

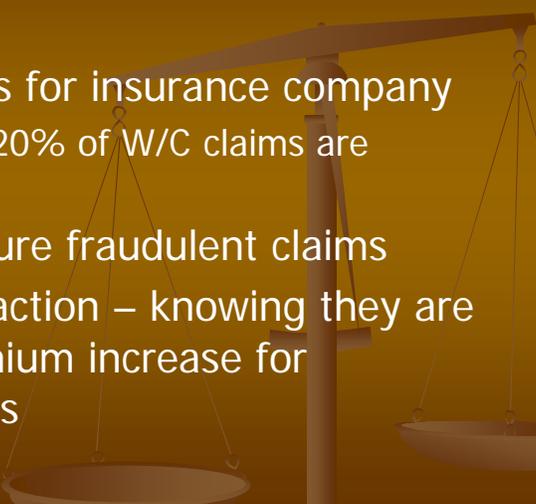
WORKERS' COMPENSATION FRAUD



September 10, 2015

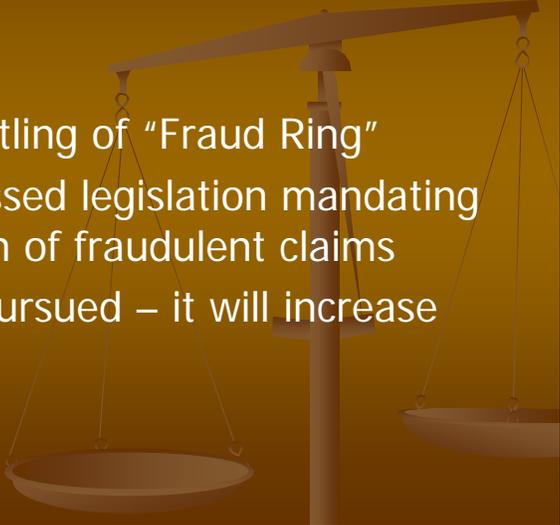
Dave Senott
Special Investigations Unit
Zurich Insurance

Why Pursue a Fraudulent W/C Claim



- Financial savings for insurance company
 - Estimated that 20% of W/C claims are fraudulent
- Deterrent to future fraudulent claims
- Customer satisfaction – knowing they are not paying premium increase for fraudulent claims

Why Pursue a Fraudulent W/C Claim



- Possible dismantling of “Fraud Ring”
- Many states passed legislation mandating the investigation of fraudulent claims
- If fraud is not pursued – it will increase

What Do I Do When I Suspect Fraud?



- Adjuster & Supervisor discuss claim & “Red Flags”
- A time-frame is set for the investigation
- Adjuster & Investigator discuss policy provisions

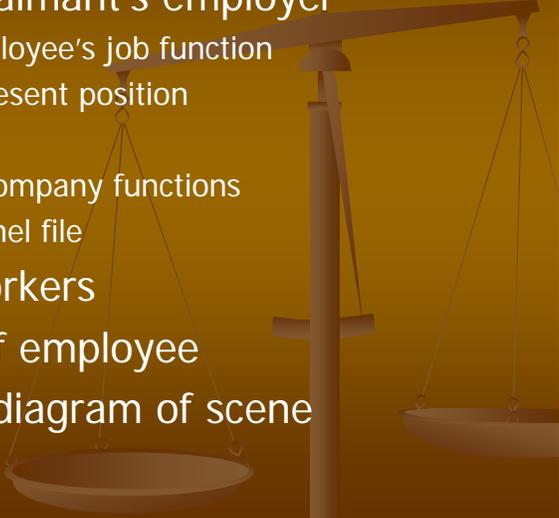
What Do I Do When I Suspect Fraud?

- Hire an investigative firm
 - Be sure they have experience in the field.
 - Do they have the necessary equipment – personnel to complete the assignment?
 - Are their prices within the “norm”?
- An investigator is assigned & the file is reviewed
- A strategy plan is devised by the Adjuster & Investigator
 - Is a full investigation warranted?
 - What are the limitations/coverage/violations within the policy?

Investigation

- Review the claim file
- Read interview transcripts
- Review the job application
- Review the medical file – if necessary obtain signed release form
- Conduct background check
 - Data bases – ISO, NICB, Accurint, etc.
 - Medical/hospital checks
 - Sports checks
 - Multiple employment by claimant
- Was a police report filed?

Investigation

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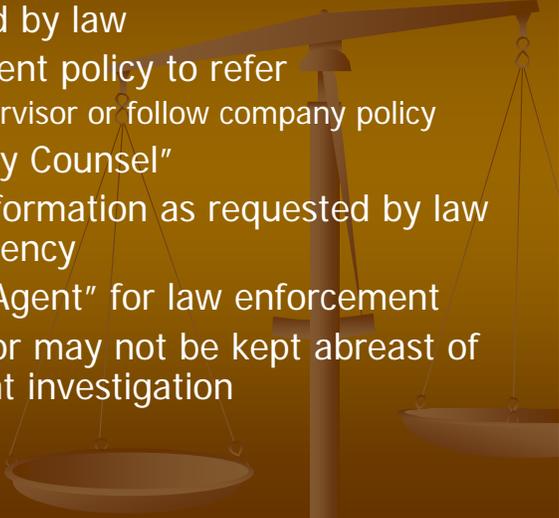
- Interview the claimant's employer
 - Determine employee's job function
 - How long at present position
 - Work habits
 - Participate in company functions
 - Review personnel file
- Interview co-workers
- Activity check of employee
- Photographs & diagram of scene

Investigation

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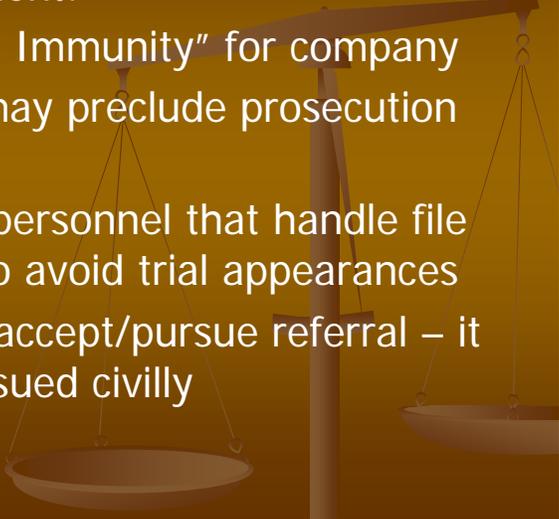
- Interview witnesses – R/S if appropriate
- Check that the claimant is not represented by counsel
- Are there any government industry safety regulations?
 - Was safety equipment present?
 - In working condition?
 - Used properly?
 - Training in use?

Investigation



- Decision to notify law enforcement
 - May be required by law
 - Must be consistent policy to refer
 - Discuss w/supervisor or follow company policy
 - Notify "Company Counsel"
 - Only provide information as requested by law enforcement agency
 - Do not act as "Agent" for law enforcement
 - Company may or may not be kept abreast of law enforcement investigation

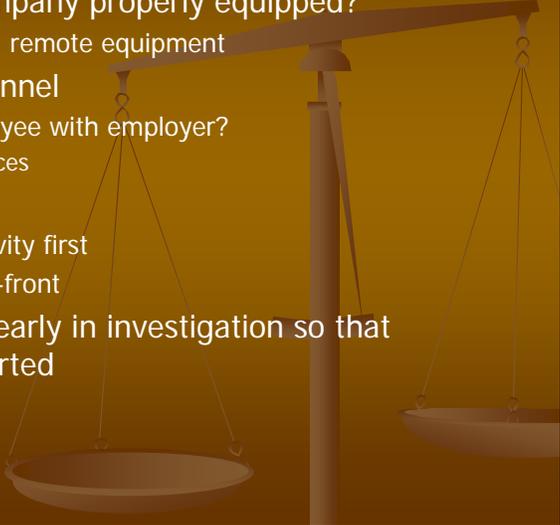
Investigation



Re. Law Enforcement:

- Usually "Limited Immunity" for company
- Early civil trial may preclude prosecution by L/E
- Keep company personnel that handle file to a minimum to avoid trial appearances
- If L/E does not accept/pursue referral – it may still be pursued civilly

Investigation

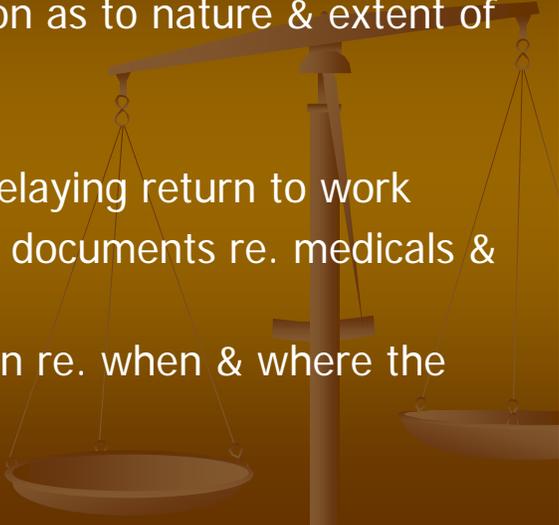
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- Surveillance
 - Is surveillance company properly equipped?
 - Cameras, vehicles, remote equipment
 - Experienced personnel
 - How long is employee with employer?
 - Court appearances
 - Time intensive
 - Spot-check of activity first
 - Agree on fee – up-front
 - Start surveillance early in investigation so that claimant is not alerted

The Beginning

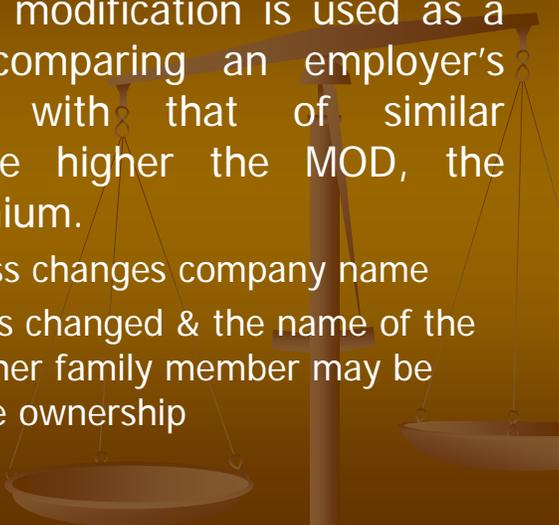
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W/C Fraud

A faint, stylized image of a balance scale is visible in the background of the slide, symbolizing justice or legal consequences.

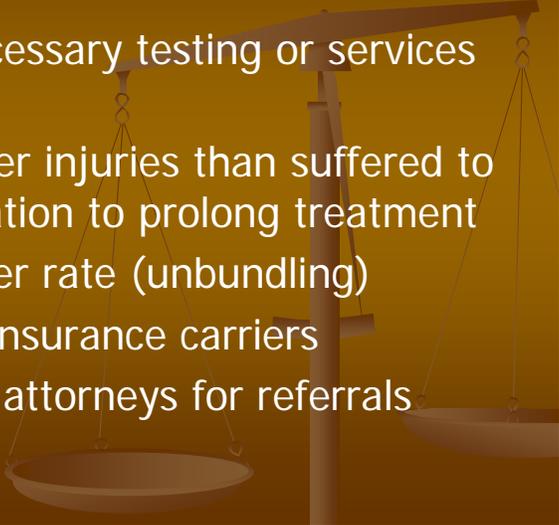
- Misrepresentation as to nature & extent of the injury
- Faked injury
- Malingering & delaying return to work
- Presenting false documents re. medicals & wage loss
- False information re. when & where the injury occurred

W/C Premium Fraud

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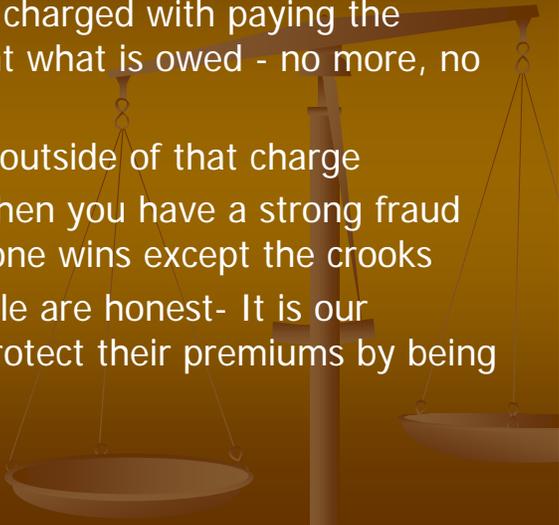
- The experience modification is used as a multiplier by comparing an employer's claim history with that of similar businesses. The higher the MOD, the higher the premium.
 - Existing business changes company name
 - Owner's name is changed & the name of the employee or other family member may be used to disguise ownership

Medical Provider Fraud



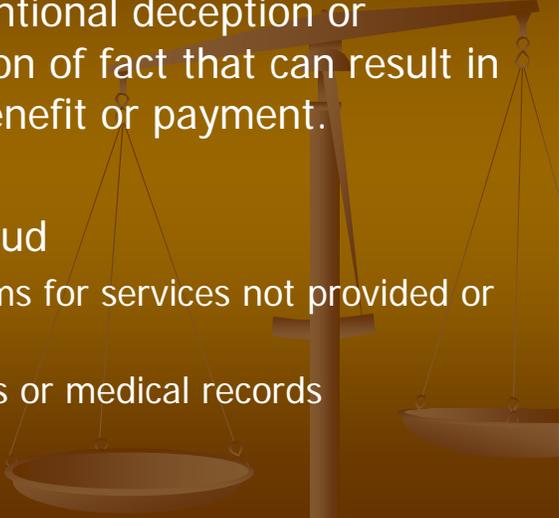
- Billing for unnecessary testing or services not provided
- Reporting greater injuries than suffered to obtain authorization to prolong treatment
- Billing at a higher rate (unbundling)
- Billing multiple insurance carriers
- Conspiring with attorneys for referrals

Closing Comments

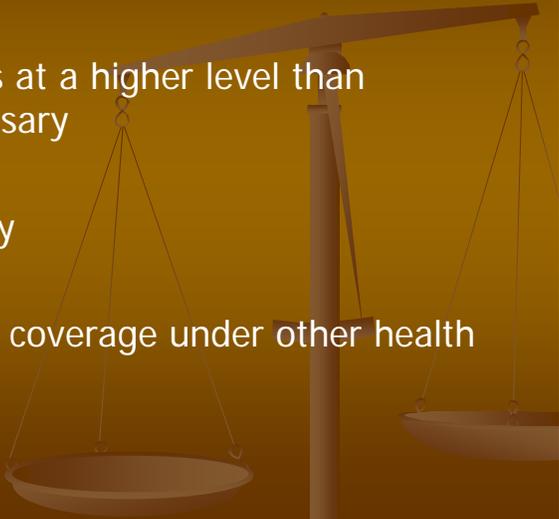


- Claims people are charged with paying the insured or claimant what is owed - no more, no less.
- Fraud clearly falls outside of that charge
- Remember that when you have a strong fraud awareness, everyone wins except the crooks
- Finally, most people are honest- It is our responsibility to protect their premiums by being tough on fraud

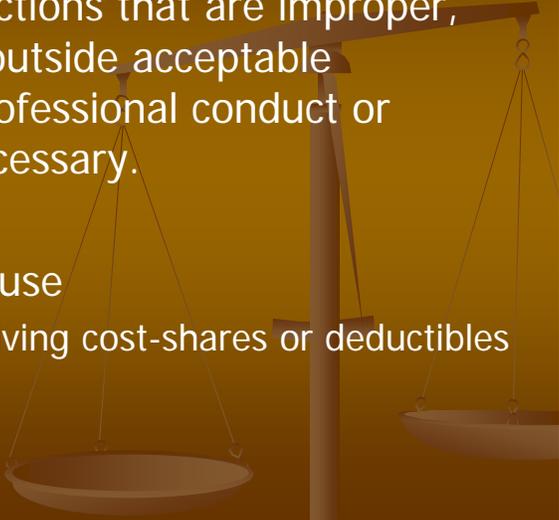
FRAUD/ABUSE

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- Fraud is an intentional deception or misrepresentation of fact that can result in unauthorized benefit or payment.
- Examples of Fraud
 - Submitting claims for services not provided or used
 - Falsifying claims or medical records

- Misrepresenting dates, frequency, duration or description of services rendered
 - Billing for services at a higher level than provided or necessary
 - Falsifying eligibility
 - Failing to disclose coverage under other health insurance
- 
- A faint, stylized illustration of a balance scale is visible in the background of the slide, symbolizing justice or legal consequences.

FRAUD/ABUSE



- Abuse means actions that are improper, inappropriate, outside acceptable standards of professional conduct or medically unnecessary.
- Examples of Abuse
 - A pattern of waiving cost-shares or deductibles

- Failure to maintain adequate medical or financial records
 - A pattern of claims for services not medically necessary
 - Refusal to furnish or allow access to medical records
 - Improper billing practices
- 

Employee/Employer Fraud

- Occurs when an employee knowingly and intentionally misrepresents, or causes another to misrepresent a material fact about an injury for the purpose of obtaining, or helping another obtain workers' compensation benefits to which they are not otherwise entitled. The misrepresentation must be knowingly made as an inadvertent or unintentional misstatement is not fraud. The misrepresentation must have been made for the purpose of obtaining or denying benefits, and important enough to impact upon receipt of those benefits. For example, a misrepresentation by an employee that they were 25 years of age when, in fact, they were 22 years of age would not be a material misrepresentation constituting fraud unless the age difference was somehow significant to the claimed injury and to the determination of workers' compensation benefits.

■ Examples of Employee Fraud

- Filing a claim for an injury that did not occur on, or has no relation to the job.
- Lying about work status when questioned directly, such as at a deposition or a hearing, while receiving temporary disability benefits.
- Misrepresenting the severity of a claimed injury.

Offices of the Insurance Commissioner

OIG/Fraud Investigations Unit

OIG/Fraud Investigations Unit Intake Referral Process

- Referrals received in multiple formats (856 in 2014)
 - Internet – (www.wvinsurance.gov)
 - Correspondence – P.O. Box 2901 Charleston, WV 25330-2901
 - Telephone Hotline – 1-800-779-6853
 - Internal – Consumer Services and Legal Department

What is needed to prove fraud

- A material misrepresentation must occur
- The party **must** know the information supplied to insurance company is false.
- The individual or entity intended to deceive in order to secure an unfair or unlawful gain.

Initial Investigation Process

- System file initiated.
- Allegation reviewed and investigated for merit.
- Referral received and assigned based upon alleged fraud type.
- Determination made by Investigative Manager whether a field investigation is warranted.



Field Investigation Process



- Field Investigator Assigned
- Investigation Completed
- Inspector General & Fraud Director Review for possible prosecution.
- Cases presented to local or internal prosecutors where and when applicable.

Investigation Outcomes For January 1st – December 31st, 2014

- Field Investigations Assigned – 136
- Individuals Indicted – 28
- Indictment Counts – 97



How can you help fight fraud?

- Become involved and shed a LIGHT and report suspected insurance fraud!
- Provide clear, consistent and detailed information.
- Report only what you know.
- Be responsive if contacted for additional information.
- Forward all supporting information to the Fraud Unit.