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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

ANDREA SCHMITT, on her own behalf, and on behalf of all similarly situated individuals,

NO. 2:17-cv-1611

Plaintiff,

v.

COMPLAINT  
(CLASS ACTION)

KAISER FOUNDATION HEALTH PLAN OF WASHINGTON; KAISER FOUNDATION HEALTH PLAN OF WASHINGTON OPTIONS, INC.; KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST; and KAISER FOUNDATION HEALTH PLAN, INC.,

Defendants.

**I. PARTIES**

1. *Andrea Schmitt*. Plaintiff Andrea Schmitt is diagnosed with hearing loss. Schmitt is insured under a Kaiser Foundation Health Plan of Washington insured health plan that was issued and delivered in King County, Washington. Schmitt’s health coverage is through her employment at Columbia Legal Services, which is headquartered in Seattle, Washington.

1                   2.       ***Kaiser.*** Defendants Kaiser Foundation Health Plan of Washington,  
2 Kaiser Foundation Health Plan of Washington Options, Inc. and Kaiser Foundation  
3 Health Plan of the Northwest are health care service carriers that do business in the state  
4 of Washington. Kaiser Foundation Health Plan of Washington and Kaiser Foundation  
5 Health Plan of Washington Options do business in King County, Washington. Based on  
6 information and belief, all three are wholly-owned subsidiaries of Kaiser Foundation  
7 Health Plan, Inc., a California nonprofit corporation. For the purpose of this Complaint,  
8 all are referred to as a single defendant, “Kaiser.”

9   **II. JURISDICTION AND VENUE**

10                   3.       This action arises under the Patient Protection and Affordable Care  
11 Act (“Affordable Care Act” or “ACA”) §1557, 42 U.S.C. §18116.

12                   4.       Jurisdiction of this Court also arises pursuant to 28 U.S.C. §§1331,  
13 1343.

14                   5.       Venue is proper under 28 U.S.C. §1391(b)(1) and (2), because, *inter*  
15 *alia*, a defendant resides or may be found in this district and a substantial part of the  
16 events giving rise to the claim occurred in King County.

17   **III. NATURE OF THE CASE**

18                   6.       Plaintiff seeks to end Kaiser’s standard discriminatory practice of  
19 categorically excluding all benefits for treatment of hearing loss, except for cochlear  
20 implants. Specifically, Kaiser’s insured health plans in Washington contain the  
21 following benefit exclusion:  
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Hearing Examinations and Hearing Aids	Preferred Provider Network	Out of Network
Hearing aids including hearing aid examinations.	Not covered; <i>Member pays 100%</i> of all charges	Not covered; <i>Member pays 100%</i> of all charges
<p><b>Exclusions:</b> <i>Programs or treatments for hearing loss</i> or hearing care including, but not limited to, externally worn hearing aids or surgically implanted hearing aids and the surgery and services necessary to implant them other than for cochlear implants; hearing screening tests including but not limited to non-cochlear hearing aids (externally worn or surgically implanted) and the surgery and services necessary to implant them other than for cochlear implants; hearing screening tests required under Preventive Services.</p>		

(emphasis in original and added). (In this Complaint, the condition is referred hereafter to as “Hearing Loss” and Kaiser’s exclusion as the “Hearing Loss Exclusion.”) Kaiser excludes benefits for Hearing Loss even when the treatment is medically necessary to treat qualified individuals with disabilities such as the named Plaintiff. Kaiser applies its Hearing Loss Exclusion even though it covers the same benefits for other health conditions, including coverage of outpatient office visits and durable medical equipment or prosthetic devices.

7. By categorically excluding insureds with Hearing Loss from all medical treatment related to their disability (except for cochlear implants), Kaiser engages in illegal disability discrimination. The Affordable Care Act prohibits discrimination on the basis of disability by covered entities, including health insurers like Kaiser. *See* 42 U.S.C. §18116. Specifically, Section 1557 provides that “an individual shall not, on the ground prohibited under ... Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794) be excluded from participation in, *denied the benefits of* or be subjected to discrimination under *any health program* or activity....” 42 U.S.C. §18116(a)

1 (emphasis added); 45 C.F.R. §92.101(a)(1); *see also* 45 C.F.R. §92.207(b)(2) (“A covered  
 2 entity shall not, in providing or administering health-related insurance or other health  
 3 related coverage ... have benefit designs that discriminate on the basis of ... disability.”).  
 4 As the federal regulators state, “an explicit, categorical (or automatic) exclusion or  
 5 limitation of coverage for all health services related to [race, gender, age or disability] is  
 6 unlawful on its face.” 81 Fed. Reg. 31429.

7 8. Kaiser is a covered “health program or activity” that must comply  
 8 with the Affordable Care Act’s §1557.

9 9. Kaiser violates §1557 and engages in illegal discrimination on the  
 10 basis of disability by designing its health plans to include a blanket Hearing Loss  
 11 Exclusion.

12 10. This lawsuit seeks remedies under the Affordable Care Act arising  
 13 out of Kaiser’s failure to comply with §1557. It seeks a court order declaring Kaiser’s  
 14 blanket exclusion of benefits for Hearing Loss void and unenforceable, enjoining Kaiser  
 15 from continuing to apply the Hearing Loss Exclusion and requiring corrective notice to  
 16 all Kaiser insureds concerning its required coverage of Hearing Loss. It also seeks  
 17 damages stemming from Kaiser’s deliberate discriminatory exclusion of medically  
 18 necessary care that, but for the application of its Exclusion, would otherwise be covered.

#### 19 IV. CLASS ALLEGATIONS

20 11. *Definition of Class.* The class consists of all individuals who:

- 21 (1) have been, are or will be insured under a health  
 22 insurance plan that has been, is or will be delivered,  
 23 issued for delivery, or renewed by (a) Kaiser; (b) any  
 24 affiliate of Kaiser; (c) predecessors or successors in  
 25 interest of any of the foregoing; and (d) all  
 26 subsidiaries or parent entities of any of the  
 foregoing, at any time on or after October 30, 2014;  
 and

1 (2) have required, require or will require treatment for  
2 Hearing Loss other than treatment associated with  
3 cochlear implants.

4 12. *Size of Class.* The class of Kaiser insureds who have required,  
5 require or will require treatment for Hearing Loss, excluding treatment associated with  
6 cochlear implants, is expected to be so numerous that joinder of all members is  
7 impracticable.

8 13. *Class Representative Schmitt.* Named plaintiff Schmitt is an  
9 enrollee in a Kaiser insured health plan in the State of Washington. Schmitt has Hearing  
10 Loss that requires treatment other than cochlear implants. She is a “qualified individual  
11 with a disability” under the Affordable Care Act and Section 504 of the Rehabilitation  
12 Act. She requires outpatient office visits (such as to a licensed audiologist) and durable  
13 medical equipment or prosthetic devices (such as hearing aids) to treat her Hearing Loss.  
14 Kaiser denied Schmitt’s previous request for coverage of her hearing aids and outpatient  
15 office visits to her audiologist because of Kaiser’s blanket Hearing Loss Exclusion.  
16 Plaintiff’s claim is typical of the claims of the other members of the class. Plaintiff  
17 Schmitt will fairly and adequately represent the interests of the class.

18 14. *Common Questions of Law and Fact.* This action requires a  
19 determination of whether Kaiser’s blanket Hearing Loss Exclusion violates the  
20 requirements of the Affordable Care Act’s Section 1557 and discriminates against  
21 Plaintiff and the class on the basis of their disability, Hearing Loss. Adjudication of this  
22 issue will in turn determine whether Kaiser may be enjoined from enforcing the Hearing  
23 Loss Exclusion, and found liable under the Affordable Care Act for injunctive relief,  
24 classwide damages and other relief.

25 15. *Kaiser Has Acted on Grounds Generally Applicable to the Class.*  
26 Kaiser, by imposing a uniform, blanket exclusion of all coverage for Hearing Loss, has

1 acted on grounds generally applicable to the class, rendering declaratory relief  
2 appropriate respecting the whole class. Certification is therefore proper under  
3 FRCP 23(b)(2).

4 16. **Questions of Law and Fact Common to the Class Predominate Over**  
5 **Individual Issues.** The claims of the individual class members are more efficiently  
6 adjudicated on a classwide basis. Any interest that individual members of the class may  
7 have in individually controlling the prosecution of separate actions is outweighed by the  
8 efficiency of the class action mechanism. Upon information and belief, there has been  
9 no class action suit filed against these defendants for the relief requested in this action.  
10 This action can be most efficiently prosecuted as a class action in the Western District of  
11 Washington, where several of the Kaiser defendants have their principal place of  
12 business, do business, and where the disputed health insurance plan was issued. Issues  
13 as to Kaiser's conduct in applying standard policies and practices towards all members  
14 of the class predominate over questions, if any, unique to members of the class.  
15 Certification is therefore additionally proper under FRCP 23(b)(3).

16 17. **Class Counsel.** Plaintiff has retained experienced and competent  
17 class counsel.

## 18 V. FACTUAL BACKGROUND

19 18. During the relevant time periods, Schmitt and members of the class  
20 have been insured in one or more Kaiser insured plans.

21 19. Plaintiff Schmitt and other members of the class have been  
22 diagnosed with Hearing Loss, a physical impairment that limits a major life activity so  
23 substantially as to require medical treatment. As a result, Schmitt and other members of  
24 the class are "qualified individuals with a disability." See 28 C.F.R. §39.103.

1           20. Plaintiff Schmitt and other members of the class have required,  
2 require and/or will require medical treatment for their Hearing Loss, excluding  
3 treatment with cochlear implants.

4           21. Kaiser is a “health program or activity” part of which receives  
5 federal financial assistance. 42 U.S.C. §18116; 45 C.F.R. §92.4. As a result, Kaiser is a  
6 “covered entity” under the Affordable Care Act, Section 1557.

7           22. Kaiser provided assurances to the U.S. Department of Health and  
8 Human Services that it complies with the requirements of Section 1557. *See* 45 C.F.R.  
9 §92.5.

10           23. Despite these assurances, Kaiser has designed, issued and  
11 administered Washington health plans that exclude all benefits for Hearing Loss, except  
12 for cochlear implants. Kaiser continues to do so, to date.

13           24. Kaiser designed its health benefits with the Hearing Loss Exclusion,  
14 even though it knew that its enrollees with Hearing Loss needed medical treatment for  
15 their condition, other than cochlear implants. It did so, despite the non-discrimination  
16 assurances Kaiser provided to the federal government and its enrollees.

17           25. Based upon the Hearing Loss Exclusion, Kaiser has denied coverage  
18 of medically necessary treatment and equipment for Schmitt and other members of the  
19 class, solely because the requested treatment and equipment would treat their Hearing  
20 Loss.

21           26. As a result of Kaiser’s deliberate discriminatory actions, Kaiser  
22 insureds with Hearing Loss, like Schmitt, do not receive coverage for medically  
23 necessary outpatient office visits to audiologists or for medically necessary hearing aids,  
24 a type of durable medical equipment or prosthetic device.

1 27. Kaiser excludes all coverage for outpatient office visits and durable  
2 medical equipment or prosthetic devices to treat Hearing Loss, even though it covers  
3 medically necessary outpatient office visits and durable medical equipment or prosthetic  
4 devices for other medical conditions.

5 28. The application of Kaiser's Hearing Loss Exclusion denies  
6 individuals with Hearing Loss the benefits and health coverage available to other  
7 insureds, based solely on their disability, Hearing Loss.

8 29. As a result, Plaintiff Schmitt and members of the class have paid  
9 out-of-pocket for medically necessary treatment for their Hearing Loss, including  
10 audiology examinations and hearing aids. Other class members have been forced to  
11 forgo needed medical treatment due to Kaiser's conduct.

12 30. In the past, Plaintiff Schmitt's pre-authorization request for  
13 coverage of hearing aids was denied by Kaiser's predecessor, Group Health Cooperative.  
14 While, any further administrative appeals would be futile, no such appeal is required  
15 before a claim may be brought under §1557. *See* 45 C.F.R. §92.301(a); 81 Fed. Reg. 31441.

16 **VI. CLAIM FOR RELIEF:**  
17 **VIOLATION OF AFFORDABLE CARE ACT §1557, 42 U.S.C. §18116**

18 31. Plaintiff re-alleges all paragraphs above.

19 32. Section 1557, 42 U.S.C. §18116, provides that "an individual shall  
20 not, on the ground prohibited under ... section 504 of the Rehabilitation Act of 1973 ...  
21 be excluded from participation in, *denied the benefits of*, or be subjected to  
22 discrimination under, any health program or activity, any part of which is receiving  
23 Federal financial assistance...." (emphasis added).

24 33. Defendants receive federal financial assistance and are therefore a  
25 "covered entity" for purposes of Section 1557.  
26



1 34. Plaintiff is a “qualified person with a disability” under both Section  
2 504 and Section 1557.

3 35. Persons like Schmitt who have hearing loss are discriminated  
4 against by Kaiser because it designed and applies the Hearing Loss Exclusion to deny  
5 coverage of medically necessary audiological examinations, a type of out-patient office  
6 visit, and coverage of medically necessary hearing aids, a type of durable medical  
7 equipment or prosthetic device. Under the Exclusion, only people with Hearing Loss, a  
8 qualifying disability, are denied access to the benefits that they require. Out-patient  
9 office visits and durable medical equipment/prosthetic devices are covered for other  
10 health conditions under Kaiser’s policies.

11 36. Defendants have continued to impose the Hearing Loss Exclusion,  
12 despite the warning from the U.S. Department of Health and Human Services that “[a]n  
13 explicit, categorical (or automatic) exclusion or limitation of coverage for all health  
14 services related to [a particular race, gender, age or disability] is unlawful on its face.”  
15 See 81 Fed. Reg. 31429. It has done so despite the non-discrimination assurances it gave  
16 to the federal government and its enrollees.

17 37. By excluding coverage of all health care related to hearing loss,  
18 (except for cochlear implants), Kaiser has intentionally discriminated, and continues to  
19 discriminate on the basis of disability, against Plaintiff Schmitt and the class she seeks to  
20 represent, in violation of Section 1557.

21 **VII. DEMAND FOR RELIEF**

22 WHEREFORE, Plaintiff requests that this Court:

- 23 1. Certify this case as a class action; designate the named Plaintiff  
24 Andrea Schmitt as class representative; and designate SIRIANNI YOUTZ SPOONEMORE  
25 HAMBURGER, Eleanor Hamburger and Richard E. Spoonemore, as class counsel;

1           2.     Enter judgment on behalf of the Plaintiff and the class due to  
2 Kaiser's discrimination on the basis of disability;

3           3.     Declare that Kaiser may not apply the blanket Hearing Loss  
4 Exclusion and/or other contract provisions, policies or practices that wholly exclude or  
5 impermissibly limit coverage of medically necessary treatment solely on the basis of  
6 disability;

7           4.     Enjoin Kaiser from applying the blanket Hearing Loss Exclusion  
8 and/or other violations of the Affordable Care Act now and in the future;

9           5.     Enter judgment in favor of Plaintiff and the class for damages in an  
10 amount to be proven at trial due to Kaiser's violation of Section 1557 of the Affordable  
11 Care Act;

12           6.     Award Plaintiff and the class their attorney fees and costs under 42  
13 U.S.C. §1988; and

14           7.     Award such other relief as is just and proper.

15           DATED: October 30, 2017.

16                                   SIRIANNI YOUTZ  
17                                   SPOONEMORE HAMBURGER

18                                   /s/ Eleanor Hamburger  
19                                   Eleanor Hamburger (WSBA #26478)

20                                   /s/ Richard E. Spoonemore  
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