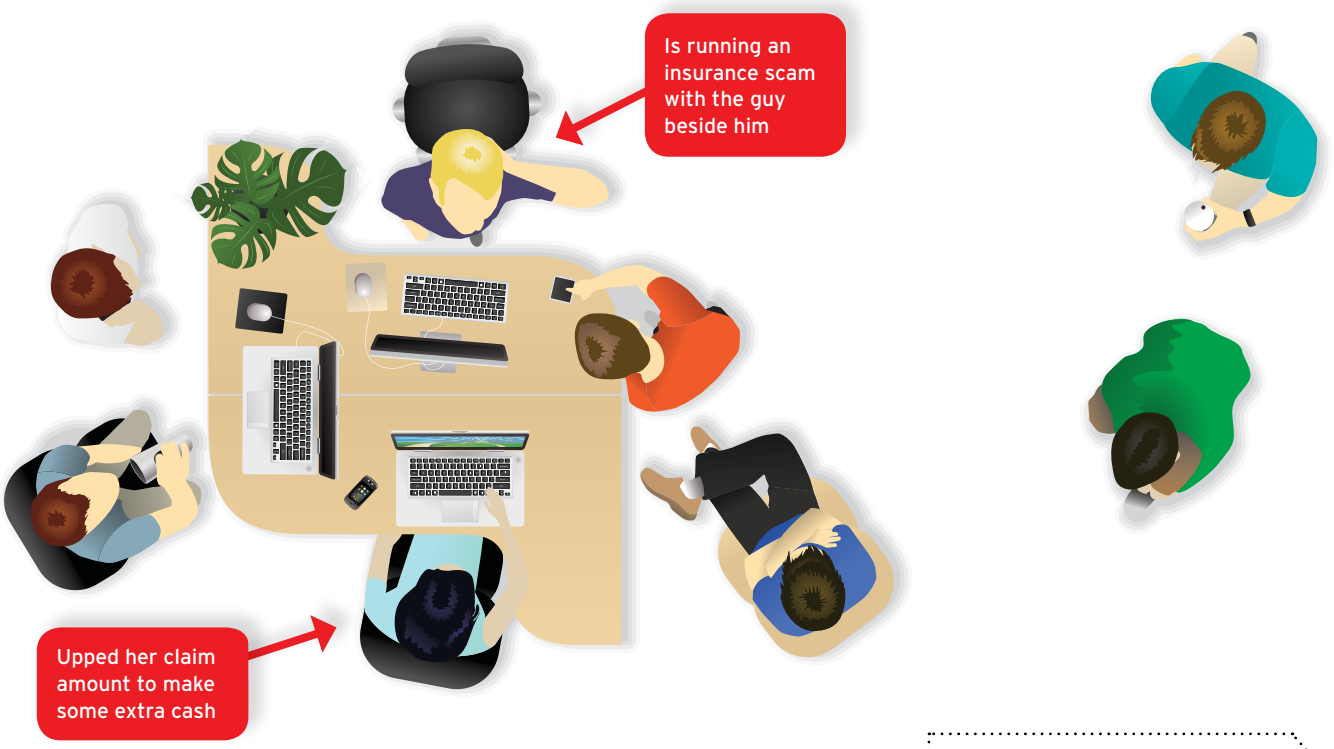
# It's more common than you think

## The impact of technology on benefits fraud and what you can do about it

By *Alyssa Hodder*




Need to get reimbursed for your chiropractic appointment this morning? No problem: your healthcare provider can submit your claim electronically right after your visit. Or you can use your smartphone or tablet to do it yourself—all in a matter of minutes.

An interconnected world makes it easier and more efficient to manage health insurance claims, but that faceless interaction with technology may also make it more tempting for people to abuse the system.

And there's a fine line between abuse and fraud, says Brent Allen, director, sales & service, with Green Shield Canada. "I'd ask employers to help their employees understand that the line blurs quickly."

## It's Costing You Money

About 95% of Canadian plan sponsors have been victimized by fraudulent claims, says the 2004 *Canadian Health Care Fraud Survey.*

The actual level of fraudulent activity will vary by plan, but the Canadian Health Care Anti-fraud Association (soon to become part of the Canadian Life and Health Insurance Association) pegs it at 2% to 10% of claims.

"Which is a lot of money, if you think about the millions—if not billions—spent on group benefits plans overall," says Joel Alleyne, the anti-fraud association's executive director. And, in some cases, that figure is actually much higher, he adds. "If you see a pattern that people are getting away with [fraud], then the norms move and people think, 'Well, it's okay for me, too.'"

The most common types of benefits fraud among plan members are submitting false claims for services they didn't receive and increasing the number or dollar amount of services provided, notes Allen.

But if fraud has such a significant impact on health benefits plans, why aren't more employers worried about it? Employers tend to be biased toward the member experience, Allen explains. So if a fraud investigation is slowing down the process of getting claims paid and members are complaining, employers are going to be less receptive to it.

Plus, there's a natural tendency to turn a blind eye: no one wants to believe they're getting ripped off.

## Connecting the Dots

Does greater use of technology help or hinder benefits fraud? It's a two-edged sword, says Alleyne.

## WHAT'S THE MOST AUDACIOUS EXAMPLE OF FRAUD YOU'VE ENCOUNTERED?

**Joel Alleyne:** "A colleague reported finding a provider [who was] billing for a group of people for somebody who essentially had a multi-personality disorder—billing for all of the personalities as part of the group!"

**Stuart Monteith:** "There was one provider that was submitting these claims for a medical device...and the medical device was covered. But, of course, he convinced people they should submit the claim, but they never actually got the device.

We detected there was an unusually high incidence of consumption of this particular machine. So we started to go out to people and say, 'Okay, can you show us your machine? Take a picture of it; show us that you've actually got it and that you're using it.' Only to find out that all the fraudulent claimants submitted the exact same picture—the picture had exactly the same flooring and carpeting and couch and everything in the background—which the provider had obviously given to these people that were submitting the claims in case they were asked. The investigators got quite a laugh."

ISTOCK

**California medical clinic operator Tam Vu Pham paid more than 5,000 healthy people to consent to have surgeries performed, billing insurers more than $96 MILLION**

SOURCE: BANKRATE.COM

**36% of organizations say 3% to 5% of their claims involve fraud**

SOURCE: THE 2004 *CANADIAN HEALTH CARE FRAUD SURVEY*

"We've caught scenarios where somebody starts to manufacture claims for themselves—using a nice colour printer or ink-jet printer or whatever—realizes that they can slip a few claims by somebody, and then realizes that they really can't make a lot of money, so they start printing claims for friends," he says. "We had one employer that had to let 30 people go."

On the upside, technology gives insurers better tools to analyze claims data and uncover patterns or anomalies.

"Data-crunching technology is increasingly being used to complement the human eye, looking at predictive analytics and other analytics to scrutinize incoming claims, identify potential problems, create alerts and even assign risk scores to claims coming in," Alleyne adds.

For example, insurers can estimate a particular provider's revenue or capacity—based on factors such as its size and location—and put an algorithm in place to identify the trend line for that provider, says Stuart Monteith, senior vice-president, group benefits, with Sun Life Financial. If claim patterns move off that trend line, it triggers an investigation.

Pattern-recognition technology is also coming to the forefront. Just as banks look at changes in credit or debit card use and flag unusual activity, "we're now applying some of that as well to healthcare cards and healthcare fraud," says Alleyne.

Even if it's a false alarm, having these tools improves the immediacy of the provider's response when fraud is suspected, adds Allen. "It's allowing us to more effectively, more quickly get to the bottom of those scenarios."

## Coming to a Clinic Near You

While member fraud is a concern, provider fraud is actually the bigger problem, representing about 87% of fraudulent activity (per the 2004 *Canadian Health Care Fraud Survey*).

On the healthcare provider side, there are a few main issues: billing for services not rendered; upcoding (claiming a more expensive procedure than what was actually done); treating outside of one's scope of practice; and using unlicensed people to treat but billing that treatment through someone else's licence number, says Alleyne.

Many clinics run their businesses by subcontracting licensed professionals (e.g., for paramedical services such as registered massage therapy or physiotherapy), Monteith explains. But when those professionals leave and move on to other jobs, some clinics will continue to submit claims for their services without their knowledge.

"Often, we'll see a spike or a high incidence in a certain contractor within a clinic. We'll go to validate that with the clinic, [and] they will validate it. But then we'll go to the actual practitioner, and they'll say, 'I haven't worked in that clinic for months or years; I didn't provide any of those services,'" he says. And sometimes, when an investigator visits the site, "it's just a storefront…they are there just for the purposes of submitting fraudulent claims."

### Prevention Is the Best Medicine

Of course, it's much harder to recover funds once they've been paid out. So, from an employer's standpoint, the best way to protect your benefits plan is to focus on prevention.

"Educate your people—they'll spot fraud faster than HR departments will," Alleyne advises.

Collusion—among plan members, or between members and healthcare practitioners—makes it that much harder to detect fraud and stop it. That's why getting employees on board is critical.

"One employee walks into a supervisor's office and says, 'I can teach you how to make some money out of your health plan. All you have to do is go to this clinic, and they'll manufacture a bunch of claims for you. You submit them and you can cash them in—you just have to give the clinic their piece, their commission on the claims,'" says Alleyne. "He picked the wrong supervisor. The supervisor went [to the clinic]—sure enough, it was true—and took that back to HR."

Even employees' partners—often, ex-boyfriends or ex-girlfriends—will sometimes phone in tips, adds Monteith. "They'll call in and say, 'You should look at so and so. Things are not as they appear.'"

Particularly here in Canada, where private plans supplement provincial coverage, there's a sense of entitlement around health benefits that helps people rationalize their actions, notes Alleyne. So it's more than just changing behaviour—employers need to change how they think about and communicate group benefits.

"In some ways, we're our own worst nightmares because HR departments will often say to people, 'Well, it's part of your benefits, so you need to use it up; it's part of your salary,' says Alleyne. "But is that really what we're paying for and selling when we do healthcare benefits?"

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