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## OPINION OF TRUSTEES

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### In Re

Complainant: Pensioner  
Respondent: Employer  
ROD Case No: 88-492 - January 27, 1993

Board of Trustees: Joseph P. Connors, Sr., Chairman; Paul R. Dean, Trustee;  
Elliot A. Segal, Trustee; Marty D. Hudson, Trustee.

Pursuant to Article IX of the United Mine Workers of America ("UMWA") Benefit Plan and Trust, and under the authority of an exemption granted by the United States Department of Labor, the Trustees have reviewed the facts and circumstances of this dispute concerning timely payment of health claims for a Pensioner under the terms of the Employer Benefit Plan.

### Background Facts

The Complainant is a Pensioner whose last signatory classified employment was with the Respondent. The Complainant was awarded a retirement pension under the UMWA 1974 Pension Plan effective October 1, 1988. The Complainant contends that the Respondent has failed to pay health claims in a timely manner as required by the terms of Article XX of the National Bituminous Coal Wage Agreement ("Wage Agreement") of 1988 and the Employer Benefit Plan.

The Respondent provides health benefits coverage for the Complainant through a third party claims administrator, Northwestern National Life Insurance Company. According to the information provided in this case, the Complainant submits his medical bills directly to the Respondent for payment.

The Complainant states that the Respondent pays some of his medical bills while other bills remain unpaid for several months after the claims have been submitted. The Complainant states that he has received notices from providers threatening collection action if outstanding bills are not paid. The Complainant also states that as of September 1992 his pharmacy has refused to honor his medical card.

The Respondent states that he is self-insured and that medical claims are submitted to Northwestern National Life Insurance Company which processes and pays the claims from funds provided by the Respondent. The Respondent states that medical bills are paid on a regular basis but concedes that the payment is "at least three months behind." According to

the Respondent, the delayed payment of claims is due to financial problems and that if required to pay all outstanding medical bills the company would be forced into bankruptcy.

### Dispute

Whether the Respondent has provided health benefits coverage for the Complainant and his eligible dependents as required under Article XX of the Wage Agreement and the Employer Benefit Plan.

### Positions of the Parties

Position of the Complainant: The Respondent has failed to provide prompt health benefits coverage for the Complainant. The Respondent is required to pay the covered medical expenses incurred by the Complainant and his eligible dependents in a timely manner.

Position of the Respondents: The Respondent is providing health benefits coverage for the Complainant as required under the terms of the Employer Benefit Plan because the Complainant's covered medical expenses are paid on a regular basis.

### Pertinent Provisions

Article XX Section (c)(3)(i) of the National Bituminous Coal Wage Agreement of 1988 provides in pertinent part:

(3)(i) Each signatory Employer shall establish and maintain an Employee benefit plan to provide, implemented through an insurance carrier(s), health and other non-pension benefits for its Employees covered by this Agreement as well as pensioners, under the 1974 Pension Plan and Trust, whose last signatory classified employment was with such Employer. The benefits provided by the Employer to its eligible Participants pursuant to such plans shall be guaranteed during the term of this Agreement by that Employer at levels set forth in such plans....

Article XX, General Description, Section (12) Health Care Cost Containment, states in pertinent part:

The Union and the Employers recognize the rapidly escalating health care costs, including the costs of medically unnecessary services and inappropriate treatment, have a detrimental impact on the health benefit program. The Union and the Employers agree that a solution to this mutual problem requires the cooperation of both parties, at all levels, to control costs and to work with the health care community to provide quality health care at reasonable costs. The Union and the Employers are, therefore, committed to fully support appropriate programs designed to accomplish this objective. This statement of purpose in no way implies a reduction of benefits or additional costs for covered services provided miners, pensioners and their families....

Article II. B. (1) of the Employer Benefit Plan provides:

Article II - Eligibility

The persons eligible to receive the health benefits pursuant to Article III are as follows:

B. Pensioners

Health benefits and life insurance under Article III hereof shall be provided to Pensioners as follows:

- (1) Any Pensioner who is not again employed in classified signatory employment subsequent to
  - (a) such Pensioner's initial date of retirement under the 1974 Pension Plan, and
  - (b) February 1, 1988, shall be eligible for coverage as a Pensioner under, and subject to all other provisions of this Plan. Notwithstanding (i) and (ii) of the definition of Pensioner in Article I(5) of this Plan, any such Pensioner who was eligible for benefits under the 1974 Benefit Plan as a Pensioner on December 5, 1977, shall be eligible for such benefits, subject to all other provisions of this Plan.

Discussion

Article XX, Section (c)(3)(i) of the National Bituminous Coal Wage Agreement of 1988 states that an Employer shall establish and maintain an Employee Benefit Plan for its Employees covered by this agreement, as well as pensioners. Article II. B. (1) defines pensioners who are eligible for such health benefits; however, both the Wage Agreement and the Employer Benefit Plan are silent on the time within which the Employer must meet its contractual obligation to provide health benefits.

A report prepared by the National Association of Insurance Commissioners summarizes state insurance laws for the settlement of insurance claims in states that impose a statutory period for the payment of health claims. According to the NAIC report 28 out of 29 states that specify the number of days within which health claims must be paid require payment in 15 to

60 days. Additionally, Funds' staff performed an informal survey of federal and private insurance providers which suggests that while there is no single industry standard of a time period for the processing and payment of medical claims, there is consensus among federal government and private insurers, and the trade associations representing them, of a 14 to 60 day

range for the processing of a "clean claim". (A clean claim is a benefit claim that includes all documentation necessary for processing.)

The Respondent also contends that due to financial problems it is unable to pay the Complainant's benefit claims on a more timely basis. In RODs 84-360 and 84-582, the Trustees concluded that an Employer's poor financial status was not a valid defense to a claim for benefits which are contractually due.

Although neither the Wage Agreement nor the Employer Benefit Plan specify a time period for the processing and payment of health claims, a reasonable payment period may be implied. Industry practice and the requirements imposed by a majority of states that specify a time period suggest that a reasonable range for the processing and payment of a clean claim is 15 to 60 days. The Respondent concedes that its payment of the Complainant's medical bills are at least 90 days behind. Given industry practice, the fact that the Complainant has been threatened with collection actions and the refusal of the Complainant's pharmacy to honor his medical card because of the delayed payments, the Trustees conclude that the Respondent's time period for paying the Complainant's benefits claims is unreasonable.

Additionally, pursuant to Article XX, the General Description, Section (12) of the NBCWA, no reduction of benefits or additional costs for covered services shall be suffered by beneficiaries.

#### Opinion of the Trustees

The Employer's failure to process health benefits claims for the Pensioner in a timely manner does not conform to the requirements of the National Bituminous Coal Wage Agreement of 1988 or the Employer Benefit Plan. The processing time taken by the Employer or its agent to adjudicate health benefit claims may not cause collection action to be taken against the Pensioner nor result in any other action that would impair the creditworthiness of the Pensioner. The Employer must insulate and defend the Pensioner against any such actions initiated by the provider(s).