

News Release



U.S. Department of Labor
Office of Public Affairs
Atlanta, Ga.
Release Number: 04-1471-ATL

For Immediate Release
Date: August 2, 2004
Contact: Gloria Della
Phone: (202) 693-8664

U.S. Labor Department Order Permanently Bans Former Leasing Firm President From Overseeing Employee Benefit Plans

MEMPHIS – The U.S. Department of Labor has obtained a consent order permanently barring the former president of Memphis-based International Staff Management Inc., (ISM) from dealing with employee benefit plans in the future and requiring him to make restitution to the Section 125 cafeteria health plan if he meets the income requirements of the order.

The department sued Don Starkey in April 2004 for violating the Employee Retirement Income Security Act when he failed to set adequate contribution rates and take reasonable action to ensure that the plan had adequate reserves to pay claims. The suit also alleges he did not ensure that the plan was covered by stop loss insurance from May 1999 until it was terminated on Sept. 30, 2001.

The plan provided health benefits to approximately 94 participants under a re-insurance arrangement that was administered by American Heartland Health Administrators, Inc., until its insurer defaulted on benefit claims. In May 1999, Carolina Benefit Administrators was retained by Starkey to take over claims administration. From May 1999 until the plan was terminated, the plan operated without stop loss insurance, and contribution rates created or approved by the defendant were not adequate to pay claims.

The suit, filed in the federal district court in Memphis, resulted from an investigation conducted by the Atlanta regional office of the Employee Benefits Security Administration (EBSA).

ISM was an employee staff leasing business that provided payroll services, workers compensation services, tax deposits and employee benefits to client employers. The plan provided health benefits for injury or illness to employees of participating employers. The firm operated a multiple employer welfare arrangement that left participants with as much as \$535,000 in unpaid health claims.

Since 1990, the department has conducted more than 700 civil and criminal investigations of health plans affecting 1.9 million participants and their families. These cases involve \$140.5 million in identified violations.

Tips on health benefits for small employers may be found at EBSA's web site at <http://www.dol.gov/ebsa/newsroom/fshlthinstips.html>. Employers and workers can reach the Atlanta regional office at (404) 562-2156 or EBSA toll-free at 1-866-444-EBSA (3272), for help with problems relating to private-sector retirement and health plans.

###

(Chao v. Starkey)
Civil Action No. 04-CV-2244

U.S. Labor Department releases are accessible on the Internet at <http://www.dol.gov/ebsa>. The information in this news release will be made available in alternate format upon request (large print, Braille, audio tape or disc) from the COAST office. Please specify which news release when placing your request at (202) 693-7765 or TTY (202) 693-7755. The U.S. Department of Labor is committed to providing America's employers and employees with easy access to understandable information on how to comply with its laws and regulations. For more information, please visit www.dol.gov/compliance.