

## Hangin' With the NCFIA: Medical Fraud

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I wanted to end this two part series with a discussion on the rise of Medical Fraud. The NCFIA had several presenters covering this issue. Here is some of the best information from the conference.

Currently, Medical and Medical Provider Fraud seems to be the primary focus for Fraudsters and it is exceeding a billion dollars in Workers' Comp costs. This is huge, due to the skyrocketing costs in Workers' Comp.

Narcotics is a big issue with off-label drugs, which is a large contributor to the problem. As an example, one of the largest cash products for North Korea is the manufacturing of counterfeit drugs. Another area of criminal activity is the split off of drugs with Claimants and doctors whereby excess meds are prescribed and billed to the carrier, and the Claimants gives the meds back to the doctor, so they can be re-sold.

One presenter, at the conference, identified 3 new bills that are expected to help with combating the problem. SB 313 is associated with uninsured employers, that will increase penalties for the uninsured to \$1,000.00 per employee. SB 156 has several components, but the most important is the call for communication with payers of services. SB 615 is a First Aid bill relating to the use of first aid guidelines. Many employers are using the OSHA guidelines instead of the Workers' Comp standards.

Over the last few years, 50%-70% of prosecutions for Workers' Comp Fraud have been related to Claimant Fraud. However, the current trend of Claimant Fraud is between 20% and 25%, and the rest is Medical Provider Fraud.

Other types of Medical Fraud include billing – inaccurate charges, fees, dates of service, overlapping dates, and the selling of Receivables.

General Treatment Fraud encompasses unlicensed and under-qualified practitioners. Fraudsters submit billings under multiple Tax ID's to double and even triple bills. These practices keep money flowing to them and allows the Fraudsters to remain under the auditing radar. Two other types of fraud that have also seen a rise is Chiropractic and Pharmacy Fraud.

### Red Flags are Flying

Apparently there have been some Fraud cases where employees of medical offices were selling patient names with their insurance information. Fraudster clinics use these lists to create bills using real doctors' names as the referring physicians. They then send out a huge amount of bills to the carriers. They won't get paid for every bill, but the money that is received will still produce a healthy return.

Once the checks come in, a “runner” is used to tender the checks for cash at a check-cashing entity. They will pay a fee for the service, but there is no paper trail. Sometimes the Fraudsters open a commercial bank account providing fake business ID and ultimately have no fee charged for moving the money around. If caught, these people are charged with not only Fraud, but Grand Theft and ID Theft.

Raids on addresses of these fake clinics often find an empty room containing only a chair and fax machine. The “runner” is usually someone that has no association with the fraudulent company, but was paid “X” dollars just to cash the checks. Frequently they don't even know who they are working for. In this respect, the “runner” is only provided an address to pick up the checks at a predetermined time, cash them at a particular check-cashing service, and then make a “drop” at a specific location.

In another case, someone sold patient lists to crooks that started billing for diagnostic testing. In order to keep under the radar they were billing at \$30-\$40 per test. However, they billed thousands and thousands of dollars for tests that were never done.

In the surgical arena, there has been a rash of centers double billing for hardware and appliances. As an example, an \$80,000.00 surgery might include hardware. However, the center then requests additional authorization just for the hardware and appliances.

## **Vigilance**

Here are some suggestions to find out if your medical provider might be a Fraudster. Utilize a medical bill expert to analyze invoices. First review your largest cost drivers and newest providers. Additionally, watch for which providers have the most increase in billing, which are the largest providers, and what correlation is there between the Claimant's, Doctors, and Attorneys.

Fraud Busters find rather than fighting Liens, adjusters not wanting to go the extra step, offer a smaller percentage to get rid of the lien, and naturally the Fraudster accepts. So think of that the next time you decide to get rid of that lien you think might be fraudulent .

As the rules of Workers' Comp changes, incentives for fraud change as well. As an example, SB 899 provides for an increase of PD related to Activity of Daily Living. This has resulted in Sleep Centers popping up over night. With PD increasing, there is more incentive for attorneys to get involved, and who suffers - the Carriers, Claimants, Employers, the honest medical providers who cannot compete, and the general public.

Therefore, when the hair on the back of your neck stands up when reviewing some bills from a particular entity you question, have the clinic address checked out to confirm it actually exists. Verify charges with the patient because they are generally not aware of what is going on. Also, verify the physical therapist and confirm the referring physician ordered the treatment.

Hope this helps by providing the latest in Fraud trends being seen out there. Have a great month and keep your eyes open and mind sharp.