

Court Bars Insurer's Use of "Tainted" Mental Health Claim Guidelines

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Wit v. United Behavioral Health, 2026 WL 290352 (N.D. Cal. 2026)

Available at

https://www.govinfo.gov/content/pkg/USCOURTS-cand-3_14-cv-02346/pdf/USCOURTS-cand-3_14-cv-02346-22.pdf

In the latest installment of a long-running dispute, a federal trial court has again prohibited a large insurer from using internal claim guidelines that were inconsistent with generally accepted standards of care (GASC) for the treatment of mental health and substance use disorders. In 2014, health plan participants sued the insurer for breach of fiduciary duty and arbitrary and capricious denial of benefits, alleging that it improperly denied mental health and substance use disorder benefits based on guidelines that did not comply with their plans' terms, which provided for coverage consistent with GASC. The trial court held that the review criteria deviated from GASC, and that the development of and adherence to unreasonable claim guidelines amounted to both a breach of fiduciary duty and an arbitrary and capricious denial of benefits. Citing "pervasive and long-standing violations of ERISA," the trial court ordered the reprocessing of 67,000 denied claims using independent claim guidelines rather than the guidelines at issue in the dispute. On appeal, the Ninth Circuit reversed the trial court's judgment to the extent it was based on the erroneous conclusion that plan terms required coverage for all care consistent with GASC, and returned it to the trial court.

The trial court has now revised its decision, holding that the plans did not require the insurer to approve benefits for all services that were consistent with GASC but did require, as a condition of coverage, that services be consistent with GASC. The court held that the internal guidelines developed and used by the insurer to interpret and implement that requirement were "irreparably tainted" by the insurer's financial interests and lack of due care and were "significantly and pervasively" more restrictive than GASC. Thus, the willful and systematic use of the guidelines violated ERISA's duty of loyalty and care toward the participants and undermined their ability to make informed decisions about their coverage and care. The court permanently barred the insurer from using the flawed guidelines for ERISA-governed plans and will retain jurisdiction for five years, during which any guidelines adopted by the insurer must accurately reflect GASC and any applicable state law.

EBIA Comment: This may or may not be the last we'll see of the Wit case, and similar litigation in other circuits seems likely. A recent [Second Circuit decision](#) reiterated the Ninth Circuit's determination in Wit that while ERISA plans often mandate that a treatment be consistent with GASC, they do not compel an insurer to cover all treatment that is consistent with GASC. While the issue is sorted out in the courts, plans sponsors, advisors, and insurers should exercise caution and seek professional advice if deviating from GASC in the administration of behavioral health claims. For more information, see EBIA's ERISA Compliance manual at Section XXVIII ("Fiduciary Duties Under ERISA"). See also EBIA's Self-Insured Health Plans manual at Section XXIII ("Selecting, Engaging, and Monitoring Service Providers") and EBIA's Group Health Plan Mandates manual at Section IX ("Mental Health Parity").

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