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"For Professional Recognition of the Health Actuary"

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Chairperson's Corner

by Leigh M. Wachenheim

Like most of you, I really enjoy being an actuary. I'm thankful to be part of a profession that provides us with an opportunity to make a good living doing the type of work we enjoy, while contributing something really valuable to our society. Because we enjoy and believe in its value, most of us want to give something back to our profession, too. Not only do we want to ensure that

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Health Insurance Fraud

by Joe Campbell

Health insurance fraud is costing billions of dollars each year. A significant portion of the rising health insurance costs is due to fraud. How significant is it to you? This will depend on your company, and the control measures you have (or don't have) in place.

So, you are a small insurance company. Your claims are sky-high. Your CEO is sure there must be fraud involved. You are the actuary, with access to data. Suddenly, it's your job. So where do you start? This is my situation, so I'll explain some of the resources our company found to locate and eradicate fraud.

The Federal Bureau of Investigations in our area sponsors a quarterly meeting on

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insurance fraud. This is a good forum to exchange ideas, as well as a classroom to learn about specific fraud items. The FBI is a great resource in knowing what type of information is essential for prosecution, in knowing what types of fraud are typical for your area, and in acting as an intermediary between insurance companies.

Following are three examples of fraud, which I rate as "Outrageous Fraud," "Criminal Fraud," and "Soft Fraud." By using the term "Soft," I am in no way condoning the actions, but the evidence is harder to grasp on to.

First is **Outrageous Fraud**. I can't believe stuff like this happens. One "medical" company was passing out flyers to people in lines at the unemployment office. The flyers suggested that a great way to earn money was to come and get a "CT-scan." The unemployed person was given cash, the CT-scan was never performed, or was faked, and the bill was sent to Medicare.

Second is **Criminal Fraud**. A recent Medicare fraud alert estimated that $720,000 was paid incorrectly over a period of four years to a single ambulance provider. They were billing transports of patients to a physician's office as if it were a round trip basic life support to a hospital. They used the hospital modifier, which would ensure payment by Medicare. Medicare fraud alerts are published on the HCFA Web site: *www.hcfa.gov/medicare/fraud*. Look at "Recent schemes uncovered by Medicare," but be aware that the site is not updated regularly.

Third is **Soft Fraud**, which is the most common. Soft fraud involves, for instance, exaggeration of services provided. One example of this is upcoding: CPT code 99215, which suggests 40 minutes face to face with a physician, might be used instead of 99214, which suggests only 25 minutes of face to face. Sometimes a physician will even waive the copay, and bill with the higher code, "so that the patient can afford the service." The FBI gathered data from available insurance companies on certain suspect providers, and found that some were billing for more than 24 hours of service in a single day.

Other instances of fraud that we have examined include:

- Psychiatrists (billing using medical codes) —
  Soft Fraud
- New patient billings (for example, a clinic was billing with the new patient codes instead of established patient codes) —
  Soft Fraud
- Assistant surgeons (billing as if they were the primary surgeon) —
  Soft Fraud
- Facility charges (for example a cosmetic surgery would be performed, and the hospital would bill without referencing it as such) —
  Criminal Fraud
- Unnecessary procedures (for example, one provider would remove a patient's gallbladder, and then at the same time do a breast augmentation/reduction surgery). —
  Criminal Fraud
- DRG billings (for example, a hospital bills for second admit, when in reality it is only one admit) —
  Criminal Fraud

Medicare is good to publish fraud alerts, but you should also check what your payments are when Medicare is in effect. Especially in cases of end-stage renal disease, services could be covered under Medicare, but often are not claimed to Medicare. Since we've been investigating this, our costs for services such as kidney transplants have decreased dramatically. Although, note that it has to be denied by the insurance company before Medicare will cover the cost. In order for this to be covered on Medicare, there must be a specific exclusion in the policy contract.

Also, although it might not be direct fraud, it definitely costs your company money when you are the primary payer, and you shouldn't be. Potential Medicare enrollees should be scrutinized.

Coordination of benefits (COB) with other insurance companies should also be examined closely. Especially note that if a person is disabled, they are not considered actively employed, and are therefore paid as secondary on COB.

So, you are now an actuary/fraud control team. The CEO of your small company is elated about recoveries and savings, as they appear on paper. Your workload is tripled, but at least management is happy, as long as what appears on paper turns into reality. And don't forget that the end of the quarter is coming up. Priorities are tight.

For these critical issues, there are two things to always consider. First is to stop the hemorrhaging. The life-blood of your company (in dollars and cents) is leaking away. Second, always second, is the slow process of recovery. Once the check has gone out, the likelihood of ever getting the money back decreases dramatically. So, if a provider is suspect, hold their claims for a week or so for an audit. Do all you can to keep suspicious claims from being paid. Guilty until proven innocent is the model to be desired.

Before you begin trying to recover money, consider whom you will be collecting the money from. Go for the bigger entities first. In decreasing order, I would suggest Medicare, other insurance companies, hospitals, physicians, and lastly, the patients.

Perhaps your search for fraud might even be directed along these same lines, with investigation of claims from these larger entities holding the higher priority.

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