

First Friday Fraud Facts+

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Questions or Comments:

Chris Floyd, CPA
Financial Specialist
P.O. Box 83720
Boise, ID 83720-0011

Phone: (208) 332-8814
Fax: (208) 334-3415
E-mail: cfloyd@sco.idaho.gov

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The Idaho State Controller's Office distributes this newsletter as a cost-effective method of increasing awareness about ways to detect and prevent fraud, waste, and abuse in government.

Welcome to First Friday Fraud Facts+ (F4+). This edition will discuss healthcare fraud.

Healthcare fraud can happen in a variety of ways, and by a variety of different people. This fraud is widespread and affects many Americans who did not participate in the fraudulent activity.

Cost of Healthcare Fraud

In 2010, an estimated \$2.6 trillion was spent in the U.S. on healthcare. This constitutes 17.9% of the domestic GDP. With healthcare being such a large percentage of GDP and a growing part of our economy, healthcare fraud is becoming more and more likely to happen. One estimate says 3%-10% of all healthcare spending is fraudulent; this equates to \$68-\$260 billion dollars per year¹.

What's Being Done

Aside of the laws already on the books, thirty sections of the Patient Protection and Affordable Care Act pertain to healthcare fraud and abuse, and other related anti-fraud statutes. These sections establish new tools to prevent fraud and enhance the penalties associated with fraud to deter criminals from committing the crime.

Top ways healthcare fraud is committed²

- ◆ Billing for services not rendered
- ◆ Billing for more expensive services than were rendered
- ◆ Unbundling procedures
- ◆ Corruption-kickbacks & bribery
- ◆ Misrepresenting dates, locations, and providers of services
- ◆ Billing a non-covered service as covered
- ◆ False or unnecessary issuance of prescription drugs



Ways to detect and deter healthcare fraud

- Patients need to protect their personally identifiable information.
- Patients need to question providers when billing seems incorrect.
- Providers should monitor their operations for fraudulent activity.
- Government agencies should train patients, employees, and providers to detect fraudulent activities.
- Government agencies need to analyze data to detect suspicious billing activity.
- Government agencies should enforce compliance through pursuing civil and criminal actions against perpetrators.

FRAUD CASE

This month's fraud case illustrates a variety of ways healthcare fraud is committed. It involves a podiatrist, psychologist, and a pharmacist.

The pharmacist owned 26 pharmacies known as ABC Pharmacy in the Detroit area, and he used several items in the list above to turn a profit. The pharmacist would pay kickbacks to physicians in exchange for writing prescriptions for expensive medications to patients, despite any medical need of the patient. Physicians associated with ABC pharmacy would write prescriptions for controlled substances to patients as a form of kickback for the patients using ABC pharmacy, despite any medical need. Lastly pharmacists would bill insurers for medications that were never actually distributed to the patients. In total, the pharmacies billed Medicare and Medicaid over \$57 million during a 5 year period³.

Twenty-six individuals were charged with felonies in connection with this case. The owner of ABC pharmacy was sentenced to 17 years in prison and ordered to pay restitution of \$17.3 million to Medicare and Medicaid. Others involved have received a jail sentence of 68 months, and any non-US citizen will be deported upon completion of their jail sentence⁴.

¹ Growing healthcare fraud drastically affects all of us <http://www.fraud-magazine.com/article.aspx?id=4294974475> Accessed February 7, 2014

² 10 popular healthcare provider fraud schemes <http://www.acfe.com/article.aspx?id=4294976280> Accessed February 7, 2014

³ Pharmacy Owner Sentenced to 17 Years for Healthcare Fraud <http://www.fbi.gov/detroit/press-releases/2013/pharmacist-pharmacy-owner-sentenced-to-17-years-for-health-care-fraud-drug-offenses> Accessed February 7, 2014

⁴ Jury convicts Podiatrist, Psychologist, and Pharmacist in Healthcare Fraud Case <http://www.fbi.gov/detroit/press-releases/2013/jury-convicts-podiatrist-psychologist-and-pharmacist-in-health-care-fraud-case> Accessed February 7, 2014