Davila alleged that he suffered complications when the terms of Aetna's plan supposedly required him to try a cheaper alternative to the painkiller Vioxx which his doctor had prescribed for arthritis. In the second case, Ruby Calad claimed that CIGNA caused her to be prematurely discharged from the hospital following a hysterectomy. The federal district courts dismissed both suits, but in September 2002, the United States Court of Appeals for the Fifth Circuit in New Orleans reversed these rulings. The Supreme Court reversed the Fifth Circuit and held that, having failed to pursue their remedies under federal law, both individuals were prohibited from duplicating, supplementing or supplanting those remedies with personal injury claims under state law.

John B. Shely, a partner with the Andrews Kurth Managed Care Group and a lawyer representing Aetna in the Supreme Court, said, "The Supreme Court's opinion reconfirms that well-established federal precedent controls this area. This ruling is important both for employers and for employees that obtain healthcare benefits through their employment. Multi-state employers and small employers alike must be able to rely upon a uniform and predictable system of remedies and liability when they contract to provide healthcare coverage for their employees. Likewise, employees will experience even more rapidly rising healthcare costs if every case involving an adverse result becomes a tort claim instead of simply being resolved as a payment dispute from the outset. Federal law provides numerous avenues for patients to appeal adverse coverage determinations and the ability to sue if necessary. The Supreme Court's opinion recognized the balance drawn by Congress between patients' rights and the encouragement of employers to establish health plans."

Kendall M. Gray, a partner in Andrews Kurth's Appellate Group who also represented Aetna in the Supreme Court, observed that "when the Supreme Court construes a 30-year old federal statute, businesses and individuals alike are entitled to rely upon the Court to follow its prior rulings, which is exactly what the Court did in this case."

Andrews Kurth LLP, founded in 1902, has more than 400 lawyers and eight offices in Austin, Dallas, Houston, London, Los Angeles, New York, The Woodlands and Washington, DC. The firm has an international client base and has experience in all major industries and areas of business law and litigation.