

PRIMETIME LIVE: ABC

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MONEY FOR NOTHING?

JOHN QUINONES, ABC NEWS

(Off Camera) There are three, very fundamental things at stake in our next story. Small businesses. Families who struggle to run them. And the health of their loved ones. And experts say, what's going on in this case is probably going on where you live, as well. Here's Chris Cuomo with a "Primetime" investigation.

CHRIS CUOMO, ABC NEWS

(Voice Over) Depending on whom you believe, this man is either unlucky, incompetent or dishonest. But a lot of families around the country hate him, no matter what, because they believe he and his company abandoned them, at the worst possible time. One of those families is Carly Gastano's. Just 2 years old, she's already endured several major surgeries and dozens of hospital visits to correct birth defects. This morning, she's just hours away from the latest operation, at San Diego Children's Hospital.

MARIA, MOTHER

I feel sick to my stomach. It's very emotional. It's very scary. It's just hard. She's your baby.

CHRIS CUOMO

(Voice Over) Watching their tiny daughter go through all this is excruciating for her mother Maria and her father, Donnie. But they've been forced to go through something else that's made it even worse.

DONNIE, FATHER

Children's hospital said my insurance had lapsed. And I said, what?

MARIA

Carly was still on the ventilator, she was still on life support. And he called me and told me that we had no insurance. That none of the bills have been being paid.

CHRIS CUOMO

(Off Camera) You're angry?

MARIA

I'm pissed. I said, Donnie, something's up.

CHRIS CUOMO

(Voice Over) What was up is disturbing. A situation the Gastanos say left them on the hook for roughly \$1 million. And they are not alone. A "Primetime" 4-month investigation revealed a frightening and little-known danger in the world of health insurance. In this case, it involves a company called EPEO Link, a professional employer organization, a fast growing industry. The company provides small businesses with a variety of cost-saving services. Including, as explained on this CD-ROM, something very appealing to cash-starved entrepreneurs. Health benefits. For the Gastanos, it all began here at the small business they run. One day, Donnie was sitting in his office when he says, out of the blue, a saleswoman walked in the door. Her name was Dawn Jeffrey, the daughter of the man who co-founded EPEO. How much money did they say they could save you?

DONNIE

\$6,000 to \$7,000 a year, I believe.

CHRIS CUOMO

(Off Camera) That's like magic to a small business owner.

DONNIE

That's a beautiful thing. I'm not an insurance guy. I never have been. But when you say I have insurance and you give me whole nine yards, hey, I think you're legit.

CHRIS CUOMO

(Voice Over) The company, based in Idaho, was offering much lower rates for health coverage than many small businesses could get anywhere else. And people were anxious to sign up.

TRACY, MOTHER

We only were looking for insurance. We didn't care about the rest of the benefits that they had to offer. We were out shopping rates.

CHRIS CUOMO

(Voice Over) Tracy says the company promised to save the family business about \$250 a month. Like many others in the area, they signed up. But just ten days before the birth of

their third child, Tracy learned there was a huge problem. EPEO wasn't paying bills.

TRACY

I get a phone call from my obstetricians office out of the clear blue one day and said, you're going to need to pay cash for your delivery or we can't do it.

CHRIS CUOMO

(Off Camera) Ten days away?

TRACY

Ten days before I'm supposed to give birth. That's not a phone call you want. It was infuriating. And that was, like, the hugest red flag right there. It's like, oh, my gosh, but what do I do?

CHRIS CUOMO

(Voice Over) Red flags were going up around the country. In a period of two years, hundreds of families were hearing they had unpaid bills. Bills for small amounts on up to as much as hundreds of thousands of dollars.

CUSTOMER, MALE

Here I am, still, with a bill obviously past due. My daughter's been blacklisted from a local care provider here.

CUSTOMER, FEMALE

We have three folders about this thick of medical bills.

CUSTOMER

I'm stressed to the max. Dealing with it everyday. Everyday. Tears, everything. I can't even -I'm done. I'm done.

CHRIS CUOMO

(Voice Over) These people believe it had to be a mistake. They called the company, looking for an explanation. But they say what they got was the run-around. What were you told?

TRACY

It depended on the day.

CUSTOMER

You know, you get the same story. They won't call you back. Or if they do, we're working on it.

CUSTOMER

They were working on it. The computers were down. They were changing insurance companies.

CUSTOMER

It takes time to process these claims. And I said, but does it take a year?

CHRIS CUOMO

(Voice Over) What was your expectation? What was the reality?

CUSTOMER

That it was fraud. Every month our premiums were paid. They were taken out of our paychecks. Then we had insurance claims. And then they were not paid.

CHRIS CUOMO

(Voice Over) But despite these people's complaints, in a written statement to "Primetime," lawyers for EPEO say the company eventually paid thousands of health care claims, worth more than \$8 million. We can't verify that number. But California state regulators say, in any case, what matters to them isn't what the company did pay, but what it did not, roughly \$3 million. In the course of our investigation, "Primetime" found former workers with plenty to say. They asked to remain anonymous because they say they're embarrassed of being part of the company.

FORMER EMPLOYEE, FEMALE

From the moment you sat down. You know, the phones will start ringing.

CHRIS CUOMO

(Voice Over) This woman says it was her job to answer all the angry phone calls. Were you told to lie to customers?

FORMER EMPLOYEE

Well I wasn't specifically told "lie to customers." But I was absolutely told what to say.

CHRIS CUOMO

(Off Camera) And were those answers honest answers?

FORMER EMPLOYEE

In the beginning I believed they were. But, you know, after a period of a couple of months, you realize -I mean, I realized, there's something going on here.

CHRIS CUOMO

What does it mean to you that all of you heard the same things? What does that smell like to you?

CUSTOMER

A rat.

CHRIS CUOMO

(Voice Over) The company explains it by saying "unforeseen and unpredictable problems" left it unable to pay all its claims. That the Gastanos' case is by far one of the largest. And there are complicating issues surrounding their claims. But back in San Diego, the Gastanos don't buy that excuse. They say they had warned the company their case could be big trouble. That long before Carly was born, they had a face-to-face meeting with the woman who sold them their coverage, Dawn Jeffrey, and an EPEO executive, Donna Taylor -who appears in that company CD-ROM. They say they told the women they were facing potentially astronomical bills. You met with these two women and you were saying, should I get different insurance? You know, are you going to be able to cover this?

MARIA

You know, it was don't worry. You know, you worry about having the baby and, you know, we'll worry about the insurance. The insurance is fine. You're totally covered. Everything is great.

CHRIS CUOMO

(Voice Over) The Gastanos ended up in the same boat as all those people in Idaho and many more elsewhere. While Donna Taylor didn't answer our questions about the meeting, Dawn Jeffrey wrote to say, due to an ongoing investigation it is not appropriate to comment.

MARIA

I cannot believe I'm sitting here talking to you about this whole situation. I find it utterly amazing that I -that we got taken so bad.

CHRIS CUOMO

(Voice Over) Amazing enough, she says, to feel like she was taken. But she feels even worse now to hear that when state authorities look at EPEO Link and that man, they say there may be little they can do about them.

JOHN QUINONES

(Off Camera) For families, is there anything worse than not getting the insurance you paid for? As Chris Cuomo continues, it could be finding out how little authorities can do.

CHRIS CUOMO

(Voice Over) Carly Gastano is about to have eye surgery at the Children's Hospital in San Diego. The family says it still owes nearly \$1 million in bills. Bills they were certain EPEO Link would pay.

MARIA

I am angry. I am hurt. They're pathetic scum.

CHRIS CUOMO

(Voice Over) The Gastanos are one family amongst many who say they've lost money, been hounded by credit agencies and suffered immensely.

FORMER EMPLOYEE

I can't tell you how many people I talked to who were in tears.

CHRIS CUOMO

(Voice Over) These women, who've asked us to conceal their identities, all once worked at EPEO. They say there were constant complaints that either if bills were paid, it took forever, or they were never paid at all.

FORMER EMPLOYEE

I mean, I've had insurance through other employers and, you know, you go to the doctor and the claim gets paid. That did not happen here.

CHRIS CUOMO

(Off Camera) Who ran the insurance part of the company?

FORMER EMPLOYEE

Roger.

CHRIS CUOMO

(Voice Over) Roger is this man, Roger Jeffrey, one of the company's co-founders. Was he calling the shots, as far as you knew?

FORMER EMPLOYEE

Absolutely.

FORMER EMPLOYEE

I mean, it was obvious, it was not a secret that he was the boss.

CHRIS CUOMO

(Voice Over) And according to this affidavit filed in court, Jeffrey had been told his accounts were upside down. That there were insufficient funds to pay the bills.

FORMER EMPLOYEE

They were still bringing on clients. They were still taking those people's premiums. How do you keep putting people on to a plan that doesn't have any money?

CHRIS CUOMO

(Voice Over) One of those new clients was this Tulsa, Oklahoma, company called EnviroSolve. A worker there has filed a suit which could effectively become a class-action against EPEO. It claims that when the company signed up EnviroSolve, it knew it would not be able to pay the medical claims of plan participants. And charges Jeffrey and the company siphoned off for their own benefit, moneys paid by the plan participants. So, is this a case of bad business? Or is Roger Jeffrey simply a bad guy? We tried to ask him what happened.

ROGER JEFFREY, EPEO LINK

Okay, I'm told I can't comment on it right now

CHRIS CUOMO

(Voice Over) But he said he couldn't comment because of pending litigation.

ROGER JEFFREY

I think it will all come out. But at this moment I can't. I'm so sorry.

CHRIS CUOMO

(Voice Over) However, court filings make his position clear. Jeffrey denies any wrongdoing or that he siphoned off any money. He says he was unaware at first there was not enough money in the accounts to pay the bills. And when he learned of it, he tried to address the unpaid claims.

CHRIS CUOMO

(Voice Over) Meg Norton, Vice President of Children's Hospital said Jeffrey did meet with her more than a year ago, promising to pay the Gastanos' bills.

MEG NORTON, CHILDREN'S HOSPITAL SAN DIEGO

I called him probably once or twice a month for six months following that. And when the phone calls didn't start coming back, or being returned, that's when it became unbelievable.

CHRIS CUOMO

(Voice Over) But perhaps most unbelievable to the families involved, is that it seems authorities can do little to help them. Why can't you go lock this guy up? Is government equipped to shut people like Jeffrey down, as it stands right now?

JOHN GARAMENDI,

CALIFORNIA INSURANCE COMMISSIONER

We're actually seeking new state laws. No doubt about it, that we do not have the tools that we need, the laws we need to put a stop to this.

CHRIS CUOMO

(Voice Over) John Garamendi is the Insurance Commissioner of the state of California.

JOHN GARAMENDI

There's a huge gap in the laws as to what is insurance and what is not insurance. And through that gap, through that loophole, a lot of schemers operate.

CHRIS CUOMO

(Voice Over) As incredible as it sounds to people like the Gastanos, EPEO is saying legally it's not selling insurance, just providing health benefits, among many other services, to small businesses. And that means it is exempt from state insurance laws because it's covered under a Federal benefits law. Several states are challenging that notion. Is this a one-of-a-kind company, EPEO Link? Or is this something you're seeing more and more of?

JOHN GARAMENDI

No, what we're seeing is a blossoming of a fungus, of an enormous problem. Where there is one, there are a dozen more. That's the problem.

CHRIS CUOMO

(Voice Over) Garamendi's office did serve Jeffrey papers, demanding that he and his daughter stop selling insurance coverage in California. You give him a cease and desist letter, what does that really do?

JOHN GARAMENDI

It is almost worthless. But it does start a process. We're working with the District Attorneys to try to see if the old laws can be used in a new way.

CHRIS CUOMO

(Voice Over) Indeed, he says, no matter what the intent, there is no excuse for not paying the bills. The Gastanos watch over Carly's recovery from what turned out to be successful eye surgery. They say, with EPEO having paid only \$9,000 out of bills totaling about a million, they don't need a judge to come to their own conclusion about Roger Jeffrey and EPEO Link.

DONNIE

You know what, right's right and wrong wrong, okay. It's black or white. Period.

CHRIS CUOMO

(Off Camera) What do you want to see happen?

MARIA

I want to see him go to jail. I wanna see him locked up. I don't wanna see them do anything like this to anybody else.

CHRIS CUOMO

(Voice Over) And for now, there will be no answers from Mr. Jeffrey. How about to the families, like the Gastanos. The families who've lost everything, you have nothing to say to those people?

ROGER JEFFREY

I can't make a comment right now on those.

CHRIS CUOMO

(Off Camera) Do you think that you're gonna be vindicated in all this? Or do you think that the allegations are at least legitimate?

ROGER JEFFREY

I don't want to comment on that either. I've been advised not to say anything. I'm so sorry, really, guys.

CHRIS CUOMO

(Off Camera) Are you sorry?

ROGER JEFFREY

I really am, thank you.

CHRIS CUOMO

You're sorry that we're here or you're sorry for the families?

JOHN QUINONES

(Off Camera) At present, four states and the US Labor Department are investigating EPEO. The company says it's working to settle outstanding claims and has put all its remaining customers on fully- funded, licensed insurance plans. If you have questions about the safety of your insurance coverage, experts say, contact your state insurance commission.