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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA – SAN FRANCISCO DIVISION

ZACHARY WALLACE; CLAYTON
WALLACE; and LIZA WALLACE,

Plaintiffs,

vs.

AETNA LIFE INSURANCE
COMPANY; SHI INTERNATIONAL
CORP.; and DOES 1 through 10,
inclusive,

Defendant.

Case No.:

Action Filed:

Trial Date:

**COMPLAINT FOR RECOVERY OF
ERISA PLAN BENEFITS;
ENFORCEMENT AND
CLARIFICATION OF RIGHTS;
PREJUDGMENT INTEREST; AND
ATTORNEYS' FEES**

[Filed Concurrently With:

- Civil Cover Sheet;
- Certification of Interested Entities or
Persons; and
- Summons]



INTRODUCTION

1
2 1. In this lawsuit, Plaintiffs Zachary Wallace (“Zachary”), Clayton
3 Wallace and Liza Wallace (collectively, “Plaintiffs”) seek to recover payment for
4 health insurance benefits that were wrongfully denied by Defendant Aetna Life
5 Insurance Company (“Aetna”). Plaintiffs Clayton Wallace and Liza Wallace are the
6 parents of Zachary. The disputed health insurance claims relate to medically
7 necessary substance-abuse treatment received by Zachary from December 2018
8 through May 2020. Aetna issued and administered the health benefit plan, Contract
9 No. MSA-308616 (the “Plan”), and Defendant SHI International Corp. (“SHI”)
10 funded the Plan. SHI is the employer of Plaintiff Clayton Wallace, and all three
11 Plaintiffs are insured under the Plan. The Plan is governed by the Employee
12 Retirement Income Security Act of 1974 (“ERISA”). After being presented with
13 valid health insurance claims for Zachary’s medical treatment, Aetna improperly
14 refused to pay the claims to the fullest extent permitted under the Plan, instead
15 choosing to arbitrarily reduce payment for certain claims and denying other claims
16 altogether. Further compounding its bad faith, Aetna failed to afford Plaintiffs a full
17 and fair review of their claims as required by ERISA because it failed to provide
18 Plaintiffs with written notice of the adverse benefit determination for the vast
19 majority of the claim denials. As discussed herein, throughout the entire
20 administrative process, Aetna engaged in an arbitrary and biased handling of
21 Plaintiffs’ claims. As a result of Aetna’s improper claims-handling practices,
22 Plaintiffs were left with nearly \$200,000 in unpaid medical bills for medical services
23 that should have been covered under the Plan.

JURISDICTION AND VENUE

24
25 2. Plaintiffs bring this action to recover benefits and to enforce and clarify
26 their rights under Section 502(a)(1)(B) of ERISA, 29 U.S.C. Section 1132(a)(1)(B).
27 This Court has subject-matter jurisdiction over Plaintiffs’ claims pursuant to ERISA
28

1 Section 502(e) and (f), 29 U.S.C. Section 1132(e) and (f), and 28 U.S.C. Section
2 1331.

3 3. Venue lies in the Northern District of California, San Francisco
4 Division pursuant to ERISA Section 502(e)(2), 29 U.S.C. Section 1132(e)(2),
5 because some of the Plaintiffs reside in this district, some of the alleged breaches
6 occurred in this district and the ERISA-governed plan at issue was administered in
7 part in this district.

8 PARTIES

9 4. Plaintiffs were, at all times relevant to this action, residents of Windsor,
10 California. Further, at all times relevant to this action, Plaintiffs were participants
11 and beneficiaries, as defined by Section 3(7) of ERISA, 29 U.S.C. Section 1002(7),
12 in the employee welfare benefit plan established by SHI, which is at issue in this
13 action.

14 5. Aetna, at all times relevant, administered health insurance benefits to
15 SHI employees and their eligible dependents, including Plaintiffs, by issuing the
16 Plan to SHI. Aetna is, and at all times relevant was, an ERISA claims fiduciary of
17 the Plan. Aetna administered the Plan's benefits and determined whether benefits
18 would be awarded or denied under the Plan.

19 6. SHI employed Plaintiff Clayton Wallace, through which the Plan's
20 benefits became available to Plaintiffs as it did to all employees and their
21 dependents eligible under the employer-sponsored Plan. SHI is, and at all times
22 relevant was, an ERISA plan fiduciary. SHI administered and funded the benefits
23 under the Plan as offered to its employees and their eligible dependents. SHI also
24 acted as Aetna's agent concerning its employees' enrollment in the Plan and the
25 collection of premiums for such benefits as that provided by the Plan.

26 7. Defendants Does 1 through 10, inclusive, are sued by fictitious names
27 because their true name and capacities, whether individual, corporate, associate or
28 otherwise, and/or their responsibility and culpability for the acts alleged herein, are

unknown to Plaintiffs at this time. Plaintiffs are informed and believe, and on that basis allege, that each Defendant sued herein as “Doe” is responsible in some manner for the acts and events referred to herein. When the true name, capacity, responsibility and culpability of each Doe Defendant are ascertained, Plaintiffs will seek leave of this Court to amend the complaint, as appropriate.

8. Plaintiffs are informed and believe, and on that basis allege, that, at all times mentioned herein, each of the fictitiously named defendants was the agent, representative, co-conspirator, successor-in-interest, assignee or employee of each remaining defendant, and in doing the things alleged herein was acting within the course and scope of such agency, representation, conspiracy, assignment or employment.

GENERAL ALLEGATIONS

9. As part of Plaintiff Clayton Wallace’s employment with SHI, he obtained health insurance coverage under the Plan for himself and his dependents, including his wife, Plaintiff Liza Wallace and his son, Zachary. According to the Plan, substance-abuse-related treatment is a covered health item. The Plan provides:

Eligible health services include the treatment of substance abuse provided by a hospital, psychiatric hospital, residential treatment facility, physician or behavioral health provider as follows:

- Inpatient room and board at the semi-private room rate, and other services and supplies that are provided during your stay in a hospital, psychiatric hospital or residential treatment facility . . .
- Outpatient treatment received while not confined as an inpatient in a hospital, psychiatric hospital or residential treatment facility, including:
 - Office visits to a physician or behavioral health provider such as a psychiatrist, psychologist, social worker, advance practice registered nurse, or licensed professional counselor . . .
 - Individual, group and family therapies for the treatment of substance abuse
 - Other outpatient substance abuse treatment such as:
 - Outpatient detoxification

- Partial hospitalization treatment provided in a facility or program for the treatment of substance abuse provided under the direction of a physician
- Intensive outpatient program provided in a facility or program for the treatment of substance abuse provided under the direction of a physician
- Ambulatory detoxification which are outpatient services that monitor withdrawal from alcohol and other substance abuse, including the administration of medications

The Plan defines “Substance Abuse” in relevant part as follows:

This is a physical or psychological dependency, or both, on a controlled substance or alcohol agent. These are defined in the Diagnostic and Statistical Manual of Mental Disorders (DSM) published by the American Psychiatric Association.

The Plan defines “Medically necessary/medical necessity” as follows:

Health care services that we determine a provider exercising prudent clinical judgment, would provide to a patient for the purpose of preventing, evaluating, diagnosing or treating an illness, injury, disease or its symptoms, and that we determine are:

- In accordance with generally accepted standards of medical practice.
- Clinically appropriate in terms of type, frequency, extent, site and duration, and considered effective for the patient’s illness, injury or disease.
- Not primarily for the convenience of the patient, physician, or other health care provider.
- Not more costly than an alternative service or sequence of services at least as likely to produce equivalent therapeutic or diagnostic results as to the diagnosis or treatment of that patient’s illness, injury or disease.

Pursuant to the Plan, out-of-network substance-related disorders treatment is covered at 60% of the recognized charge per admission for inpatient treatment and 60% of the recognized charge per visit for outpatient treatment, both with no deductible applied.

10. Zachary has an extensive history of substance-abuse treatment dating back to December 2018. On December 12, 2018, Zachary entered his first inpatient

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