United States Department of Justice

THE UNITED STATES ATTORNEY'S OFFICE
MIDDLE DISTRICT of TENNESSEE

Department of Justice

U.S. Attorney's Office

Middle District of Tennessee

FOR IMMEDIATE RELEASE Wednesday, October 29, 2014

Timothy Thomas, Former Owner Of United Benefits Of America, And Wife Indicted

Telemarketing Company Misrepresented Health Care Benefit Plans in $15 Million Scheme That Defrauded Thousands Seeking Health Care Coverage

Timothy Thomas, 52, and his wife, Kennan Dozier Thomas, 56, of Franklin, Tenn., were indicted today on charges related to the operation of United Benefits of America, LLC, a telemarketing company that sold health benefits on behalf of various companies, announced United States Attorney David Rivera.

Specifically, Timothy Thomas was indicted on charges of wire fraud, mail fraud, money laundering, and criminal contempt. Also indicted was Thomas' wife, Kennan Dozier Thomas, who faces charges of money laundering and criminal contempt. The contempt charges are based on the Thomas' transfer of funds, in violation of an order freezing assets that was issued by the U.S. District Court for the Middle District of Tennessee in a related case. Thomas and his wife had been prohibited by the U.S. District Court from making such transfers.

"Schemes such as this, that target individuals who so desperately need health insurance, are particularly egregious and the U.S. Attorney's Office and our law enforcement partners will direct all necessary resources to thoroughly investigate and bring justice to those who would inflict such harm and leave such a vulnerable group in the wake of their greed," said U.S. Attorney David Rivera.

According to the indictment, from 2007 through August 2010, Timothy Thomas operated United Benefits of America, LLC (also known as Health Care America and United States Benefits, among other names). Thomas entered into contracts with various companies to market "limited benefits plans," "association memberships," health benefits, health insurance, or other "lifestyle benefits" sold by those companies. Thomas bundled the products of one or more of those companies into "benefits packages" which he marketed to consumers, including self-employed individuals, small business owners, and employees of small businesses.

Whenever a representative of United Benefits sold a "benefits package," Timothy Thomas received a fee or a commission for each product from the company whose product was sold. If consumers kept their "benefits package" for a certain period of time, Thomas received additional commission payments.

The majority of the “benefits packages” sold by United Benefits were actually nothing more than “association memberships,” which included a combination of “limited benefit plans,” accidental life insurance, other “lifestyle benefits,” or various products that entitled the purchaser to certain limited medical benefits or discounts on prescription drugs.

The indictment alleges that Timothy Thomas directed sales representatives to place telephone calls to individuals in an effort to sell the “benefits packages” marketed by United Benefits. The indictment further alleges that the majority of consumers contacted by United Benefits sales representatives were targeted because they did not have major medical health insurance because they had lost their jobs, or they were paying a high price for temporary continuation of group coverage, or they were not eligible for major medical health insurance because they had pre-existing medical conditions.

The indictment also alleges that Timothy Thomas was aware that United Benefits sales representatives made various misrepresentations and material omissions to consumers in order to sell the “bundled products” marketed by United Benefits, including misrepresentations that the “limited health benefits” offered by Untied Benefits were major medical health insurance or the equivalent of major medical health insurance. Sales representatives also misled consumers about the limitations on the coverage offered by United Benefits, intentionally misleading consumers into believing that purchasing a plan offered by United Benefits required the consumer to be approved or accepted, or misleading customers that there was only a limited time during which the consumer could enroll in the plans.

In February 2009, after receiving complaints that sales representatives at United Benefits were grossly misrepresenting the actual benefits of the products they were selling, the Tennessee Department of Insurance searched the United Benefits office and seized voluminous materials and records. In April and May 2009 WSMV-TV in Nashville, Tenn., aired a series of news stories about United Benefits, during which they interviewed consumers complaining that they had been misled by United Benefits employees and televised footage from a hidden camera in which United Benefits employees were seen and heard discussing misleading sales practices.

According to the indictment, Timothy Thomas set up an employee disciplinary system designed to “fine” employees when they made misrepresentations. However, Thomas often waived or reduced the fines, and the “fined” employees continued to receive a monetary bonus for their sales tactics. Moreover, the indictment alleges that when Thomas learned about specific misrepresentations by sales representatives, he took no action to inform consumers or to reverse the sales. In fact, Thomas rarely fired employees for making misrepresentations or material omissions.

According to the indictment, Thomas, in an effort to deceive regulatory authorities, consumers, and companies with whom United Benefits contracted, used other corporate names and caused other individuals to be named as officers in company documents in order to conceal his ownership and control of the company.

The indictment also alleges that Thomas received payments of approximately $15.7 million for the plans offered by United Benefits.

On August 3, 2010, the Federal Trade Commission and the State of Tennessee filed a complaint against United Benefits and Timothy Thomas and Keenan Dozier Thomas, in the United States District Court for the Middle District of Tennessee. On August 4, 2010, a United States District Court judge issued a Temporary Restraining Order that prohibited Timothy Thomas and Kennan Dozier Thomas from transferring any funds owned or controlled by them or by United Benefits. The prohibition applied to any assets of Timothy Thomas, Kennan Dozier Thomas, or United Benefits at the time of the issuance of the order, or any funds which were assets derived from the conduct described in the complaint and obtained after the time of issuance of the order.

According to the indictment, the day following the issuance of the order, Timothy Thomas violated the Court's order by withdrawing funds totaling over $124,000 from bank accounts he and his wife controlled. Also in violation of the order, on August 6, 2010, Timothy Thomas and Kennan Dozier Thomas asked a friend to deposit into her bank account, approximately $411,000 in commission payments that Timothy Thomas had received through his operation of United Benefits, in order to conceal those funds.

"Deceptively marketing medical discount plans as major medical health insurance creates traumatic hardships for victims," said A. Todd McCall, Special Agent in Charge of the Memphis Division of the FBI. "Today's indictment represents the collaborative efforts of our law enforcement partners and our commitment to seek justice for victims."

"The U. S. Postal Inspection Service is committed to protecting the American Public from individuals who make misrepresentations to prey on innocent victims," said Thomas L. Noyes II, Inspector in Charge of the Charlotte Division of the U.S. Postal Inspection Service. "The collaborative effort between federal agencies in this case is an excellent example of the partnerships that focus on bringing those to justice who violate the law and defraud hardworking citizens."

If convicted, Timothy Thomas faces up to 20 years in prison and a fine of $250,000 on each count of wire fraud and mail fraud, and 20 years in prison and a fine of $500,000 on each count of money laundering. Kennan Dozier Thomas faces up to 20 years in prison and a fine of $500,000 on the one count of money laundering in which she is charged. The court retains discretion as to the penalty to be imposed if they are convicted of criminal contempt.

This case was investigated by the Federal Bureau of Investigation, the United States Postal Inspection Service, and the U.S. Department of Labor Employee Benefits Security Administration's Health Benefits Security Project (HBSP) which focuses on egregious and corrupt health arrangements. The project further seeks to identify potential criminal violations and to assist the victims of crimes related to employee health benefits.

Assistant United States Attorneys Kathryn W. Booth and William F. Abely represent the government.

An indictment is merely an accusation and is not evidence of guilt. Defendants are presumed innocent unless and until proven guilty in a court of law.

Component(s):
USAO - Tennessee, Middle

Updated March 19, 2015