



60 MINUTES

Did Insurer Cheat Disabled Clients?

CBS

Nov. 17, 2002

(CBS) If you're one of the 50 million Americans who has money deducted from his or her paycheck to pay for disability insurance, or if you've purchased a disability policy on your own, you may think you're covered if you're injured or too sick to work. But don't be too sure. **Ed Bradley** reports.

A number of people who worked at UnumProvident, the giant of the disability insurance business, whose clients include CBS, told us that the company's management puts tremendous pressure on claims handlers to deny new claims and shut down existing ones. And that many UnumProvident policy holders- who are obviously disabled – are left out in the cold.

UnumProvident is the largest disability insurance company by far, providing disability insurance to 17 million Americans. One of them was Dr. John Tedesco. Today, Dr. Tedesco does part-time diagnostic work, but he used to be a successful eye surgeon. Then, four years ago, he developed a tremor in his right hand:

"I knew that if I tried to operate on somebody, I might hurt them. I might blind them," Tedesco says. So he stopped operating.

For six years, Dr. Tedesco had paid for an insurance policy that guaranteed him a decent income if he could no longer do surgery. He filed a claim with UnumProvident, and the company paid his claim for four months. Then a claims handler sent Dr. Tedesco a letter.

"Basically, the letter said 'We're cutting off your benefits. We don't think you're disabled. And you're not entitled to any benefits,'" says Tedesco. As far as he knows, the company did not talk to his doctors. Nor did they come to see him.

UnumProvident had a cameraman secretly follow Dr. Tedesco for six days and shoot videotape. The company said it showed Dr. Tedesco playing football in his backyard looking anything but disabled. However, there was just one problem. It actually showed his 23-year-old son.

Three years ago, Dr. Tedesco was diagnosed with Parkinson's Disease. He found he couldn't keep his hands steady enough to do routine eye exams, let alone surgery. Three physicians said he was too disabled to operate. The company still didn't start paying him.

"It almost sounds ridiculous an insurance company refusing a disability from an eye surgeon who has a hand tremor and Parkinson's Disease. How do you explain that?" Bradley asks Tedesco.

"I can't explain that. There's not a person on this earth who would say that a person with Parkinson's Disease could do eye surgery," Tedesco says.

What happened to Dr. Tedesco came as no surprise to the UnumProvident employees we spoke to. Diane McGinnis started working at UnumProvident three years ago. When Bradley interviewed her she was working as a claims handler at the company's headquarters in Chattanooga. She says that the company told its workers they had to shut down enough claims to meet monthly targets in the millions of dollars.

"At the beginning of each month the projections would come down from the directors or above, who would give a number as to the amount of money we would have to come up with at the end of the month in closures," she says.

Bradley: These were like targets you had to meet?

McGinnis: Right

Bradley: And did the people who set the targets know that there were a certain number of claims that deserved to be terminated before they set the target?

McGinnis: I don't think it was about whether they deserved to be closed. They had to be closed. They needed to make those projections.

Bradley: So you would go into these meetings once a month with a target, a dollar figure, which you had to save the company and that dollar figure had nothing to do with the validity of the claims that were out there. It had nothing to do with the legitimacy of the claims that were out there?

McGinnis: Right. The claim reps would go looking for claims that they could shut down and the consultants would be right behind them helping them

go through files to look for those numbers that they needed.

Bradley: And did the claims handlers ever shut down claims that they knew were legitimate in order to meet a monthly target?

McGinnis: Yes, many times that's happened, many times.

Bradley: You say that without any hesitation.

McGinnis: Because I've seen it for three years.

UnumProvident declined to talk to **60 Minutes** on camera, but top executives repeatedly denied that the company sets any targets whatsoever for saving money by closing claims. The executives also told us the company processes 400,000 claims a year and occasionally makes a mistake, which, they say, UnumProvident is quick to remedy once the company is aware of it.

As for Diane McGinnis, she resigned eight weeks ago. UnumProvident questions her integrity, citing several instances of dishonesty in her personal life. But more than a dozen current and former UnumProvident employees, including former vice presidents of the company, confirmed some or all of McGinnis' allegations.

Angelique Brackett was a claims handler in the company's headquarters in Chattanooga.

"About the middle of the month, they'd let us know if we were on track to meet our dollar amount for the month, and if we wouldn't, they'd really start pushing us to find more or to get the ones we thought we could get closed," she said.

Gina Hartley worked for five years as a claims handler in the company's headquarters. She resigned a month ago.

Bradley: And if they would say to us that there were no targets, no money targets that we were aiming for each month, you would say...

Hartley: It was well known to each individual, each one of us and to every department. It was standard, I mean day in day out there were targets. There were goals.

Bradley: So you're saying the company is lying?

Hartley: That's what I'm saying.

Bradley: and were these targets just suggestions or guidelines?

Hartley: oh no it was set. I mean this is the amount. We were given the exact dollar amount that we were targeting, and toward the end of the month, if we were far behind, we would what's called a blitz in the orthopedic area where everybody would come in on Saturday and we'd go through our claim files. If they'd been gone through 20 times and reviewed 20 times by managers, consultants, we would still go through our claims, our co-workers claims, other department's claims, trying to find something that might just – even if was a technicality – something we could close that claim on. And the pressure on the claims representatives was so intense that we felt we had to go in to close that claim.

Bradley: You knew of people who were really disabled and their claims were terminated because in terminating those claims UnumProvident would save money.

Hartley: Oh yes, oh yes

Bradley: No doubt about it?

Hartley: No doubt about it.

Bradley: And did your supervisors know that you were terminating legitimate claims?

Hartley: They had to give the approval to, before we could. As a claims handler, we did not have the power or the authority to close the claim ourselves. It had to be signed off on by our consultant and our manager.

Bradley: And how much money are we talking about. What were they looking to shut down every month?

Hartley: Anywhere from 7 to 14 million. If another department needed help, they would bump it up to 14 million a month.

UnumProvident told us the claims handlers had no financial incentive to terminate the claims of disabled policyholders. Michelle Payne, a former administrative assistant, says that's not true:

Michelle: The ones that knew how to do what was asked of them, they're the ones that got the bonuses.

Bradley: And what was asked of them?

Michelle: Close the claims.

Bradley: You say that without any hesitation.

Michelle: I saw it on a daily basis.

Hartley: there were staff meetings that we sat in and the manager would say so and so just closed 2 million claim today and everybody would give them a hand and 2 or 3 weeks later, low and behold, that person would end up being presented with a bonus, a check, money.

It wasn't just claims handlers who were under pressure to deny claims:

"I saw the same thing," says Dr. Fergal McSharry worked for UnumProvident for nearly two years as an in-house physician reviewing disability claims. Dr. McSharry says the company pressured him and other doctors to go along with the claims' handlers decisions to terminate claims:

McSharry: The decision was nearly always made and we were to not upset the apple cart and give this opinion which was contrary to everybody else's.

Bradley: Didn't the company give you the option to request more tests, more medical information about the claimant?

McSharry: Yes, the option was there, but whenever I did it I got into trouble.

Bradley: why would that get you in trouble?

McSharry: It would blow the target way back, and the team were very dependent on me as the physician to support their achieving the goal.

Bradley: Of meeting that target, the dollar figure?

McSharry: Yeah, so I was getting a lot of upset people coming into my office saying: "You're not helping us, doc!"

At first, Dr. McSharry says he did change his medical opinion once or twice to please his supervisor. Then, he decided he could no longer do that. Six months ago, UnumProvident fired Dr. McSharry. He is now suing the company for "wrongful termination."

Bradley: Unum Provident says that the issue with you was productivity; that you were slow to sign off on your claims.

McSharry: I wouldn't sign off, yes. I wouldn't. I refused.

Bradley: Were other doctors in the claims department pressured to sign off on terminations?

McSharry: We all were. And some doctors did and some doctors didn't.

Hartley: We knew what doctors to send it to and what not to. If we wanted that claims closed, we'd send it such and such doctor.

Closing those existing claims – or denying new ones - has led to nearly 3,000 lawsuits against UnumProvident in the past five years. Gina Hartley says the company's lawyers warned claims handlers to be extra careful about denying claims in certain states:

Hartley: We would get guidance as far as what state you might be able to close this claim in. That may not give us trouble in the courts. What state would be, okay this is a tougher state, they've strong insurance commissioners, they've got strong courts, they've got courts that favor the insured. Better not mess with this one too much.

Bradley: Tell me what you think the philosophy of this company is:

Hartley: Their philosophy was close it if you can close it. If there was any way possible to close it. That was the bottom line.

Garamendi: Every insurance department in this nation ought to be taking a hard look at this situation

Last week, John Garamendi was re-elected to head the California Department of Insurance.

Bradley: How can an insurance company decide in advance the percentage of claims that should be terminated?

Garamendi: How can they? Well, they can if they want to break the law, if they want to go against the normal practice, and if they want to get big lawsuits. It is not the thing to do.

Bradley: Provident's adjusters appear to be under pressure to increase terminations.

Garamendi: Exactly.

Bradley: On the face of it, what's wrong with that.

Garamendi: This kind of thing will lead to problems. It'll lead to fraud by the insurance company against the consumer, against the policy-holder.

Bradley: Do you see a pattern here? What does it say about this company?

Garamendi: There's been successful lawsuits against this company in which federal courts by unanimous verdicts have issued punitive damages for this kind of activity. That's another, not a warning sign, that's a clear siren out in the streets saying 'What is going on here.'

Tedesco, the eye surgeon with Parkinson's Disease, sued the company, and a jury awarded him 36 million dollars. To avoid a lengthy appeal, Dr. Tedesco settled with UnumProvident for an undisclosed sum.

Bradley: If this company knows that they're going to be hit with these lawsuits and they're going to lose some of them, that there's going to be bad publicity, why would they do this?

Garamendi: It's an equation, an economic equation. How many will we lose? How much business will we lose? Versus how much will we gain by denying these claims. So they're doing that economic equation and they're saying, "We'll run the risk of the lawsuits. We'll run the risk of the bad publicity, and probably the departments of insurance are asleep anyway. So let's go!"

While the great majority of lawsuits against UnumProvident are settled out of court, and the company says it wins most of those that do go to trial - this week it lost a big one. A federal court in San Francisco upheld a \$7.5 million judgment against UnumProvident saying it showed bad faith in targeting a claim for closure, and that it employed biased medical examiners and improperly destroyed medical and other reports. The court issued an injunction ordering the company to stop those practices.