



SAMA
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DURBAN

Leadership & Quality
in Healthcare
Let's close the gap

FRAUD WASTE & ABUSE

Are we identifying the correct issues to
combat FWA?

Katlego Mothudi

Slide 1

KM1

Katlego Mothudi, 09/08/2019



AGENDA

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- What FWA Isn't
 - What FWA Is
 - What Issues Are Also Important
 - Industry Highlights and Lowlights
 - Last Thoughts



What Fraud Isn't

It's not an easy topic

Introduction

“As a graduant of the Univ..., I do solemnly declare:
That I will exercise my **profession** to the best of my knowledge and ability
for the safety and **welfare** of all persons entrusted to my care and...
... I will conduct myself as **becomes** a member of an **honourable**
profession.
I make this declaration **upon my honour**”



What Fraud Isn't

It's not a Minor Issue

Prevalence & Impact

-
- 43% of international businesses were victims of fraud over a two-year period (PWC Survey - 2007)
 - The financial cost of fraud and error can be **accurately measured** in the same way as **other business costs**
 - Fraud accounts for losses of **more than 3%** of expenditure, with the 19-year average running at **5.85%** and this figure has risen by **28%** since 2007
 - Fraud is the **last great unreduced** business cost, and its significant
 - Based on evidence, losses in ANY organization in ANY area of expenditure
 - At least 3%
 - Probably near 6%
 - Possibly more than 10%



What Fraud Isn't

Its not a South African Issue

Prevalence & Impact

-
- Fraud is an issue that all organizations may face regardless of size, industry or country
 - **USA - Healthcare costs (2011):** About US\$2.27 trillion, with 4 billion healthcare claims processed
 - USA National Health Care Anti-Fraud Association (NHCAA) estimated tens of billion dollars financial losses due to fraud (2011)
 - **Global Health Care Anti-Fraud Network (GHCAN)** estimates about US\$ 260 billion or **6%** of global health care spend is lost to fraud each year (Equivalent to Finland's or Malaysia's GDP)
 - **GHCAN** Nov 2017: Fraud costs the **NHS in England £1 billion** a year
 - The Journal of the American Medical Association (JAMA) “estimates that abuse of prescription medicines world-wide will soon outpace that of illicit drugs”

Its not a South African Issue Example

Texas physician, employee charged in alleged \$5.2M Medicare fraud

Hector Molina, a physician and owner of Dallas-based Molina Medical Housecall Services, and his employee Blanca Mata, were arrested Friday on charges of health care fraud and conspiracy to commit health care fraud. They are accused of fraudulently billing \$5.2 million to Medicare between June 2012 and January 2015 for house calls Molina claimed to have provided while he was abroad and for home visits provided by Mata, who is not a doctor, officials said. The Dallas Morning News

NHCAA SmartBrief (May 11, 2015)

Its not a Health Practitioner Issue Example

Prominent Road Accident Fund lawyer on R80,000 bail after arrest in hotel

Prominent Eastern Cape lawyer ZN, who has been involved in a number of **medico-legal and Road Accident Fund cases**, has been released on R80,000 bail after appearing in court on allegations of fraud.

The 46-year-old appeared at the Mthatha Magistrate's Court in the Eastern Cape on Thursday. "ZN was arrested by the Hawks's Mthatha serious commercial crime investigators at a local hotel on Wednesday when they executed a warrant for his arrest following allegations that he **submitted false claims to the department of health amounting to approximately R30m,**" said Hawks spokesperson Brig Hangwani Mulaudzi.



What FWA Is

Definitions

Intent to deceive

Waste

- Overutilisation of services and/or misuse of resource that may result in **unnecessary** costs to healthcare payers
- Generally not associated with criminally negligent actions but is extravagant, **careless** and needless

Abuse

- **Inconsistent** delivery of health services **with sound** medical **practices** resulting in claims with no legal entitlement
- There is **no intent** to misrepresent facts

Fraud

- The **intentional misrepresentation** of an important fact that is submitted in support of a healthcare claim for repayment by a funder
- It's difficult to prove!!



What FWA Is

Exercise

•Admitting patients to access hospital benefits

Billing for additional, unnecessary treatment

Billing for more services than were performed

Billing for services not provided

Billing non-covered services as a covered code

Excessive charges for services or supplies

Misusing codes on claim

Prescription drug switching

Unnecessary increase hospital stay

Unbundling of codes for a procedure



What FWA Is

Exercise

W

•Admitting patients to access hospital benefits

W

Billing for additional, unnecessary treatment

F

Billing for more services than were performed.

F

Billing for services not provided.

F

Billing non-covered services as a covered code.

A

Excessive charges for services or supplies

A

Misusing codes on claim

F

Prescription drug switching.

W

Unnecessary increase hospital stay

A

Unbundling of codes for a procedure



What FWA Is

Definitions

Intent to deceive

Waste

- Unnecessary admissions
- high caesarian rates
- Over servicing

Abuse

- Billing for unnecessary services
- Upcoding
- Unbundling codes to get more payment
- Excessive charges

Fraud

- Double billing for same patient
- False claims
- Card farming
- Cash loans



What FWA Is

Industry Issue

- 2017 Contributions R170b
- 2017 Claims R160b

- 25-30% (inefficiency) ~ R40b
- Fraud (Conservative) ~ 5% (up to 15%) ~ R8b (up to R24b)
- Potential savings on contribution (assuming ideal health services environment) ~ 23.5%
- Potential savings on contribution if fraud eliminated (Conservative estimate) ~ 4.7%



What FWA Is

Industry Issue (Global Stats)

Example

No.	Area	Medically unnecessary
1	Orthopaedic (knee, hip, shoulder)	48%
2	Upper eyelid reduction (blepharoplasty)	66%
3	Breast reduction mammoplasty	48%
4	MRI (without and/or with contrast material(s))	56%
5	Varicose and spider vein treatment	55%
6	Nasal septum reshaping	51%
7	PET/CT imaging (positron emission tomography)	68%
8	Colonoscopy and associated histopathology	44%
9	Sinus surgery	62%
10	IMRT	53%
11	Oncology drugs	42%
12	Epidural injections (lumbar/caudal)	68%

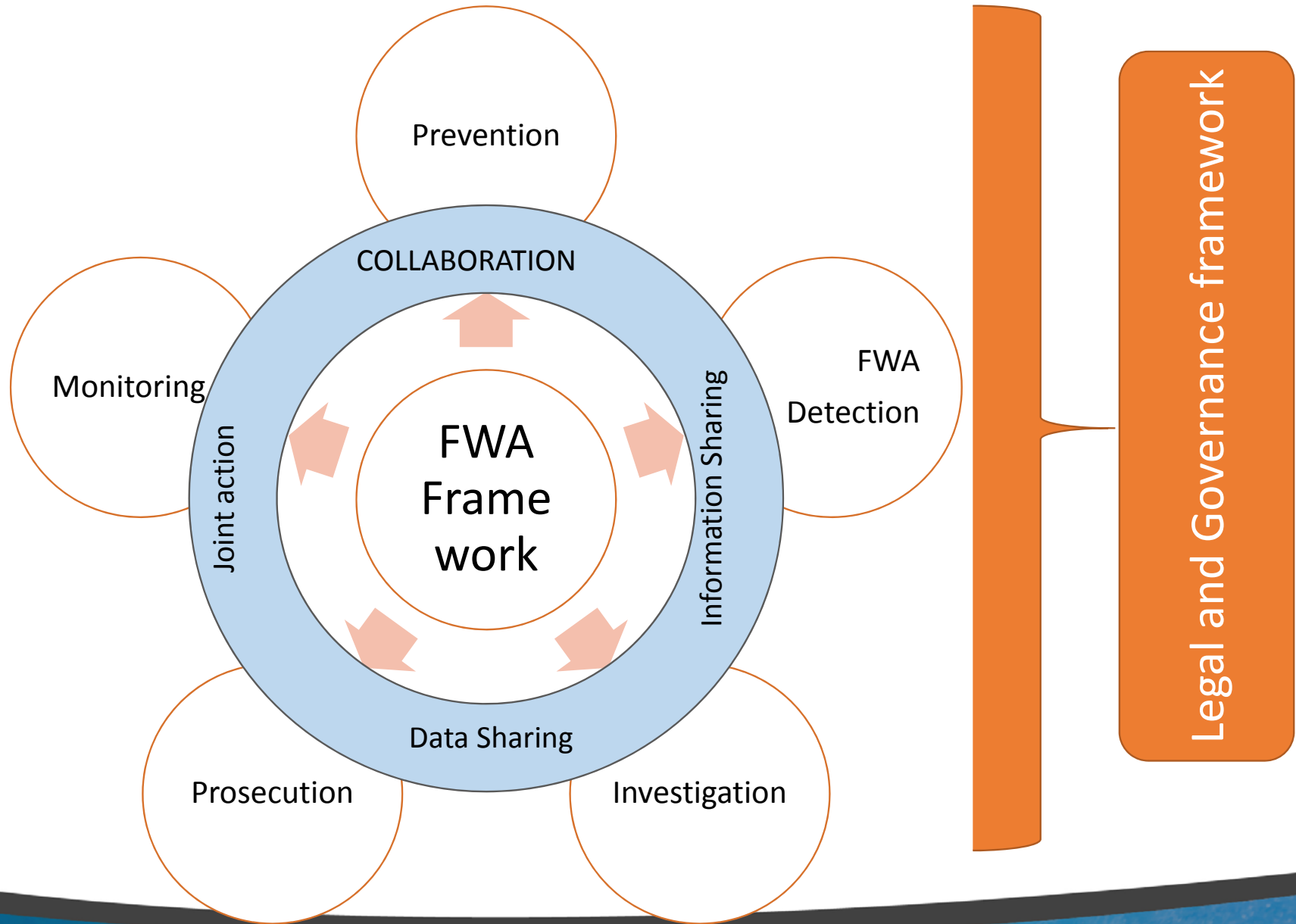
Source: Nir Kaminer 2019 BHF Southern Africa Health Journal



What FWA Is

It's a business and Industry Risk

- Fraud Strategy
- Sound Organisational Policy
- Risk Appetite
- Stakeholder Empowerment
 - Training
 - Communication
 - Whistleblower Protection



What FWA Is

Fraud Lifecycle Elements

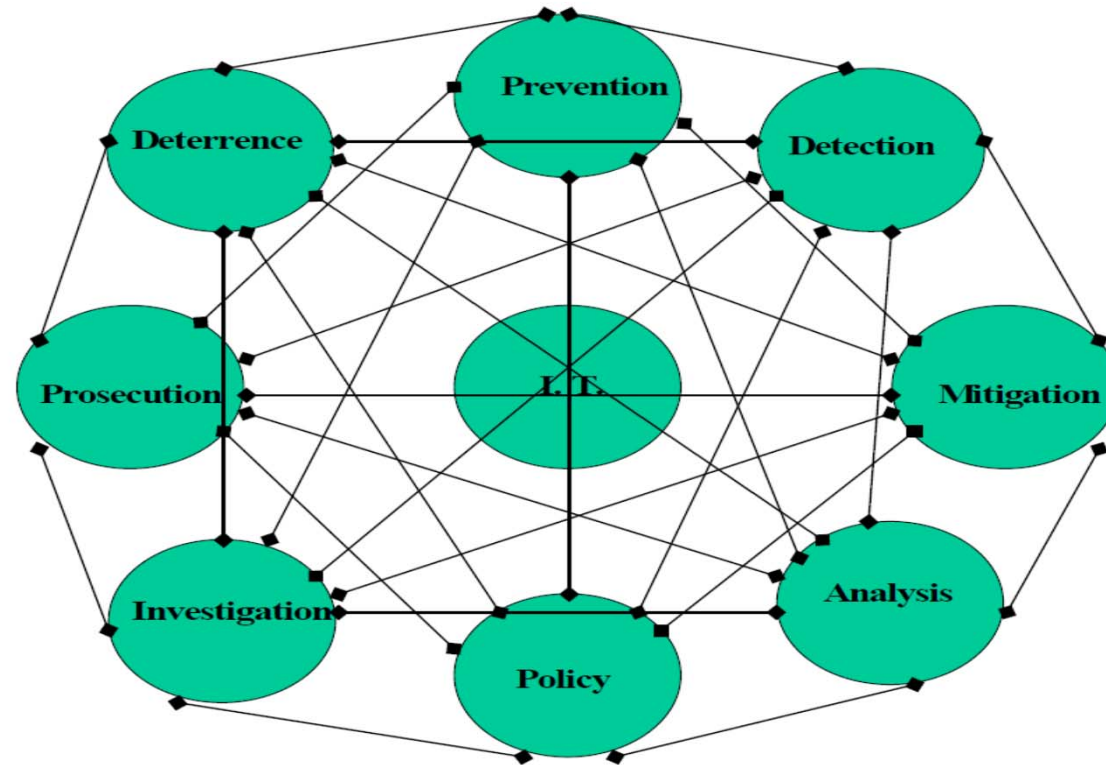


Figure 6. The Network Representation of the Fraud Management Lifecycle Stages.

Wesley Kenneth Wilhelm, Journal of Economic Crime Management (2004)



What other Issues Are Important

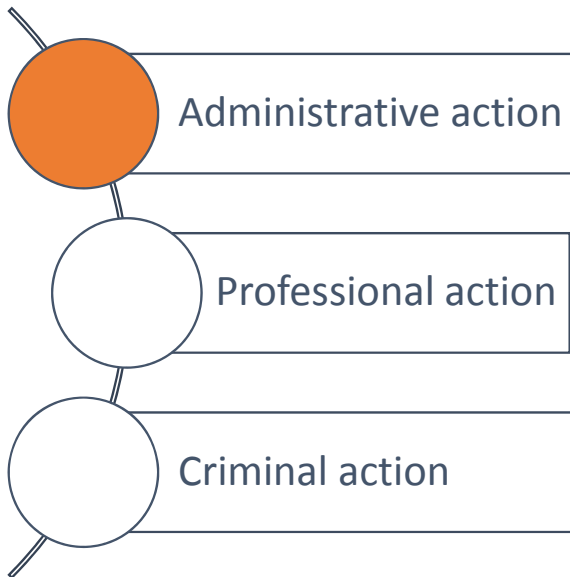
FWA Response

- Administrative action
- Professional action
- Criminal action



What other Issues Are Important

FWA Response



Acknowledgment of debt

- An agreement is reached between provider and funder on amounts owing
- Weak action



Indirect payments

- Provider is not directly paid by funders but member pays upfront and scheme reimburses the member



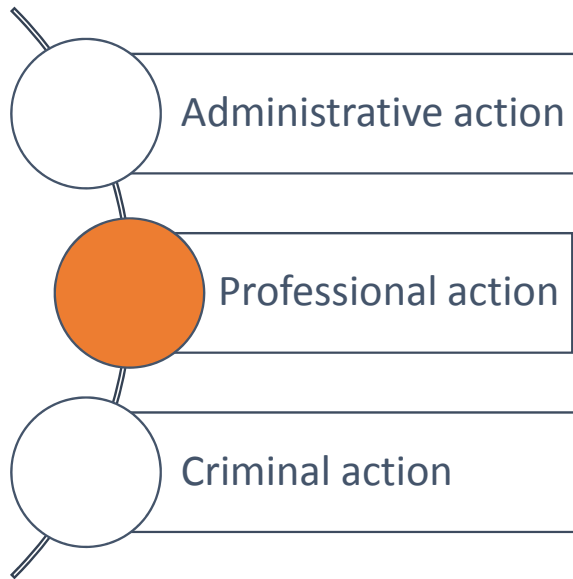
Removal from network

- Provider is removed from list of preferred providers



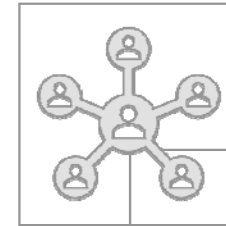
What other Issues Are Important

FWA Response



Statutory Bodies

- Provider reported to regulatory body governing member
- Regulatory body should take action to sanction the Provider after investigation



Professional Associations

- Provider may be reported to a voluntary professional body they belong to
- These normally have ethical standard of Providers



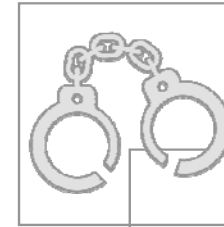
What other Issues Are Important

FWA Response



Civil Action

- Meant to recover money unduly gains



Criminal Prosecution

- Open a criminal case to prosecute Provider or Member
- Must be reported to Police or Prosecuting authorities



What other Issues Are Important

Whose Responsibility is it?

- Claims Management and Coding
- Reimbursement Models
- The Business of Healthcare
- Health Information Management
- Industry standards and Protocols/Care Pathways
- Quality Management
- Role of Peer Review



Industry Highlights and Lowlights

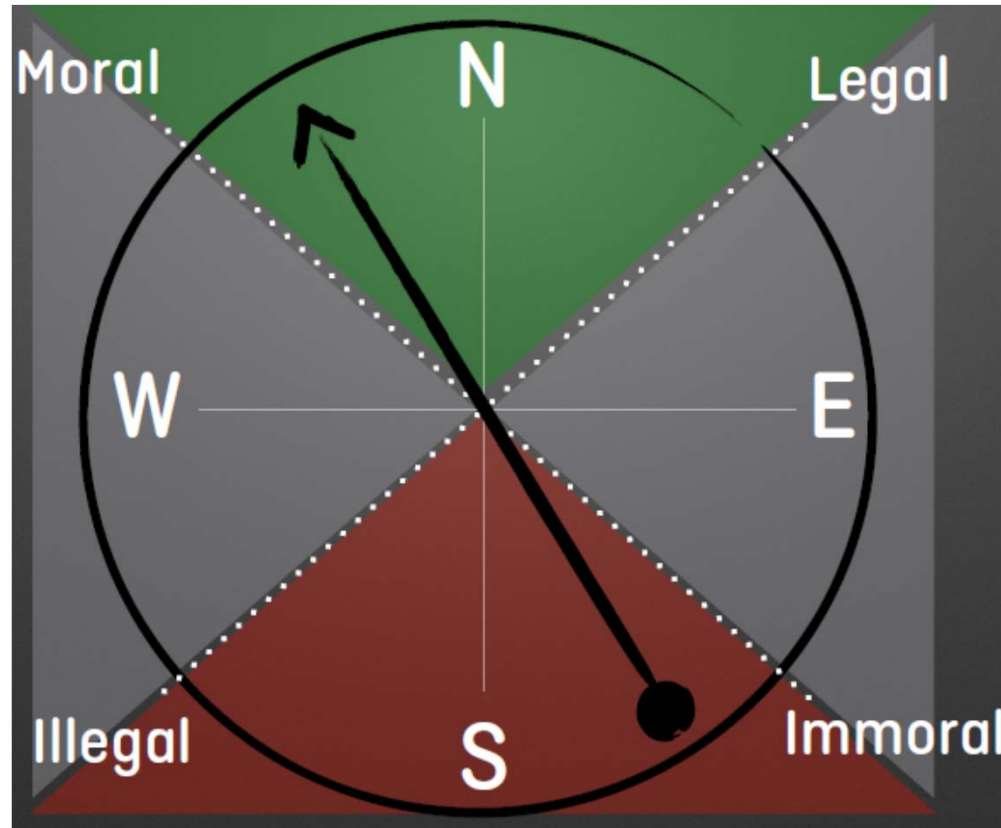
Recent Developments

- CMS led industry collaboration
 - Fraud Indaba 2019
 - Signing of FWA Charter
 - Industry Code of Conduct in development
- SIU led collaborations (HSACF)
 - Multi-stakeholder Forum Established
 - MOU
 - Steering Committee – Healthcare Sector Cases Review
- Section 59 Investigations
 - Led by independent Legal team
 - Report scheduled for November release



Last Thoughts

Moral Compass





Last Thoughts

First, Do No Harm!

“No man is above the law and no man is below it; nor do we ask any man's permission when we require him to obey it. Obedience to the law is demanded as a right; not asked as a favour”

- Theodore Roosevelt



THANK YOU