

Brown v. Neely Truck Line, Inc.

(United States District Court for the Middle District of Alabama, Eastern Division, 884 F. Supp 1534 (M.D. Ala 1995))

Earl Brown had been an employee of Neely Truck Line for a number of years, and he and his wife, Linda, were covered by the Neely health plan. Linda suffered from diabetes, a condition which was covered by the Neely plan (Blue Cross and Blue Shield of Alabama). Linda incurred claims related to her diabetes between December 1990 and June 1991. When she presented these claims to Blue Cross, she was told that the plan had been canceled in December 1990. (Blue Cross requested that the Browns reimburse it for claims already paid after December 1990. The unpaid Blue Cross claims were not a matter of dispute in this lawsuit.) Neely Truck Line implemented a new health plan, effective July 1, 1991, through Principal Mutual Life Insurance Company. The Principal Mutual plan did not contain a preexisting condition limitation, and it began paying Linda's claims that were incurred after the July 1 effective date.

On September 6, 1991, Earl terminated his employment with Neely and went to work for All State Packaging. The Browns were both covered (after a 90-day waiting period) by All State's health plan under Benefit Trust Life Insurance Company. The All State health plan did contain a preexisting condition limitation and did not cover Linda's expenses related to her diabetes. In the 15 month period following Earl's termination from Neely, Linda's claims totaled approximately \$25,000.

DISTRICT COURT RULING

The court determined that Neely was responsible for notifying Earl and Linda Brown of their right to continuation coverage under COBRA no later than September 20, 1991, 14 days after Earl's termination. Both sides disputed whether or not the notice had actually been sent. The court stated, however, that the burden of proof rested with the employer. Therefore, it was up to Neely to implement and maintain procedures that could substantiate its claims to having properly notified the Browns.

In its opinion, the court suggested that Neely mail COBRA notices via certified mail or certificate of mailing (the method recommended by Infinisource, Inc.). This type of documentation, along with a copy of the notice that Neely claimed to have sent, would have provided the court with the proof it needed to decide in Neely's favor. (The court discussed the presumption of receipt: "...a letter properly addressed, stamped, and mailed was received by the individual to whom the letter was addressed....Mere denial of receipt is insufficient to rebut the presumption.")

The court ordered Neely to reimburse the Browns for Linda's uncovered medical expenses, minus the cost of premiums that the Browns would have paid under COBRA. The court also assessed penalties against Neely for its notice failure in the amount of \$10 per day each for Earl and Linda Brown. The penalty was assessed for Earl from September 20, 1991 (the last date on which Neely could have sent the Qualifying Event notice), to the date on which he was covered by the All State plan. The penalty for the notice failure on behalf of Linda was calculated from September 20, 1991, to the date on which All State began covering her preexisting condition (approximately 15 months later). The penalties added an estimated \$5,000 to Neely's costs. The court added 6.41 percent interest to each penalty it assessed.