

News Release



U.S. Department of Labor
Office of Public Affairs
Atlanta, Ga.
Release Number: 04-659-ATL

For Immediate Release
Date: April 19, 2004
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U. S. Labor Department Sues Former President of Leasing Firm Over Mismanagement of Health Plan

MEMPHIS--The U.S. Department of Labor has sued the former president of Memphis-based International Staff Management Inc. for mismanagement of the Section 125 cafeteria health plan. ISM was a staff-leasing firm that 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.

The suit alleges that Don Starkey violated the Employee Retirement Income Security Act (ERISA) by failing to 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 seeks a court order to require that Starkey restore any losses with interest. In addition, the suit asks the court to appoint an independent fiduciary to administer the plan and permanently bar the defendant from serving any employee benefit plan governed by ERISA in the future.

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.

Tips on health benefits for small employers may be found at EBSA's Web site under 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.

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

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