

## Health Insurance **FRAUD**

Health insurance fraud and abuse are expensive and potentially harmful crimes. According to the Federal Bureau of Investigation (FBI), the United States spends \$2.7 trillion on health care every year. Of that amount, it is estimated that \$80 billion are lost due to fraud. Keep in mind that this directly affects you. The cost of fraud and abuse increases your health insurance premiums and contributes to rising out-of-pocket expenses, such as copayments and deductibles.

In addition to increasing the cost of health care, fraud and abuse can also have a negative impact on your health and safety. For example, a provider may knowingly subject you or your family members to unnecessary or dangerous medical procedures, solely for the purpose of billing your insurance company and increasing profits.

### **Fraud and Abuse**

Health insurance fraud involves knowingly deceiving, concealing, or misrepresenting information that results in health care benefits being paid to an individual or group. The most common types of health insurance fraud involve false statements or distorted information that affect the payment of a claim.

Health insurance abuse is similar to health insurance fraud. It typically involves charging for services that are not medically necessary, do not conform to professionally recognized standards or are unfairly priced. However, unlike fraud, it is nearly impossible to establish that the abusive acts were done with the intent to deceive the insurer.

Both fraud and abuse are wrong and needlessly drive up the cost of health insurance. Knowingly and willfully defrauding any health care benefit program is a federal crime, punishable by up to ten years in prison, significant financial penalties as well as other state or federal charges that may apply.



## **SPECIAL REPORT**



# Health Insurance Fraud Examples

## Provider Fraud

The majority of health insurance fraud is committed by a small number of health care providers. According to the National Health Care Anti-Fraud Association, the most common types of provider health insurance fraud include the following:

- Waiving patient copayments, coinsurance or deductibles and over billing the insurance carrier or benefit plan;
- Upcoding, or billing for more expensive services or procedures than were actually provided or performed;
- Unbundling, or billing each step of a procedure as if it were a separate procedure;
- Falsifying a patient's diagnosis to justify tests, surgeries or other procedures that are not medically necessary;
- Misrepresenting non-covered treatments as medically necessary covered treatments for purposes of obtaining insurance payments;
- Performing medically unnecessary services solely for the purpose of generating insurance payments;
- Billing for services that were never rendered;
- Accepting kickbacks for patient referrals;
- Medical identity theft; and
- Prescription drug diversion and misuse.

## Enrollee Fraud

While it may be more typical for providers to commit insurance fraud, some enrollees are guilty of this crime too. There are many different forms of enrollee fraud, but the most common include the following:

- Enrollment of ineligible dependents;
- Use of another person's health insurance identification card to get medical care, supplies, or equipment;
- Alterations on enrollment forms;
- Failure to report other coverage;
- Failure to disclose claims that were another party's responsibility; and
- Prescription drug diversion and misuse.



# Common Health Insurance Scams

Although the opportunities to commit health insurance fraud are seemingly endless, there are a handful of common scams that criminals use to steal health care dollars. Be aware of the tactics described below so you can better protect yourself and The Empire Plan.

## Creation of False Medical Records

The majority of insurance fraud involves medical providers who manipulate medical records to create false or inflated diagnoses so they can submit fake insurance claims for higher payments. Once this false information is in your medical file, it is very difficult to correct and may adversely affect your future medical treatment. It can also jeopardize your ability to obtain certain jobs, licenses or even future insurance policies such as life, medical and long-term care.

## “Free” Medical Treatments

“Free” medical treatments and consultations that come in the form of advertisements and telephone or door-to-door solicitations may sound legitimate and very appealing, but be careful. These offers can be used by scam artists to get your insurance information so they can make false medical claims and bill your insurance company for services you never received.

## Fee Forgiving or Coinsurance Waivers

Another scheme used by some medical providers is called fee forgiving or coinsurance waivers. The provider, who is non-participating or out of network, offers to accept a plan’s payment as full payment for their services, while waiving any fees owed by the enrollee. This practice is inappropriate on the part of the provider because he/she is

submitting to the insurance company a specific charge for services that is actually higher than what is being charged and paid by the enrollee. By overstating their charges, the provider inflates the insurance reimbursement, which ultimately has the effect of increasing health insurance premiums. If an insurance company is made aware that a provider is consistently billing them for a higher charge than what they are accepting from the enrollee, the enrollee may ultimately be responsible for the rest of the out-of-pocket costs required by the plan.

## Personal Injury Mills

Personal injury mills involve dishonest attorneys and doctors who use accident victims or workers’ compensation claimants to bill insurance companies for nonexistent or minor injuries. The typical scam includes “cappers” or “runners” who are paid to recruit legitimate or fake auto accident victims or workers’ compensation claimants. The victims are then referred to specific doctors or medical providers who are also in on the scam. In an attempt to maximize medical expenses, the providers fabricate diagnoses and provide expensive but unnecessary services. The goal is to keep all the diagnosis and treatment within the same facility to avoid any outside influence. The lawyers involved may then seek settlements based upon the fraudulent or exaggerated medical claims.

## Medical Identity Theft

To defraud insurers, some criminals steal victims’ names, health insurance numbers and other personal data. This type of fraud is called medical identity theft and it affects between 250,000 and 500,000 individuals every year. These criminals use their victims’ identities to obtain medical services or supplies for themselves, or to create false insurance claims from which they can profit. Medical identity theft can lead to the creation of false medical records and even damage the victim’s credit.

# Empire Plan Fraud Prevention

While The Empire Plan monitors provider billing practices and enrollment records, your awareness of fraud and abuse and the careful monitoring of your benefit usage is critical in protecting yourself and The Empire Plan from illegal activity.

Here are some simple steps you can take to protect yourself and The Empire Plan from health insurance fraud:

- Report lost or stolen benefit cards.
- Notify your agency Health Benefits Administrator whenever you or your dependents' eligibility changes.
- Never sign blank insurance claim forms.
- Read your Empire Plan Explanation of Benefits (EOB) Statement when you receive it. It shows what the Plan was billed for, what the Plan paid and what you owe. If anything looks suspicious, call The Empire Plan immediately.
- Carefully review your NYSHIP Benefit Statement to make sure all the information about you and your enrolled dependents is accurate and up to date.
- If you have access to MyNYSHIP from your NYSHIP Online homepage, carefully review the information about you and your enrolled dependents to make sure it is accurate and up to date.
- Be cautious when services or medical equipment are represented as being free in exchange for your identification number.
- Do not ever give your Empire Plan identification number to anyone except your physician or health care provider.
- Keep accurate records of all health care appointments, including the physician or health

care provider you saw, the date, and the time of appointment.

- Do not allow anyone, except appropriate medical professionals, to review your medical records or recommend services.
- Avoid a provider of health care items or services who tells you that the item or service is not usually covered, but they know how to bill your plan to get it paid.
- Be suspicious of providers who charge copayments for services that are covered in full by your plan, routinely waive copayments or coinsurance for services or use pressure or scare tactics to sell you high-priced medical services or diagnostic tests or supplies.

## How to Report Health Insurance Fraud

If you suspect that you may be a victim of health insurance fraud or abuse, please report it immediately. When filing a complaint, provide a detailed explanation of what you suspect is wrong and why. For example: payment for services that were not performed, suspicion of someone using your insurance information inappropriately, or that you were given tests or services that were unnecessary. Save all medical bills, receipts, test results, claim forms, prescription records and EOB Statements as they may be useful in the investigation of your complaint.

**To report health insurance fraud or abuse, please take the following steps immediately:**

- 1. Call The Empire Plan at 1-877-7-NYSHIP (1-877-769-7447) and choose the applicable program.**
- 2. Report the incident to the Department of Financial Services Fraud Bureau at 1-888-FRAUDNY (1-888-372-8369).**

## Health Insurance Fraud

# Q & As

**Q. I visited an out-of-network specialist for some testing and was told not to worry about paying my coinsurance. That's not health insurance fraud, is it?**

**A.** Under certain circumstances, yes, it can be. Medical providers who routinely waive patient out-of-pocket obligations such as deductibles and coinsurance may be engaging in fraudulent behavior. Out-of-network reimbursement is determined from the provider's actual submitted charge and not the lesser amount that the provider was willing to accept from the enrollee as payment in full for their services. You should discuss this issue and your potential out-of-pocket liability with your provider before you receive services. If you suspect provider fraud or abuse, call The Empire Plan at 1-877-7-NYSHIP (1-877-769-7447) and choose the applicable program.

**Q. My doctor sent me to a lab to get blood work done to test my cholesterol. When I got my Explanation of Benefits (EOB) Statement, I noticed the provider billed The Empire Plan for services I didn't receive. Is that health insurance fraud?**

**A.** Under certain circumstances, yes, it can be. If a medical provider charges for services that were not rendered, they could be committing health insurance fraud. If anything on your EOB Statement is inaccurate or looks suspicious, contact The Empire Plan immediately at 1-877-7-NYSHIP (1-877-769-7447) and choose the applicable program. After you file a report, an investigation will be performed to determine the circumstances of the billings and whether the billings may be considered fraudulent or abusive in nature.

**Q. My wife and I just got divorced. The courts said I have to keep paying for her health insurance. Can I keep her as a dependent on my Empire Plan coverage?**

**A.** No. Your spouse, including a legally separated spouse, is eligible, but if you are divorced or your marriage has been annulled, your former spouse is not eligible, even if a court orders you to maintain coverage. If your marriage ends, you must notify your agency Health Benefits Administrator and end coverage for your former spouse, effective the date the marriage ends. Your former spouse may be able to continue coverage under COBRA (see the "COBRA: Continuation of Coverage" section of your *NYSHIP General Information Book*).

New York State  
Department of Civil Service  
Albany, NY 12239  
<https://www.cs.ny.gov>

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It is the policy of the New York State Department of Civil Service to provide reasonable accommodation to ensure effective communication of information in benefits publications to individuals with disabilities. These publications are also available on the Department of Civil Service web site (<https://www.cs.ny.gov>). Click on Benefit Programs then NYSHIP Online for timely information that meets universal accessibility standards adopted by New York State for NYS Agency web sites. If you need an auxiliary aid or service to make benefits information available to you, please contact your agency Health Benefits Administrator. COBRA Enrollees: Contact the Employee Benefits Division.

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## Anti-Fraud Resources

**New York State Health  
Insurance Program (NYSHIP)**  
Phone: 1-877-NYSHIP (1-877-769-7447)  
and choose the applicable program

**Insurance Frauds Bureau (IFB)**  
One Commerce Plaza  
Albany, NY 12257  
Hotline: 1-888-FRAUDNY (1-888-372-8369)  
[www.dfs.ny.gov/consumer/fdidxcon.htm](http://www.dfs.ny.gov/consumer/fdidxcon.htm)

**New York State Department of Health  
Office of Professional Medical Conduct**  
Riverview Center  
150 Broadway, Suite 355  
Albany, NY 12204-2719  
[www.nyhealth.gov/professionals/doctors/conduct](http://www.nyhealth.gov/professionals/doctors/conduct)

**New York State Office  
of Professional Discipline**  
1411 Broadway, 10th Floor  
New York, NY 10018  
Phone: 1-800-442-8106  
Fax: 212-951-6420  
[www.op.nysed.gov](http://www.op.nysed.gov)

**National Health Care  
Anti-Fraud Association**  
1201 New York Avenue, NW  
Suite 1120  
Washington, DC 20005  
Phone: 202-659-5955  
Fax: 202-785-6764  
[www.nhcaa.org](http://www.nhcaa.org)