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United States District Court
Northern District of California

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

MARY CALDWELL,
Plaintiff,

No. C 19-02861 WHA

v.

UNITEDHEALTHCARE INSURANCE
COMPANY, et al.,
Defendants.

**ORDER DENYING PRELIMINARY
SETTLEMENT APPROVAL**

Sadly, this is another class settlement proposal in which class counsel get vast amounts of cash but the class members get merely a cosmetic settlement. Under the proposed settlement, the parties have agreed that class counsel will get \$875,000 under a clear sailing agreement. Our court of appeals has held that this is a red flag indicating a potentially collusive settlement, because “when the parties negotiate a ‘clear sailing’ arrangement providing for the payment of attorneys’ fees separate and apart from class funds,” a settlement carries a risk of “enabling a defendant to pay class counsel excessive fees and costs in exchange for counsel accepting an unfair settlement on behalf of the class.” *In re Bluetooth Headset Prod. Liab. Litig.*, 654 F.3d

1 935, 947 (9th Cir. 2011). In fact, the Court’s prior order herein regarding class actions and class
2 action settlements forbids such agreements for this exact reason (Dkt. 22). The order states:

3 To avoid collusive settlements, the Court prefers that all
4 settlements avoid any agreement as to attorney’s fees and leave
5 that to the judge. If the defense insists on an overall cap, then the
6 Court will decide how much will go to the class and how much
7 will go to counsel, just as in common fund cases. Please avoid
8 agreement on any division, tentative or otherwise. A settlement
9 whereby the attorney seems likely to obtain funds out of proportion
10 to the benefit conferred on the class must be justified.

11 This violation stands out as a sore thumb and a red flag.

12 The proposed settlement is further unfair to class members because it is impossible to
13 know if they will qualify under the new criteria or not (and, as explained below, the current
14 medical records for class members suggest that some potentially deserving class members will
15 not meet the criteria).

16 A prior order asked the parties to analyze how many class members would qualify. United
17 found that six class members are likely ineligible, four class members meet many of the criteria
18 for eligibility, thirteen class members meet most of the criteria, and five class members lack
19 sufficient records for a determination of potential eligibility under the criteria.

20 Plaintiffs’ independent analysis of eligibility found that five members likely meet the
21 criteria, that seven will be disqualified based on symptoms linked to comorbid lymphedema, and
22 that fifteen members’ files lack sufficient evidence to determine eligibility (e.g., their files did
23 not include photographs).

24 Plaintiffs’ conclusion about the seven class members who may have lymphedema is
25 especially important. Plaintiffs’ review suggests that seven class members have pitting edema
26 (an exclusion from eligibility) and two of these seven class members also have a negative
27 Stemmer sign (another exclusion). Plaintiffs contend that comorbid lymphedema could account
28 for these outcomes. Lipedema in its late stage can turn into lipo-lymphedema (comorbid
29 lipedema and lymphedema). Therefore, the presence of pitting edema and a negative Stemmer
30 sign as exclusionary criteria could deny coverage to deserving class members whose lipedema

1 that they should collaborate with United to “address[] the issue of modifying the criteria to
2 account for this dual diagnosis” (Br. at 3).

3 Both parties state that updated information is needed to definitively determine eligibility.
4 United points out that the evidence provided by treating doctors in support of prior requests for
5 liposuction may not have been complete because the submissions were based on the prior policy.
6 Plaintiffs also point out that existing records could be supplemented by class members seeking
7 reprocessing of their claim and that more complete records will likely garner more approvals.

8 These responses underscore one issue with the settlement, namely, that class members
9 must submit new claims with supplemental information instead of United automatically
10 readjudicating the prior claims. Thus, class members bear the burden of righting an improper
11 denial. United does not even agree to affirmatively request the additional information needed for
12 reprocessing prior denials of class members still covered by United or to work with physicians of
13 denied class members.

14 True, plaintiff’s expert has submitted a declaration stating that the new agreed-upon criteria
15 are reasonable. That is hardly an unbiased source. Of course plaintiff’s counsel, once the parties
16 agreed on the \$875,000 in attorney’s fees, has a strong prejudice in favor of the deal.

17 But even if the new agreed-upon criteria were reasonable in this case, it would be unfair to
18 bind the class to the criteria forever and prevent them from challenging the reasonableness of the
19 criteria (even if they can dispute the application of the criteria to their particular circumstances
20 with their own ERISA claim). The agreement provides no help from class counsel to obtain
21 coverage under the new regime. The agreement provides no assurance that class counsel will
22 represent class members if their claim is denied under the new criteria and they seek to bring an
23 ERISA action challenging the application of the new criteria to their particular circumstances.

24 The settlement waives all damages claims with the exception of a fund for out-of-pocket
25 expenses, which is determined as follows (Settlement at 8):

26 For class members who have paid out of pocket for liposuction to
27 treat lipedema and who are not covered under a United Plan as of
28 the Effective Date, there will be an aggregate cap of \$76,200 for all
such claims. If this cap is exceeded by 10% (\$83,820), then the

1 upon the amount of the approved claims not to exceed a cap of up
2 to an additional \$123,800 (for an overall total of \$200,000).

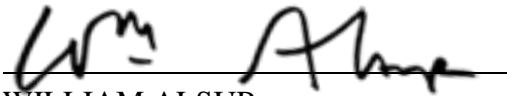
3 If the out-of-pocket expenses of class members exceed the \$83,820 in funds, then United is
4 under no obligation to formulate a new cap, it must only negotiate in good faith. If the out-of-
5 pocket expenses surpass \$200,000 then class members will be out of luck for any amount above
6 that.

7 The Court attempted to appoint an independent expert to determine the extent to which
8 deserving patients would be denied coverage under the new medical criteria. The Court
9 contacted Dr. Karen Herbst, a medical doctor and researcher specializing in adipose disorders,
10 who was willing to serve as a court-appointed medical expert under Federal Rule of Evidence
11 706. Dr. Herbst was introduced to both parties in a telephone conference and was questioned
12 about potential conflicts of interest. United then objected on multiple grounds, including the fact
13 that Dr. Herbst participated in a May 2019 telephonic meeting with United's medical policy
14 committee to discuss the use of liposuction for lipedema. This warranted excusing Dr. Herbst
15 from serving as a court-appointed expert. The Court has been left to evaluate the medical criteria
16 without an expert independent to the parties.

17 The Court sees such a large fee for the attorneys, little benefit to the class members, and
18 substantial downsides to the class — namely, that class members are forced to accept the new
19 medical criteria and cannot challenge them (even when they do not qualify under the new
20 criteria) and that potentially deserving class members will be excluded. For these reasons, this
21 order denies preliminary approval for the proposed settlement.

22 **IT IS SO ORDERED.**

23
24 Dated: October 12, 2021

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27 WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE