

Health Law Alert | July 7, 2022

## Administrative Remedies Will Be Deemed Exhausted if No Finality as to Whether an ERISA Claimant is Entitled to Benefits



On June 7, 2022, in a dispute involving long-term disability benefits, *McQuillin v. Hartford Life and Accident Ins. Co.*, 2022 WL 2029879 (2d Cir. June 7, 2022), the Second Circuit held that an ERISA benefit determination must decide with finality whether a claimant is entitled to benefits within 45 days of receipt of the claim appeal or administrative remedies will be deemed exhausted.

McQuillin applied for disability benefits from Hartford in September 2019 as a result of the side effects he had from prostate cancer treatment. McQuillin's claim was denied, but he appealed in accordance with the U.S. Department of Labor's claim regulations. In response to McQuillin's appeal, Hartford notified McQuillin that it had overturned the denial, but instead of issuing payment, Hartford was forwarding the file to its claims department to determine whether his claimed disability was supported. Hartford failed to take any further action, and 46 days after submission of his appeal, McQuillin filed suit against Hartford in district court. The district court dismissed McQuillin's lawsuit holding that McQuillin failed to exhaust the plan's administrative remedies under 29 C.F.R. § 2560.503-1 because Hartford's review was not yet complete when he filed suit. McQuillin appealed to the Second Circuit.

The Second Circuit considered whether a "valid benefit determination on review must determine whether a claimant is entitled to benefits." The court reviewed the text of the regulation, 29 C.F.R. § 2560.503-1, which stated that a plan administrator should provide "notification of a plan's benefit determination" within 45 days. Although the phrase "benefit determination" is not defined in the regulations, the court concluded that the regulation requires that a plan administrator definitively decide whether a claimant is entitled to benefits within 45 days of receipt of the claim appeal. As a result, the court concluded that Hartford's response to the appeal that it was forwarding McQuillin's file without a definitive "yes" or "no" within 45 days as to whether McQuillin would receive benefits was not a benefit determination and Hartford's failure to do so rendered McQuillin's duty to appeal exhausted after 45 days.

Other courts have addressed similar questions of whether there was finality in an ERISA benefit determination which could deem the plaintiff as not having exhausted administrative remedies before initiating suit. In the Eastern District of Pennsylvania, the court declined to dismiss a plaintiff's claim for failure to exhaust administrative remedies where it was not clear whether a final decision was provided to the claimant. See *Corbitt v. Trustees of Princeton Univ.*, No. CV 21-899, 2022 WL 952890, at \*3 (E.D. Pa. Mar. 30, 2022).

What ERISA administrators can learn from these cases is to be sure to provide a final determination within the timeframes set forth in the ERISA regulations.

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