

Release Date: June 29, 2006
Release Number: 06-1119-NEW
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Attorney Sentenced For Mail Fraud Involving Health Plan Assets

Trenton, New Jersey - The U.S. District Court in Trenton, New Jersey sentenced the former attorney of defunct Meridian Benefits of Wayne, New Jersey, to 21 months in prison and a year of supervised release, and barred him from service to employee benefit plans governed by the Employee Retirement Income Security Act (ERISA). Attorney Ben Zander and Meridian Benefits' former owner Donald Ruth also were ordered to jointly make restitution of \$24,678,000.

Meridian Benefits was established by Ruth as a third party administrator to health benefit plans, but, instead operated as a health plan. The company accepted contributions and paid benefit claims from its own accounts. In 2005, Ruth pleaded guilty to mail fraud and tax evasion and admitted to using employee benefit plan assets to purchase a Florida home and a boat and for other expenses while failing to pay health claims. This resulted in more than \$15 million in unpaid health claims for 2,800 workers. He also deceived the workers by providing them with false information assuring them claims would be paid.

Attorney Zander pleaded guilty in September 2005 to being an accessory after the fact to mail fraud and assisting in concealing the fraud. He admitted to knowing about Ruth's false statements.

Ruth was separately sentenced in April 2006 to seven years in prison for his role in the health care scheme. He also was permanently barred from serving in a fiduciary capacity to any employee benefit plan in the future.

"These defendants misled workers into believing they were covered by health insurance, and then left them with millions of dollars in unpaid claims," said Assistant Secretary of Labor Ann L. Combs, head of the Labor Department's Employee Benefits Security Administration (EBSA). "This sentence sends a message that the government will not hesitate to use its collective enforcement authority to protect the benefits of workers and their families from abuse."

The criminal charges follow an investigation by the New York regional office of EBSA, the IRS Criminal Investigation Division, the U.S. Postal Inspection Service, the U.S. Department of Labor's Office of Inspector General, and the Federal Bureau of Investigation. The case was prosecuted by the U.S. Attorney's Office in Newark, New Jersey.

(U. S. v. Zander)
Criminal No. 3:05-CR-00683-AET