November 13, 2024

To Our Friends & Colleagues:

As you may know, over the past several years two of our clients – Data Marketing Partnership (DMP) and LP Management Services (LPMS) have successfully challenged the U.S. Department of Labor (DOL) over regulatory matters. DMP and LPMS have won every round of litigation, upholding the validity of our partnership health plan model.

However, after losing in federal court and on appeal, DOL is now targeting our companies, because they believe – correctly – that our Limited Partnership clients rely upon us to provide the intellectual property, services, stop-loss, and reinsurance coverage without which they could not continue in business. On Nov. 5, DOL filed suit in the U.S. District Court for Puerto Rico against Suffolk Administrative Services LLC (SAS), Providence Insurance Company (PIC), and their individual owners (us).

As valued partners, we want you to know that DOL's suit will have no impact on our ability to serve customers and carry out our mission to facilitate and support health plans that lower costs and provide better access to healthcare for tens of thousands of Americans.

The claims made by DOL are flatly ridiculous, an act of government retribution aimed at undoing their repeated court losses. This coercive suit contains a staggering number of falsehoods and inaccuracies, all of which can and will be easily disproved. For example:

- DOL claims that SAS, PIC and their owners received more than $40 million in "unjust profits" from the plans that are the subject of DOL's suit. Many months ago, we provided DOL with detailed financial information showing that between 2016 and 2022, the most up-to-date audited financials available, SAS and PIC collectively *lost* about $100,000 servicing those plans.

- DOL alleges that PIC has “never paid claims.” In fact, PIC has paid out more than $300 million for claims made by health plan sponsors. This information was not only provided directly to DOL, but is also disclosed in the audited financial statements PIC files annually with its regulators.

- DOL claims that we act as fiduciaries, making all decisions on behalf of plan sponsors and directing all funds, much of it into our own pockets. We do none of those things. Neither SAS nor PIC employs any sales people—not one. We get 100% of our business from third-party referrals. We don’t touch our clients’ money—ever. All plan program payments are collected by licensed third parties and then distributed to us and other vendors, according to instructions from plan sponsors.

- DOL claims that SAS and PIC charge excessive fees, asserting that “more than half the money paid by the plans are directed to administrative costs.” In fact, SAS provided evidence to DOL showing that its average administrative fees are 13.3%, well below industry standards. PIC’s fees and loss ratios are also well within industry norms.

DOL’s suit is its latest effort to bully LPMS and DMP into withdrawing a regulatory lawsuit that the department lost in 2020 and lost again on appeal in 2022, by targeting their critically necessary vendors.

Just days before the Nov. 5 DOL suit, DMP and LPMS filed a Supplemental Complaint calling on DOL to account for their improper and illegal coercive conduct. The department tried and failed to suppress that Complaint, because it contains overwhelming evidence of its inappropriate behavior.

SAS, PIC and their owners plan to file a Counterclaim against DOL at the earliest possible opportunity. Our Counterclaim will present the facts and seek sanctions, injunctions and all other remedies available under the law.

In summary, we bear no resemblance to the companies and people DOL describes in its suit, and we will prove it. No matter how long it takes or how much it costs, we will not let this stand.

We greatly appreciate your support and friendship over these many years. As always, if you have any questions, you know where to find us.

Bill Bryan
Ari Zieger