

Health Care Waste, Abuse, and Fraud: How to Find It and What to Do About It

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Pioneering Specialists in

Group Health Care

Post-Payment Administration

For Over 20 Years

Customer Philosophy

Respect for Existing Procedures

Emphasis on Customization

FOCUS on Solutions

What is Waste, Abuse and Fraud?

- **Waste:**
Any money paid by your plan that was not its liability.
- **Abuse:**
Any party not honoring your plan interests.
- **Fraud:**
Waste and abuse done with criminal intent.

How Much Waste, Abuse and Fraud Exists?

- National estimates range from 5% to 50% depending on what you include.
- National estimates mean nothing.
- All that matters is how much is in your health plan.

Two Approaches

- 1. Criminal Investigation**
- 2. Data Mining**

Need Both

Focus here on Data Mining

Association of Certified Fraud Examiners (ACFE)

www.acfe.com and

www.fraud-magazine.com

“Finding the Fraud “Needles” in the Health Claims Haystack”

Si Nahra and Rich Lanza

Fraud Magazine November/December 2007

**Both the ACFE and the
International Foundation of Employee Benefit Plans
recommend**

Healthcare Fraud Auditing and Detection Guide

by Rebecca S. Busch, John Wiley & Sons, Inc. © 2008

- Fraud hides and thrives amidst health care waste and abuse.
- Find waste and abuse and you'll find potential fraud to investigate.

Caveat: Finding Potential Fraud ≠ Fraud

Examples of Waste, Abuse and Fraud

	Administrator	Provider	Person
Waste	System errors	Non-compliance with billing requirements	Add/delete reporting errors
Abuse	Limited pursuit of recovery opportunities	Billing “creep”	Reporting omissions and/or COBRA “games”
Fraud	Misrepresentation of administrative services	Pattern of improper billings or billings for services not rendered	False claims or claims for ineligible

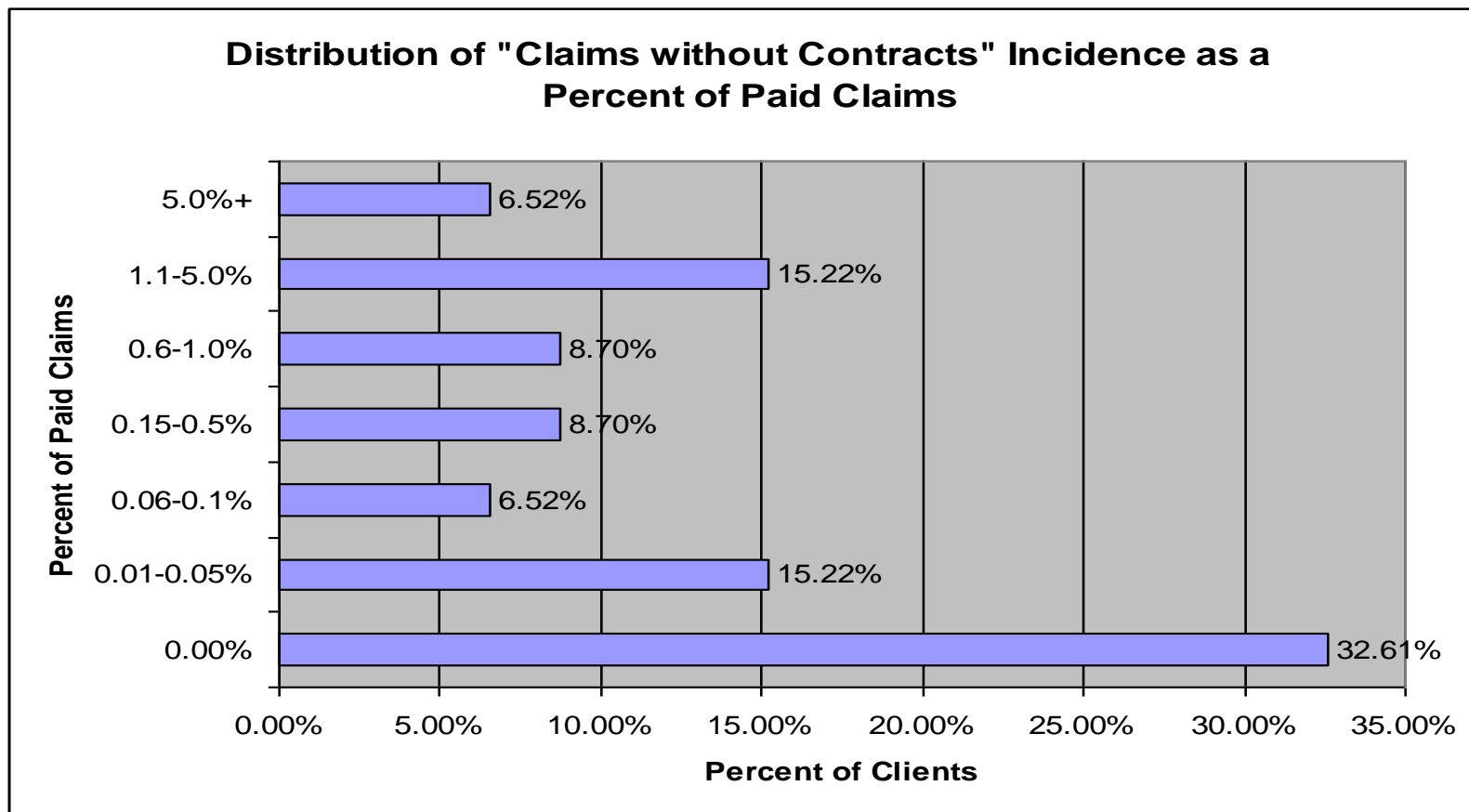
Waste, Abuse and Fraud May be About Collusion

	Waste	Abuse	Fraud
Administrator	Is administrative error covering up improper provider payments? Are their undisclosed conflicts of interest?		
Provider	Are providers without peers truly unique or up to something? Do providers treat certain patients differently?		
Person	Are care levels for certain individuals excessive or unusual? Is there the possibility of collusion with providers?		

Examples of Administrator Waste, Abuse and Fraud

	Administrator
Waste	Incidence of “claims paid without contracts” should be 0. Observed incidence ranges from 0 to 18% of claims.
Abuse	Level of contracts with known COB averages 8.9%. 13.3% of plans had 0% reported COB.
Fraud	Does bad performance indicate misrepresentation of administrative services and fees?

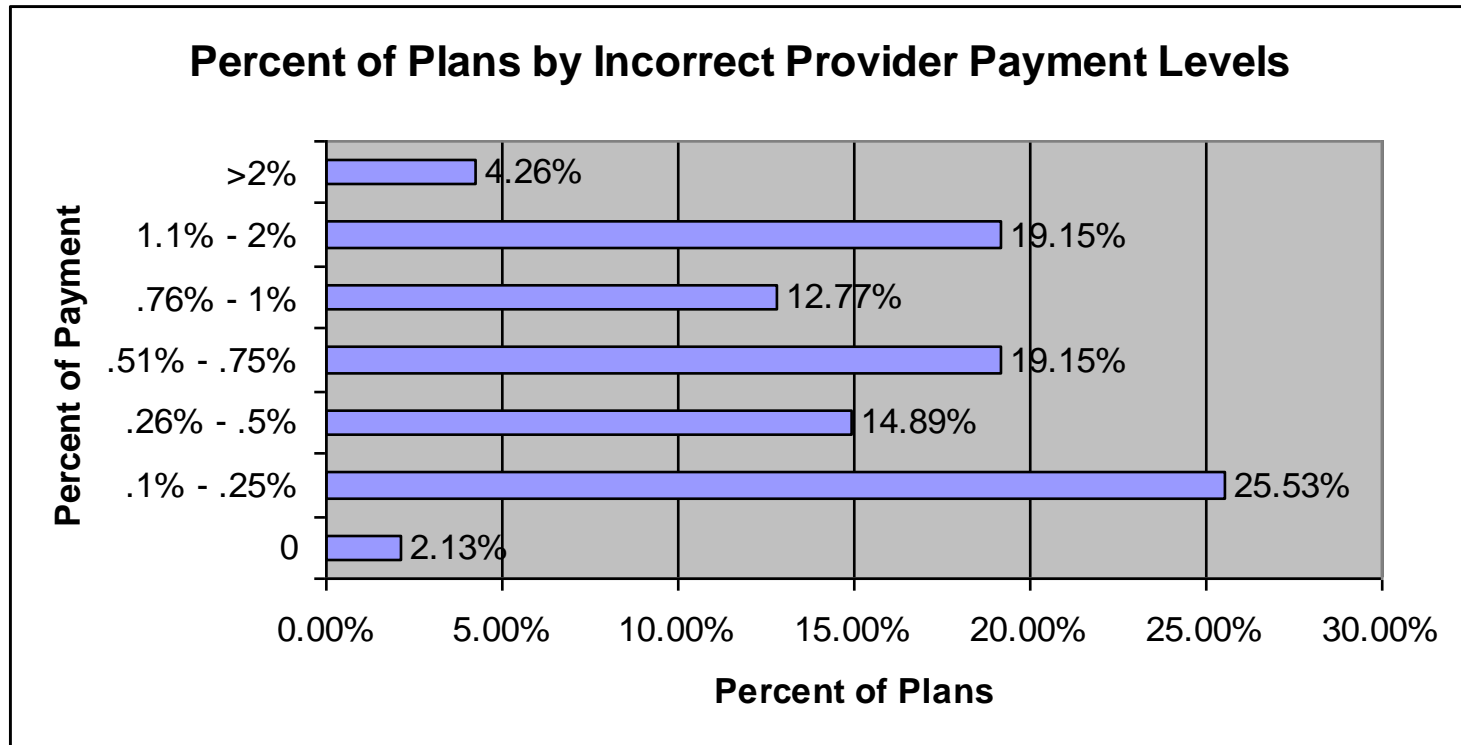
Examples of Administrator Waste, Abuse, and Fraud



Examples of Provider Waste, Abuse and Fraud

	Provider
Waste	Incidence of provider payment error should be zero. Observed incidence ranges from 0 to 3.48%.
Abuse	One plan with 2,000 employees had 4,800 providers. 80 of those providers gave the same service to the same patient multiple times and varied their billings by at least 2X and as much as 59X.
Fraud	Does bad billings indicate intent or accident? Were all services rendered, needed and priced fairly?

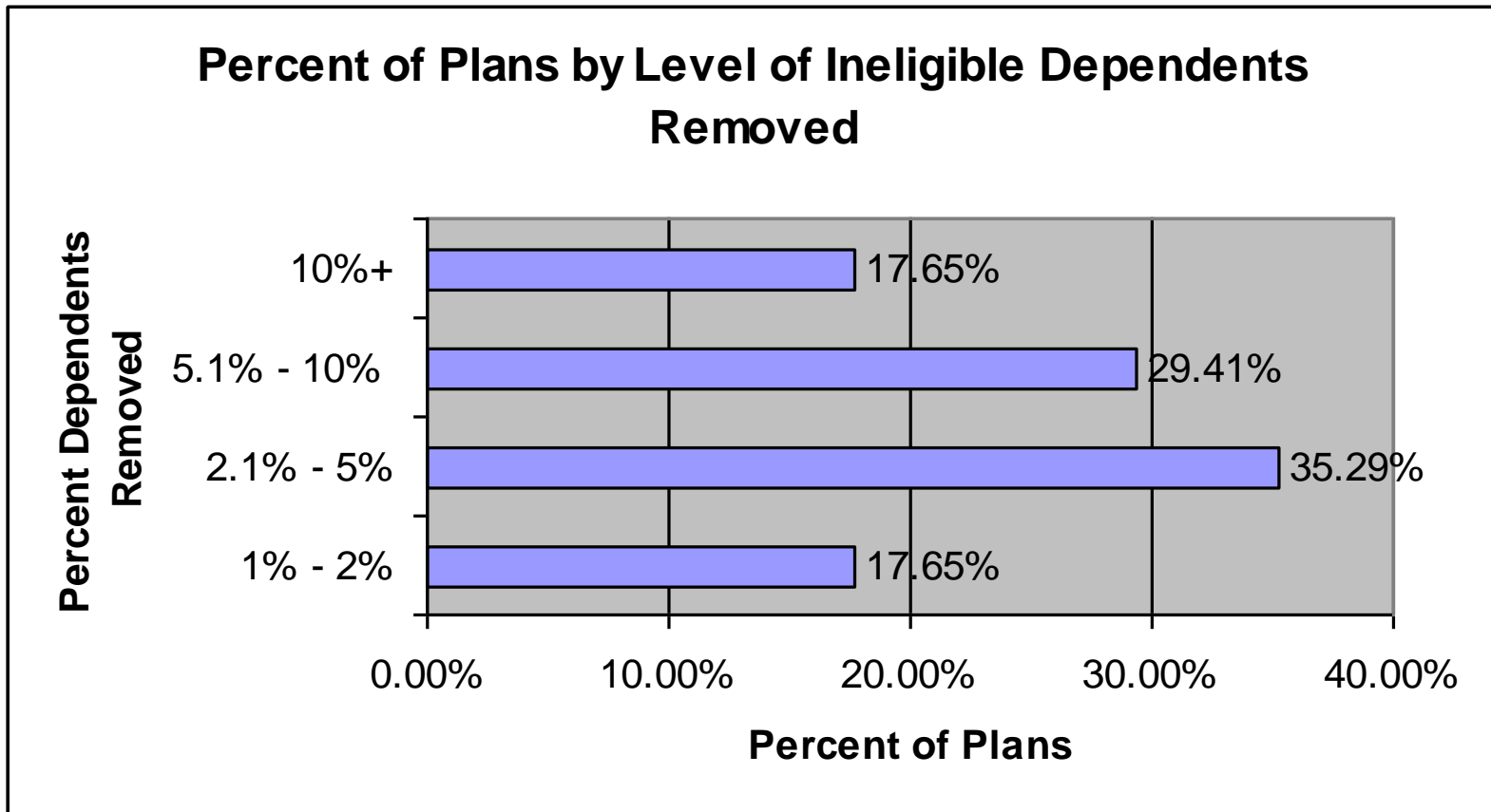
Examples of Administrator Waste, Abuse, and Fraud



Examples of Person Waste, Abuse and Fraud

	Person
Waste	Incidence of ineligibles dependents should be zero. Observed incidence ranges from 1% to 18.77%.
Abuse	COBRA election periods are sometimes used by former employees to use benefits and then decline coverage.
Fraud	Are ineligible people using the benefits and incurring claims?

Examples of Person Waste, Abuse, and Fraud



What to Do to Prevent Waste, Abuse, and Fraud

The best defense is a good offense.

1. Get **all** your claims, enrollment & administrative data.
2. Mine the data. See what you find.
3. Ask questions. Expect answers you understand.
4. Look for waste & abuse. That will lead you to fraud.
5. When in doubt – investigate.

The “Sentinel Effect” is your best ally.

For More Information
Contact

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We offer no-cost consultations
to answer questions and discuss options.