Sixth Circuit Holds Stop-Loss Insurer Not Liable for Medical Expenses Incurred During Short-Term Disability Leave

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Following a period of FMLA leave, an employee was placed by her employer on an approved short-term disability leave of absence (LOA), and she continued to be covered under her employer?ÃÃs group health plan for an additional six months.?Ã¡ When her 6-month LOA expired, the employee was terminated and offered COBRA coverage.?Ã¡ In the lawsuit between the employer and its stop-loss carrier over medical expenses incurred by the employee during her LOA, the U.S. Court of Appeals for the Sixth Circuit affirmed the federal district court?ÃÃs decision. ?Ã¡The Sixth Circuit ruled that under the plain language of the plan, the employee was ineligible for coverage after her FMLA leave ended except through COBRA continuation coverage, which she was not offered until her LOA expired.?Ã¡ As a result, the stop-loss carrier was not liable for claims incurred during the LOA. This problem could have been avoided if the plan and its summary plan description had simply been drafted to provide that employees would remain covered while on approved LOAs.?Ã¡ As a reminder, stop-loss insurance does not provide coverage for any claims that are not covered claims under the express term of the plan.?Ã¡ *Clarcor, Inc. v. Madison Nat?ÃÃl Life Ins. Co*., No. 11-6177 (6th Cir. July 31, 2012).

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