Medical fraud patterns. It's scope in Australia and it's prevention

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PHA Claims Leakage and Fraud Conference
16 November 2012

Medical Fraud - Scale

- Medical fraud, over-servicing or inappropriate practice is a serious problem in many western countries.
- The Americans now realise that the amount spent on healthcare is unsustainable.
- It was reported in JAMA that an estimated 30% of healthcare spending in the US is wasted.
- Australia, having a universal health insurance scheme, (Medicare) largely based on the honour system has a similar problem, although not as large as the US.
- I have estimated that leakage from the MBS and PBS is up to $3Bn.
- Having started to review statistical information from the private health insurance industry, I am convinced that hundreds of millions of dollars are leaking from private health insurance as well.
- Efforts to rein in the loss of both public and private revenue have been slow to start, poorly resourced and largely ineffective.

Medicare Transactions

- Medicare administers over 500,000,000 transactions every year, both MBS and PBS.
- Medicare's job according to the legislation is to pay out money to patients and practitioners as fast and as efficiently as possible.
- They do this very well.
- However they work on the basis of pay now and ask questions later.
- While they do follow up intelligence from patients, practice staff or health professionals, the main method used by Medicare to detect inappropriate practice is data mining.
- Medicare has a vast amount of data, unfortunately a lot of it is in a form that makes of limited use for the detection of the problems of inappropriate practice as the data was only collected to enable payments to patients and practitioners to be made efficiently.

Medicare Auditing

- Medicare audits about 4000 practitioners every year and its compliance officers directly contact around 400-500 of whom only about 50 are sent for peer review to Professional Services Review.

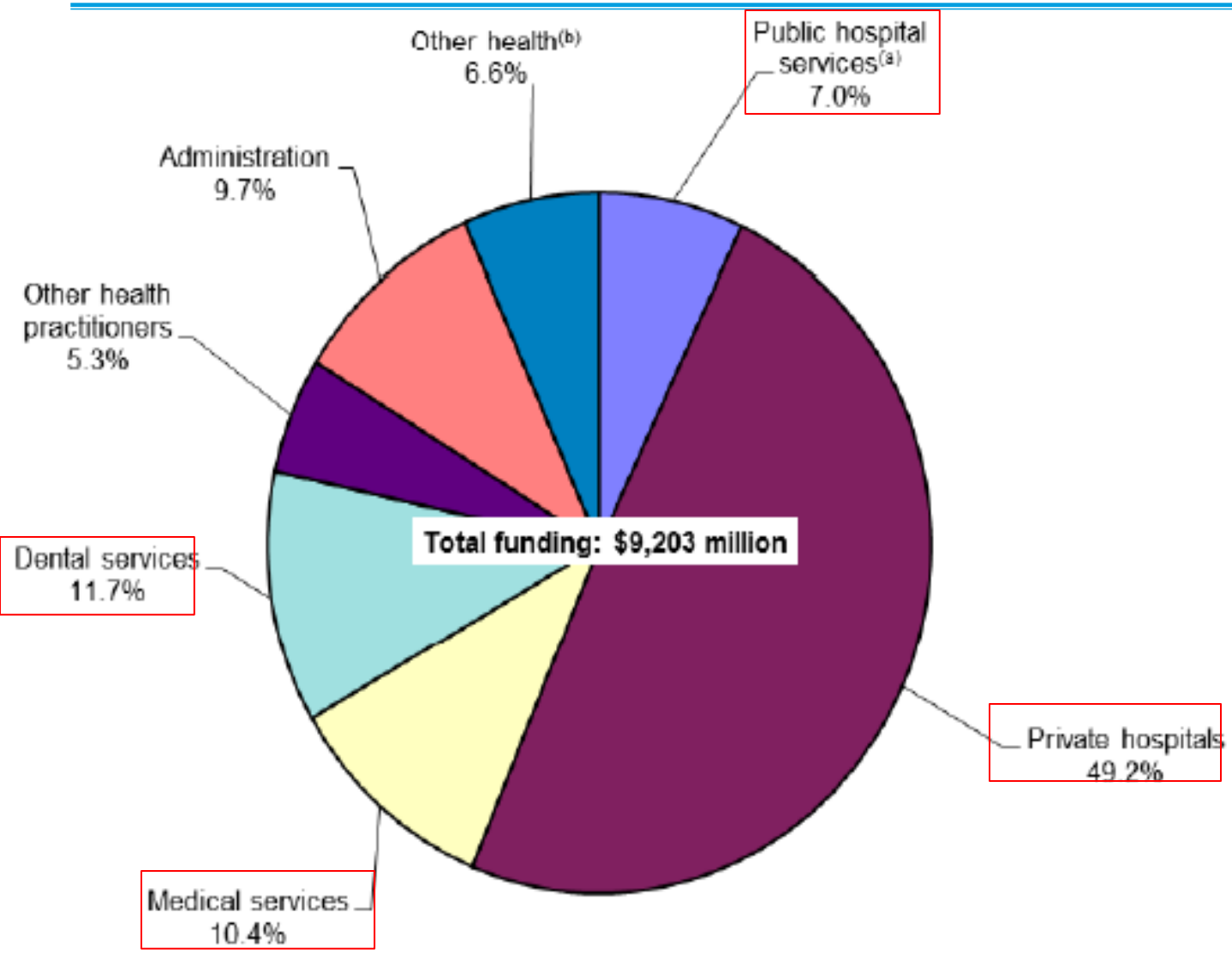
- Of the 55,000 active medical practitioners in Australia less than 0.01% are ever called to account by the colleagues.

- In other words the chances of being caught and having to repay any money is very slim indeed.

Private Health Insurance & Medical Services

- The situation for practitioners in the private health insurance system is for the most part similar.
- In reviewing private health insurance data, it is clear that there is considerable inappropriate practice happening in this space as well.
- The private health insurance industry suffers a double blow as a result of this abuse, the Funds have to:
  - pay the doctor a gap payment and
  - you also have to pay for the hospital costs, which are on average 4-5 times the fees paid to the practitioner.
- This graph on the following slide illustrates this point:

PHI Health Benefits Areas of Significance



- Medical benefits paid are as significant as dental claims for Funds, but get little attention
- Individual service costs are no different in scale, but Funds convince themselves, they are too small and more troublesome
- The 10.4% of total cost for medical services determines a large slice of the 49.2% of costs for private hospitals.
- Do something significant in the medical service space and expect to reap larger rewards in the hospital space.

Source AIHW "Health Expenditure Australia 2009-2010" p.64

Medicare and PHI Medical Data

- In contrast to Medicare's limited data, the private insurance industry has data sets which have a great deal more sophistication.
- The funds are able to compare hospital and medical data, the same doctor at different hospitals or with different anesthetists.
- The data PHI holds is vastly superior to Medicare's data sets.
- However I do not see this data being used to find inappropriate practice as it could be used.
- The private health funds could be saving hundreds of millions of dollars if this data was used and acted upon.

Practitioners and Fraud

- Medicare and the MBS make fraud unnecessary by medical practitioners.
- Inappropriate use of the MBS makes much more sense!
- There are so many other more clever ways than fraud to take advantage of the system and not put your self at risk by committing a criminal offence.
- Practitioners by and large leave straight fraud to patients and practice staff. There are some notable exceptions.
- However Medicare has not taken more than a handful of doctors to court in the last 10 years.
- It is all too hard to prove, with too little return and poor example setting as resulting penalties are comparatively light.

GP Abuse

- General practitioners who abuse Medicare do so by classic over servicing; that is seeing patients more frequently than is needed clinically; by up-coding of consultation; skin lesion removal items; and inappropriately using chronic disease management items.
- Individual instances of this sort of inappropriate practice are for small sums of money, however they do mount up.
- During my term as Director of Professional Services Review I recovered over almost $1M from one GP.
- There were also many recoveries of over $100,000.
- All of these were made up of small amounts per patient.
- Medicare is only ever able to identify the very high fling abusers.
- The majority of abuse by general practitioners is never tackled.

Medicare, Funds and Specialists

- GPs as a group are much easier for Medicare to deal with than specialists.
- The percentage of specialist Medicare deals with does not reflect the fact that they make up 40% of the medical workforce.
- Medicare will tell you that specialists are more responsive to peer attitudes than GPs and that an adverse finding against a specialist is know of quickly by the group which moderates behaviour.
- Do not believe this party line by Medicare.
- The truth is they haven't the tools or the staff or it would appear the will to rigorously check on billing behaviour of our specialist colleagues.
- By contrast, the private health funds mainly deal with the specialist community. In addition you have much better and more useful statistical information for each instance of care.
- If you have the will to tackle the problems of leakage of your members funds by some members of the specialist community, and the private hospitals, there will be a substantial return on investment.

Examples of Abuse 1

- Some of the outrageous examples of abuse I have come across cover a diverse spectrum of specialities as misuse of the system for financial gain is not limited to one group.
- I do not wish to give the impression that all my colleagues behave in this way.
- The majority behave ethically and appropriately at all times.
- Isolating the offenders and discouraging the behaviour is a challenge for both Medicare and the private funds.

Examples of Abuse 2

- The first example is a **radiotherapist** who on several occasions admitted a terminally ill breast cancer patient to a private hospital to administer radiotherapy to a secondary cancer in the hip.
- The hip secondary was causing pain and was at risk of fracture. Radiotherapy is commonly given for bony secondaries for pain control as part of palliative care.
- Instead of giving the patient one large dose of radiation so that her pain was controlled, the patient was given 6 weeks of 3 field fractionated radiation and kept in hospital.
- She died 2 days after discharge.
- Not only did this result in a large hospital cost, the radiotherapist was enriched by many thousands of dollars.
- This lady should have been given one shot as an outpatient and enjoyed her last few weeks with her family.
- **This kind of behaviour is almost impossible to detect and only came to light because of complaints from the radiotherapist's colleagues.**
- Patients often suffer when profit is put before appropriate care.

Examples of Abuse 3

- **Plastic and ENT** procedures lend themselves easily to misuse of the Medicare system because the same procedure can be done for cosmetic reasons as well as legitimate clinical ones.
- Medicare statistics for rhinoplasty show a predominance of females over males in the younger age groups.
- This is counter-intuitive as most trauma associated rhinoplasty should be associated with males in his age group.
- The prevalence of other clinical conditions should have the same sex distribution.
- This suggests that many of the procedures on females are done for cosmetic reasons.
- As far as I am aware Medicare has done little to investigate this.

Examples of Abuse 4

- Similarly the items numbers associated with surgery for **benign breast** conditions in private hospitals are predominately grouped in the younger women.
- When these cases are investigated the hospital records and operation reports raise suspicions that the surgery was purely cosmetic.
- Neither Medicare or most private funds cover cosmetic surgery.
- However one only has to look closely to find misuse of the system in this manner is considerable.
- Recent investigation of several plastic surgeons suggest that the loss to the fund was on average $40,000 per surgeon investigated over 12 months.

Examples of Abuse 5

- Interventional **Cardiology and gastroenterology** are specialities where the practitioner determines the need for investigation or treatment.
- While most practitioners behave honourably a significant number of coronary artery stents have been inserted inappropriately in the past.
- In addition the billing by some cardiologists suggests unbundling of a procedure.
- The has been significant growth of walk-in endoscopy clinics where minimal screening is done before a procedure.
- This may suit the GP, the patient and the endoscopist but can lead to unnecessary procedures with all their attendant risks and costs.

Examples of Abuse 6

- The area of inappropriate practice in a hospital setting about which most is known is **orthopaedics.**
- The two broad categories are; unnecessary surgery and unbundling of procedures.
- Policing this are effectively can lead to very significant recoveries.
- The TAC in Victoria was able to recovery millions of dollars from a handful of orthopaedic surgeons, following a careful investigation of billing practices.
- Not only were the surgeons required to repay inappropriately claimed fees so were the private hospitals.
- Unbundling is a particular problem with arthroscopic knee and shoulder surgery.
- Careful examination of some surgeon's claims shows the item numbers billed would suggest a procedure lasting several hours instead of the 20 minutes shown in the operation notes.

Examples of Abuse 7

- There is no easy way to tackle the problems of leakage and fraud. The diversity of causes illustrates difficulty.
- I have not touched on loss due to inappropriate hospital costs.
- Private health funds, being competing private entities have sometimes lacked the will to confront wrongdoing by practitioners.
- Perhaps this has been because of a fear of adverse publicity and the loss of members.
- Or perhaps it has been thought that the payback was not worth the trouble.
- I would like to convince you otherwise.
- There are large amounts of members funds leaking because of abuse.
- Only by tackling this problem together will you make a difference and collectively save money.
- This conference should be a stepping stone toward greater co-operation and data sharing between funds in the compliance area.