the Charleston Gazette
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Charleston, West Virginia

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Judy Newton discovered that garment maker Corbin Ltd.'s insurance had not paid her medical bills for months when, at her doctor's office, "They told me ... in front of a whole waiting room, that they could not schedule another appointment until my bills were paid." She and 443 other former employees were saddled with more than $2 million in bills because they signed standard forms that say if their insurance does not pay, they will.

December 21, 2003

'We thought we had insurance'

- Self-funded health plan turns into nightmare

By Kate Long

Staff Writer

HUNTINGTON — In 1997, the seamstresses at Corbin Ltd. gave up two years of raises so the company could create a self-funded health-insurance plan.

"We agreed to work for less so we could get our medical bills paid," said Wynona Maynor, president of local 747 of the Union of Needle Industrial Trade Employees.

Then in 2001, the company quietly quit paying most of the employees' medical bills. Nobody told the seamstresses.

By the time Corbin Ltd. declared bankruptcy in April 2003, it had saddled 444 former employees with at least $2 million in medical bills the company should have paid, according to a West Virginia Division of Labor audit.

Many of the seamstresses had pieced together pants at Corbin’s Huntington plant for more than 20 years. They found out Corbin had quit paying their bills when they got collection notices in the mail from medical providers.

“When Corbin didn’t pay the doctors and hospitals, the doctors and hospitals came after the employees,” Maynor said.

“We’d all signed those forms doctors’ offices make you sign, the ones that say if your insurance doesn’t pay, the patient owes it,” Maynor said. “Now we’re being sued by hospitals, our credit rating’s ruined or threatened, we’ve been turned down for loans, and we’re swamped with bill collectors.”

Some have filed bankruptcy, she said. Many are thinking about it.

“People should realize that this could happen to anyone who works for a company with a self-funded insurance plan,” said Rebecca Hess, UNITE’s regional representative.

"Most self-funded companies don't completely stiff their employees," she said. "But they could. That's the scary part. These self-funded plans are completely unsupervised in that regard, and there's nothing to stop these kinds of things from happening."

Acordia National was the administrator for Corbin's health plan. "They knew the bills weren't being paid," Maynor said of Acordia. "But they didn't tell us, either."

Acordia kept pre-certifying medical procedures and sending out "Explanation of Benefit" letters for 15 months after Corbin stopped paying most bills, a Sunday Gazette-Mail review of the records of five former employees showed.

In July, former Corbin seamstresses filed suit against Acordia National and David Corbin, former president and owner of Corbin Ltd., asking that they be forced to pay the medical bills.

David Corbin testified in federal bankruptcy court this fall that he made all the decisions for the Corbin Ltd. Health Care Plan, said Doug Richards, the seamstresses' attorney.

The seamstresses' lawsuit also alleges that Acordia's actions led employees to believe their bills were being paid.

The seamstresses are suing on behalf of all affected Corbin employees. "We are not asking for a penny for ourselves," Maynor said. "We want our credit rating back. We want them to pay these bills, and we want these collection calls to stop."

Through most of 2002, they scrambled for help from their union and an array of state and federal agencies and elected officials. Nobody stopped the unfolding financial disaster. They were caught in a regulatory no-man's land.

Their story exposes a dangerous weakness in West Virginia - and national - health-insurance law.

" Self-funded insurance plans are a very big part of the West Virginia market," said Charles Dunn, state Insurance Commission consumer advocate. "It's the major unions and all the large employers in this state." But federal law does not let the state Insurance Commission regulate self-funded plans.

Self-funded plans escape state regulation, taxation and requirements. Under the Employee Retirement Income Security Act of 1974 (ERISA), self-funded plans can include as little or as much coverage as the employer chooses.

The U.S. Department of Labor regulates these plans. But no Labor Department regulations cover a situation in which an employer refuses to pay legitimate health-care bills. "There are no rules that govern that," said Sharon Morrissey, a Labor Department spokeswoman.

Self-funded plans pay claims with their own money, but the Labor Department does not even require a company to prove it can pay claims before it sets up a self-funded plan. The Labor Department does not require the company to pay within a given length of time and does not grant hearings to individuals.

" So the main thing standing between an employee and what happened at Corbin Limited is the employer's goodwill," said UNITE's Hess. "Luckily, most employers will not destroy their credibility as thoroughly as this one did."

But Kathy Beck, who directs consumer services for the West Virginia Insurance Commission, said that about half of the health-insurance consumers who call her office want to register complaints about self-funded plans. The Insurance Commission gives them the phone number of the U.S. Department of Labor. Sometimes they call the company for information.

In the past year, Beck said, thousands of consumers complained about self-funded plans of coal mines and trucking firms that shut down, as well as the plans of Shawnee Hills, Bethlehem Steel, Multi-CAP and Weirton Steel. "It's a steady stream," she said.

" The administration of self-funded plans is basically an undefined area of law," said Steven Summer, president of the West Virginia Hospital Association. "When it's that vague, it presents opportunities for abuse. If the feds are going to say the state can't regulate, then the feds need to write sufficient regulations, so people don't fall in the cracks," he said.

The 600-plus creditors in the Corbin bankruptcy proceedings include the employees and the medical facilities that are suing the employees, the union, and Acordia National, which claims Corbin Ltd. owes at least $32,600 for administration of the health plan.

" I didn't do anything wrong."

Juanita Johnson, a 63-year-old grandmother, worked at Corbin for 21 years, examining pants for flaws. According to the state audit, she inherited more than $20,000 in medical bills that Corbin owed. "I paid my premiums and co-pays," she said. "I didn't do anything wrong. It's driving me crazy, bill collectors calling me all the time. My husband's dying of cancer, and they're telling me they're going to take my house and car."

Willa Fay Bias, 48, stitched labels, seams and corners at Corbin for 13 years. In 2002, she had two heart attacks. "People can't imagine what it's like to not be able to walk to the mailbox or answer the phone without somebody threatening to take your home," Bias said. "I thought I was insured."

Now she is being sued by a hospital and a medical practice. According to the audit, she was stuck with $65,700 in bills that Corbin refused to pay.

The seamstresses have mailed hundreds of documents to the Labor Department, "but all they tell us is, 'We can neither confirm nor deny that an investigation is in progress,'" Maynor said. Labor Department investigations can take years.

There is no love lost between the seamstresses and the Harvard-and-Princeton-educated David Corbin. Six former employees told the Sunday Gazette-Mail that in the mid-1990s, Corbin assembled several hundred employees at the Huntington plant "and he stood up there and told us we were dumb, ignorant hillbilly women who were lucky to have a job, and he could move the plant to Mexico at the snap of his fingers," said Juanita Johnson. The other five women said she reported his remarks accurately.

David Corbin grew up in Huntington. In the early 1990s, he filed a lawsuit against his father, Howard Corbin, over management issues in the family business, which once employed at least 1,000 people at its Huntington and Cannonsburg, Ky., plants. Former employees speak affectionately of the elder Corbin, who set up a scholarship fund for children of company employees and started the company's first health-care plan.

" It's good he's not here to see all this," Johnson said.

David Corbin did not answer a written request for an interview. His phone is unlisted.

In February 2002 - seven months after Corbin Ltd. stopped paying most bills - David Corbin posted a notice to his employees that "our health-care costs have skyrocketed. This is not what we agreed to and the company can no longer fund the skyrocketing costs." Three months later, he shut the insurance plan down.

After the plan shut down, Corbin sent letters to medical providers promising that Corbin Ltd. would pay, asking them to stop contacting employees. Then in November, Corbin asked employees to approve a bare-bones plan in which they lost vacation time, but the company promised to pay the bills within three years.

" We knew by then that Corbin Ltd. wasn't going to be there in three years. [The new plan] only covered people who worked regular, and by that time, very few of us were," Maynor said. They voted it down unanimously.

While the employee bills were not being paid, "Corbin continued to pay himself $400,000 a year and his stepmother $300,000 a year," said seamstress attorney Richards.

In November, Corbin sold his Greenwich, Conn., home - advertised for $4 million - and moved to Williamsburg, Va. Sheriff's departments in Connecticut and Virginia tried unsuccessfully to serve him with a notice that his former employees are suing him.

" There's no law or rule that says self-funded plans must pay debts within a set period of time," said UNITE's Hess. "David Corbin would pay $60 on $60,000 and say he would eventually pay the rest, and, under federal law, as long as a company says it's going to pay, there's no way to bring them to arbitration or impose a timeline for payment.

" I don't fault companies for wanting to do self-funded insurance, because the cost of insurance in the United States is astronomical, and soon, the working poor won't be able to have it at all," she said. "But if this situation shows anything, it shows that these plans need to be regulated."

Why is Acordia being sued, too?

" I blame Acordia as much as David Corbin," said seamstress Nancy Lewis, who was left with $27,000 in bills, according to the audit. "They knew he hadn't paid the bills for months, but they didn't tell us." Lewis sewed pocket seams for most of her 23 years with Corbin. She pays 16 providers $5 a month, she said, "trying to save my credit rating."

In their answer to the seamstresses' lawsuit, Acordia denies that it had any legal obligation to tell them the company was not paying its share. Acordia lawyers also said Acordia "did not participate in, conceal or fail to take steps to remedy any breaches of fiduciary duty" by Corbin Ltd.

Acordia kept pre-certifying employees for surgeries, tests and other medical expenses for 15 months after Corbin stopped paying most of the bills.

The seamstresses' lawsuit alleges that, "When it approved such treatments and procedures, Acordia knew the plan and Corbin might not be able to pay any medical bills related to such procedures, and that the individual participants might become liable for such bills." In their answer to the lawsuit, Acordia denies it.

By March 2002, hospitals were suing Corbin Ltd. employees for the company's share of the bills. "If they had just said in 2001 that, 'Hey, we're sorry, but Corbin can't pay anymore,' we wouldn't have liked it, but a lot of us could have avoided these bills," with secondary insurance and other means, Maynor said.

Those EOBs

The Corbin Ltd. plan worked smoothly for the first four years, both company and union agree. Health-care costs were rising steeply, but Corbin Ltd. was laying off employees, so costs stayed relatively even.

Employees paid their co-pays at the doctors' offices and hospitals. Corbin deducted spouse premiums from their paychecks. Claims were sent to Acordia National to process. Acordia pre-certified procedures and told Corbin how much the company owed each payment period. After Corbin transferred the money to Acordia, Acordia sent checks to medical providers.

Then Corbin stopped paying most of the bills. Acordia did not signal the employees.

Acordia had always sent each employee an Explanation-of-Benefit sheet (EOB) for each medical bill. "When I got my EOB, I assumed the bill was paid," Johnson said.

After Corbin stopped paying, "Acordia would send us an EOB that looked like it was paid," Maynor said. Those EOBs listed the amount the company had not paid in a column labeled "Paid." Under "Patient responsibility," the EOB listed the amount the employee would have owed if the company had paid its part. (See accompanying explanation of bill.)

" This went on for at least six months, Maynor said. "And someone - I don't remember who - came to me and said their doctor said the bills weren't being paid, so I called Acordia and asked them, and the Acordia woman agreed, no, they weren't being paid. And I had the hardest time explaining that to the others. Nobody wanted to think they would do that."

Acordia stopped processing claims for Corbin in September 2002, 15 months after the problems began. "That's what I don't understand, why they waited so long," said Charles Dunn, state Insurance Commission consumer advocate.

" It's my understanding that most claims administrators won't stay around for much longer than two months if the claims aren't being paid," said attorney Richards.

That question will be asked in court. Judy Thomas, Acordia's chief counsel, said, "It is often in the best interest of the employee participants not to throw up our hands and abandon a client if we are being assured that payments will be forthcoming and that there is just an unusual circumstance that is holding something up." Beyond that, she said, Acordia would not comment.

Richards has given the seamstresses a letter they can show medical providers. It asks hospitals and doctors to suspend their lawsuits and collection activities until the seamstresses' lawsuit plays out. Some have done so.

" If [the lawsuit is] successful, the money will go into a big pot, administered by the court, and it will be divided among the medical providers who are owed money," Richards said.

" I'm afraid to think what will happen if we don't win," Bias said.

To contact staff writer Kate Long, use e-mail or call 348-1798.

Would you think this bill had been paid?

In July 2002, Acordia National sent this "Explanation of Benefits" sheet (EOB) to Corbin Ltd. seamstress Willa Bias, a month after Bias had heart surgery.

Bias assumed the $14,330 in the "Paid" column was paid. It was not.

Acordia pre-approved Bias' hospitalization. Her heart care cost $41,000 overall. She has similar EOBs for other expenses.

Five months after Acordia sent her this EOB, the hospital sent her a collection notice. The whole $41,000 was overdue, it said. Corbin had not paid. She had to pay it immediately, the notice said.

Stunned, she called Acordia. The Acordia employee told her to look in the small box on the EOBs labeled "check number," she said. "'If there's no number in there,' the woman said, 'it isn't paid.' She said the check had been written out for months, but Corbin hadn't authorized Acordia to pay it."

"I just sat down and cried," she said. "It was so misleading. It said 'paid,' and it told what I owed. If I'd known, I could have maybe arranged payments or something."

In March 2003, Kings Daughters Hospital sued Bias for more than $41,000. She had signed hospital papers saying she would pay if the company did not.

Acordia.
Acordia National

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EXPLANATION OF BENEFITS ***THIS IS NOT A BILL***

CORBIN LTD BARGAINING UNIT		COMPANY/PLAN:	6525-02-M
SELECTNET MEDICAL CARE PLAN		CLAIM:	15486
EMPLOYEE:	WILLA F BIAS	SSN:	[redacted]
PATIENT:	WILLA	LOC: COBR	DEPT:
PATIENT DOB:	01/23/1955	CHECK DATE:	07/25/2002
PATIENT ACCT:	60129194	CHECK NUMBER:	

Provider/Date of Service Type of Service	Charges	*Provider Discount	Your Co-Pay	Not Covered	REMARK	Covered	Applied to Deductible	%	Plan Benefit	Paid by Other Insurance	Paid
KINGS DAUGHTER MEDICAL											
DOS: 06/27/02-06/30/02											
HOSPITAL EXTRAS	14714.22	1471.42				13242.80		100	13242.80		13242.80
ROOM AND BOARD	1320.00	132.00		100.00	I9	1088.00		100	1088.00		1088.00

Payment Calculation:

	Total Charges	-	Provider Discount	-	Your Co-Pay	-	Total Not Covered	=	Total Covered	-	Total Deductible	%	Total Plan Benefit	Total Paid by Other Insurance	Total Paid
GRAND TOTALS	16034.22		1603.42				100.00		14330.80				14330.80		14330.80

PAY PROVIDER AMOUNT DUE ---> PATIENT RESPONSIBILITY: 100.00

	BENEFIT YEAR: TO DATE	BENEFIT YEAR: REMAINING		BENEFIT YEAR: TO DATE	BENEFIT YEAR: REMAINING
INDIVIDUAL DEDUCTIBLE	100.00	0.00	FAMILY DEDUCTIBLE	100.00	200.00
INDIVIDUAL OUT OF POCKET	571.76	4,428.24			

* PATIENT NOT RESPONSIBLE FOR DISCOUNT - NETWORK: SELECTNET PLUS

200207250003664

SEE BACK FOR MORE INFORMATION →

EMPLOYER: CORBIN LTD BARGAINING UNIT

KINGS DAUGHTER MEDICAL 14,330.80
PO BOX 151
ASHLAND KY 41105-015151

PROV ID 610444716

Funding cycles may vary by company and plan.

Checks will be issued upon receipt of authorization by the plan.

Acordia.

Form condensed to remove blank space

ANDRIA L. RUMBERG/Sunday Gazette-Mail