
OPINION OF TRUSTEES

In Re

Complainant: Employee
Respondent: Employer
ROD Case No: 81-697 - July 1, 1987

Board of Trustees: Joseph P. Connors, Sr., Chairman; Paul R. Dean, Trustee;
William B. Jordan, Trustee; William Miller, Trustee; Donald R. Pierce, Jr., Trustee.

Pursuant to Article IX of the United Mine Workers of America ("UMWA") 1950 Benefit Plan and Trust, and under the authority of an exemption granted by the United States Department of Labor, the Trustees have reviewed the facts and circumstances of this dispute concerning the payment of benefits for medical services under the terms of the Employer Benefit Plan when the claim for payment was submitted more than two years after the services were provided.

Background Facts

The Employee received X-ray services from the outpatient department of a hospital on February 16, 1983. The hospital billed the Employee on February 17, 1983, instructing him to bill his insurance company. In response to repeated requests from the hospital for payment, the Employee paid the hospital in late 1985 and then filed a claim with the Employer's insurance carrier. The carrier denied payment of the Employee's claim on the basis that the insurance policy under which the Employee was covered did not include coverage for services when the claim for payment was submitted more than two years after services were provided.

Dispute

Is the Employer responsible for payment of benefits for services when the claim for payment is submitted more than two years after the services were provided?

Positions of the Parties

Position of the Employee: The Employer is responsible for payment of benefits medical for covered services.

Position of the Employer: The Employer is not responsible for payment of benefits because the claim for payment was submitted more than two years after the services were provided. The Employer's contract with its insurance carrier provides that claims must be submitted to

the carrier within ninety (90) days after services are provided, or as soon thereafter as reasonably possible. The insurance carrier, in the spirit of reasonableness, has extended the time requirement for submission of claims from ninety (90) days to two years. The Employer, therefore, has effectively established a two-year claim submission requirement and is within its rights to do so under the terms of the Employer Benefit Plan.

Pertinent Provisions

Article III. A. (10)(b) of the 1984 Employer Benefit Plan states in part:

(b) Administration

The Plan Administrator is authorized to promulgate rules and regulations to implement and administer the Plan, and such rules and regulations shall be binding upon all persons dealing with the Beneficiaries claiming benefits under this Plan.

Discussion

The specific dispute in this case is whether the Employer may deny payment of benefits for services covered under the Employer Benefit Plan when the claim for payment is not submitted until more than two years after the services were provided. The issues underlying the dispute are as follows:

- (a) whether the Employer has the right under the Plan to establish time limits on the submission of claims;
- (b) if so, how to proceed with the implementation of such time limits so that they are binding upon Employees; and
- (c) if so, whether the time limit is reasonable.

The Employer has the right, under Article III. A. (10)(b) of the Plan, to promulgate binding rules and regulations necessary to implement and administer the Plan. These could include a reasonable time limitation on claim submission. However, promulgation involves adequate communication, so that rules and regulations must be adequately communicated to Employees in order to be binding under the Plan. Communication of rules and regulations could be accomplished through the use of a Summary Plan Description (SPD) or other written notices. In this case, the Employer's SPD contains a section on claim submission procedures. This section is clear and understandable, but it mentions nothing about time-limitation requirements. One would reasonably expect to find mention of any time-limitation requirements in a section devoted to claim submission procedures.

The Employer contends that there was a ninety (90) day time-limitation requirement published with the "proof of claim" provision in Section 6 (a copy of which section is enclosed) of the

SPD, titled "Certificate of Insurance". The "Certificate of Insurance" is a description of the insurance contract between the Employer and the carrier. In the Trustees' judgment, a section of the SPD quoting an insurance contract provision that states "written proof of claim must be furnished...within ninety (90) days after the date of loss" -- especially when the SPD section on claim submission procedures contains no mention of the time-limitation requirements -- does not provide communication from the Plan Administrator to Employees through an adequate notification. Therefore, the Employer has not satisfied the terms of Article III. A. (10)(b) regarding promulgation, and the Employer's requirements on claim submission are not binding on Employees.

The final issue underlying this dispute is whether the two-year time limitation would, if it were binding, be reasonable. According to the Employer, the insurance contract established a ninety (90) day requirement, but as a practical matter, the insurance carrier used a two-year time limit on claim submission. The health benefit payment industry has various time limits on claim submission. When claims are not submitted in what is considered a reasonable period of time, it is not unusual for a Plan Administrator to require supporting documentation to justify the reason for a late claim. A two-year limitation on claim submission would be considered reasonable throughout the health benefit industry.

In summary, the Trustees conclude that (a) the Employer has the right to promulgate a binding time limitation on the submission of claims, (b) a two-year time limitation would be reasonable (absent extraordinary circumstances) and (c) the Employer did not adequately communicate a time-limit requirement to its Employees, and therefore has not promulgated a binding rule or regulation under Article III. A. (10)(b) of the Plan. The Employer is therefore responsible for paying benefits for the services provided to the Employee.

Opinion of the Trustees

The Employer is responsible for paying benefits for the claims for X-ray services provided to the Employee on February 17, 1983.