FRAUD WASTE & ABUSE
Are we identifying the correct issues to combat FWA?

Katlego Mothudi
AGENDA

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
  o 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”
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)
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 Muladzi.
What FWA Is

Definitions

**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

<table>
<thead>
<tr>
<th>Admitting patients to access hospital benefits</th>
<th>Billing for additional, unnecessary treatment</th>
<th>Billing for more services than were performed</th>
<th>Billing for services not provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing non-covered services as a covered code</td>
<td>Excessive charges for services or supplies</td>
<td>Misusing codes on claim</td>
<td>Prescription drug switching</td>
</tr>
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<td>Unnecessary increase hospital stay</td>
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</tr>
</tbody>
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- Excessive charges for services or supplies
- Misusing codes on claim
- Prescription drug switching
- Unbundling of codes for a procedure
What FWA Is

Exercise

- Admitting patients to access hospital benefits
- Billing non-covered services as a covered code.
- Billing for additional, unnecessary treatment
- Excessive charges for services or supplies
- Unnecessary increase hospital stay
- Billing for more services than were performed.
- Misusing codes on claim
- Unbundling of codes for a procedure
- Billing for services not provided.
- Prescription drug switching.
What FWA Is

Definitions

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

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

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.

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

Administrative action

Professional action

Civil Action
- Meant to recover money unduly gains

Criminal action

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
  o Fraud Indaba 2019
  o Signing of FWA Charter
  o Industry Code of Conduct in development

• SIU led collaborations (HSACF)
  o Multi-stakeholder Forum Established
  o MOU
  o Steering Committee – Healthcare Sector Cases Review

• Section 59 Investigations
  o Led by independent Legal team
  o Report scheduled for November release
Last Thoughts

Moral Compass
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