Entrepreneurs in Health Care Fraud

Louise Dobbe, Senior Associate General Council
Russ Littlefield, Vice President, Advanced Analytics Lab

Topics

- Who/what are these entrepreneurs?
- What are they doing?
- How do we identify them?
  - Traditional scheme development
  - A new analytic approach

Proprietary and Confidential. Do not distribute.

Who/What Are These Entrepreneurs?

- Wikipedia defines entrepreneur as:
  - An *entrepreneur* is an owner or manager of a business enterprise who makes money through risk and initiative.
  - Is a term applied to a person who is willing to help launch a new venture or enterprise and accept full responsibility for the outcome.
  - "The entrepreneur shifts economic resources out of lower and into higher productivity and greater yield."

Proprietary and Confidential. Do not distribute.

Who/What Are These Entrepreneurs?

- A Healthcare entrepreneur can be:
  - A business person who shows initiative to maximize income
  - Middlemen who have inserted themselves into the health care delivery system
  - In both of the above cases, rules and regulations are usually disregarded

Caution: the entrepreneur may or may *NOT* be a health care provider

- Operations at OptumInsight regularly identifies "Entrepreneurs" in both categories through ideation, referrals and tips from the healthcare community

Proprietary and Confidential. Do not distribute.

OptumInsight Anti-Fraud Analytics

- Our experience:
  - The Provider will maximize revenue, but try to stay below the radar by keeping dollar thresholds low enough
  - Insert themselves into the health care delivery stream, possibly as a “middleman” between legitimate providers
    - Suppliers/vendors
    - OBS facility charge
    - HHA arranger
    - IOM double billing
    - “Concierge” services (delivery of drugs)

Proprietary and Confidential. Do not distribute.

What Are They Doing?

- Submitting another bill when one or more providers have already been paid in full
- Taking advantage of gaps
  - In the claims processing system
  - In Policies and Procedures
  - Between UB forms and CMS forms
- Some take advantage of there being no applicable taxonomy code for a non-healthcare type of provider

Proprietary and Confidential. Do not distribute.

How Do We Identify Them?

- Old school methods: Look for them!
  - Scheme ideation: Unlicensed entity (ASCs, FSED, OBS, Pharmacy, HHA)
  - Duplicate claims
  - SPSD analysis
  - Inappropriate use of modifiers to prevent claim form hitting edits
  - More than one claim for single date of service (single or multiple providers)
  - Patient complaints

Proprietary and Confidential. Do not distribute.

Example

IOM/Intra-operative monitoring

Middleman company bills globally when the facility has been paid the Technical component. Reading physician gets the 26 split.

- According to the policy, the payer will reimburse the interpreting physician or healthcare professional only the professional component because the facility is reimbursed for the technical component of the service.
- It would be inappropriate to bill the global code which represents both the professional and technical component.
- The IOM corporate entity may not bill a global service when the technical component was rendered in the facility, even if the corporate entity performed the service for the facility.

Proprietary and Confidential. Do not distribute.

Examples

Unlicensed Facility Entrepreneurs	Unlicensed Entities
Characteristics: • OBS entity at same physical address as physician • Physician paid global fee • Corporate entity for office bills facility charge • Corporation is owned by the physician • Classic double dip	**Billing as an ASC** • POS 24 on a CMS 1500 • Rev Code 490, Type of Bill 0831 on a UB form • Business entity is not a licensed ASC **Lithotripsy, ESWT service providers trying to be paid Facility Fee**

Proprietary and Confidential. Do not distribute.

Example

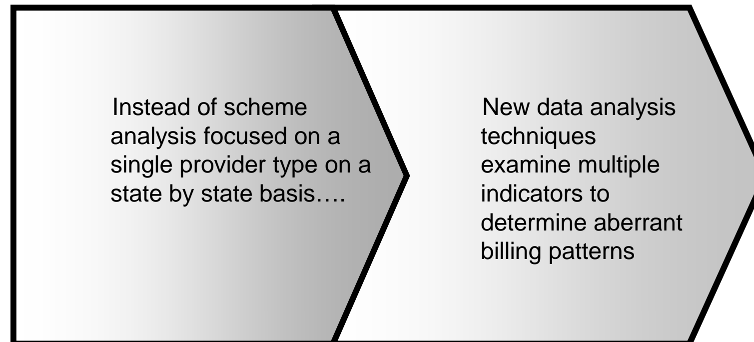
Concierge Service

Characteristics:

- Billing for self-administered or IV infusion drugs
- Arranges for the delivery of drugs directly to patient or hospital outpatient department
- But is not a licensed pharmacy
- Has NO relationship with patients
- Doctors defending their use of the company
- Suspect kickbacks to Pharmacy and Doctors
- High Dollar claims and High Units billed
- Hold HHA license, but no employees

Proprietary and Confidential. Do not distribute.

Analytics



Detecting Healthcare Entrepreneurs With Analytics

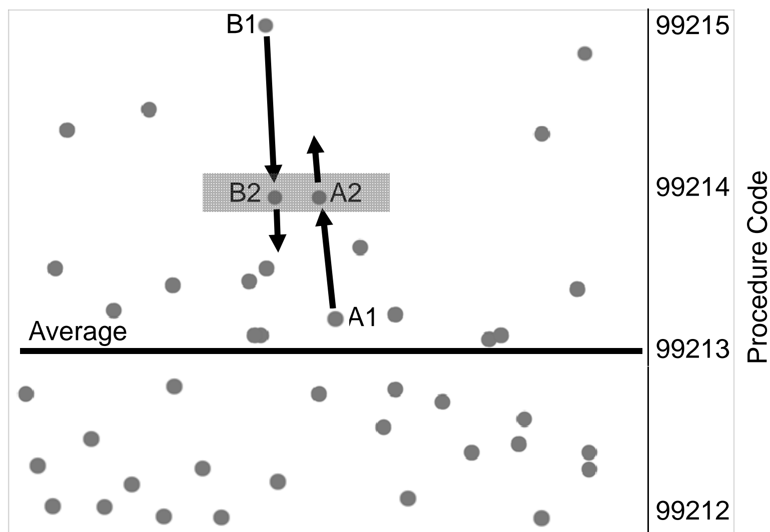
- Entrepreneurs are in the healthcare system to make money rather than to deliver quality care so they will behave differently.
- For a healthcare provider to increase their reimbursement, they must increase at least one of the following:
  - Patients
  - Units per Patient
  - Cost per Unit
- Each of these can have various approaches. For example, to increase patients a healthcare provider can:
  - Open a new office location
  - Aggressively market services
  - Add patient “enticements” – waive copayments, spa coupons
  - Engage in patient kick-backs – “rent-a-patient”
  - Bill from a stolen patient list

Detecting Healthcare Entrepreneurs With Analytics

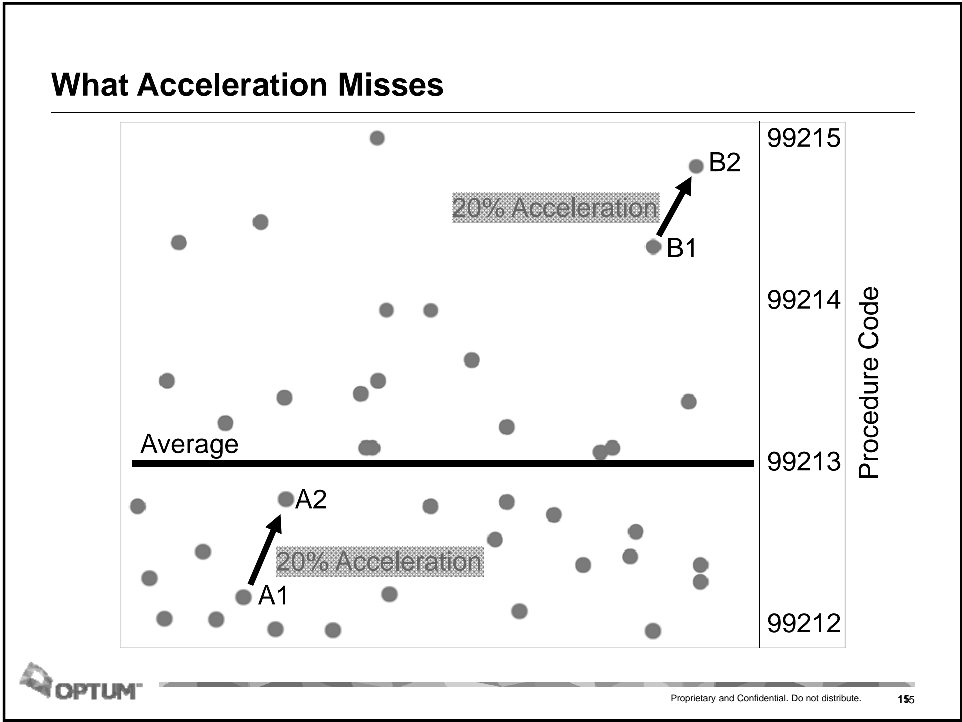
- Our goal is to find Healthcare Entrepreneurs who are gaming the payment system by inappropriately inflating patients, units or unit cost.
- Traditional outlier analysis often uses:
  - Static benchmarks such as a provider who bills the highest code in an upcoding group 5X more than their peers.
  - Acceleration reports such as a provider billing a code 50% more than last year.

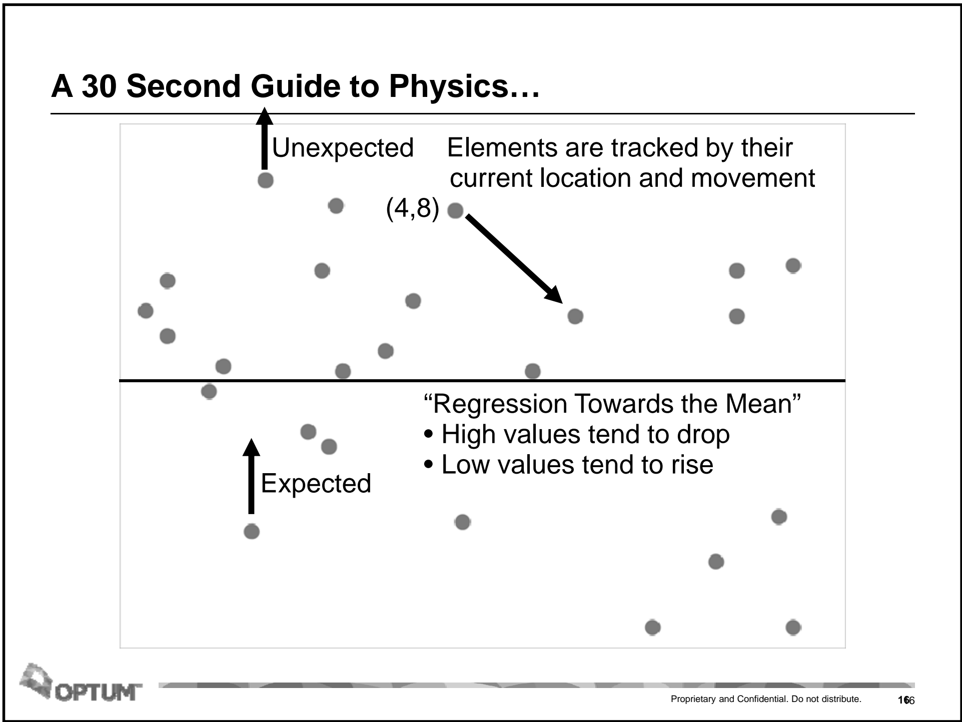
Proprietary and Confidential. Do not distribute.

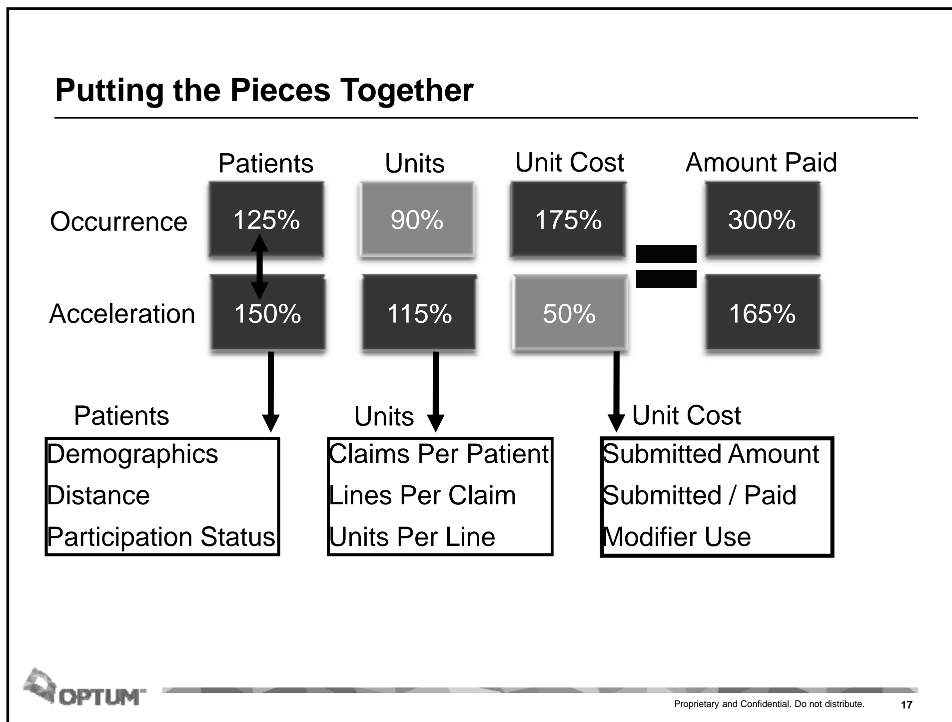
What Benchmarking Misses



Proprietary and Confidential. Do not distribute.


What Acceleration Misses
B2
20% Acceleration
B1
99215
99214
99213
99212
Procedure Code
Average
A2
20% Acceleration
A1
OPTUM
Proprietary and Confidential. Do not distribute.
15


A 30 Second Guide to Physics…
Unexpected
Elements are tracked by their current location and movement
(4,8)
"Regression Towards the Mean"
• High values tend to drop
• Low values tend to rise
Expected
OPTUM
Proprietary and Confidential. Do not distribute.
16



Adjust For Known Changes

- **New Member Groups**
  - The number of patients at a healthcare provider goes up 50%, maybe a new employer group was added to the network?
  - Control at a county level
- **New Procedure Codes / New Use For Established Codes**
  - A healthcare provider's use of a CPT dramatically increases, maybe a related CPT was deleted and use shifted to this code?
  - Control at a plan level
- **Regional Practice Differences**
  - Medical school and practice partners greatly influence treatment patterns
  - Control at a state level
- **Epidemics, Seasonality and Disasters**
  - Fast rise of office visits in the Northeast, maybe a flu outbreak?
  - Control at a state level

OPTUM
Proprietary and Confidential. Do not distribute.

Finding Areas of Interest

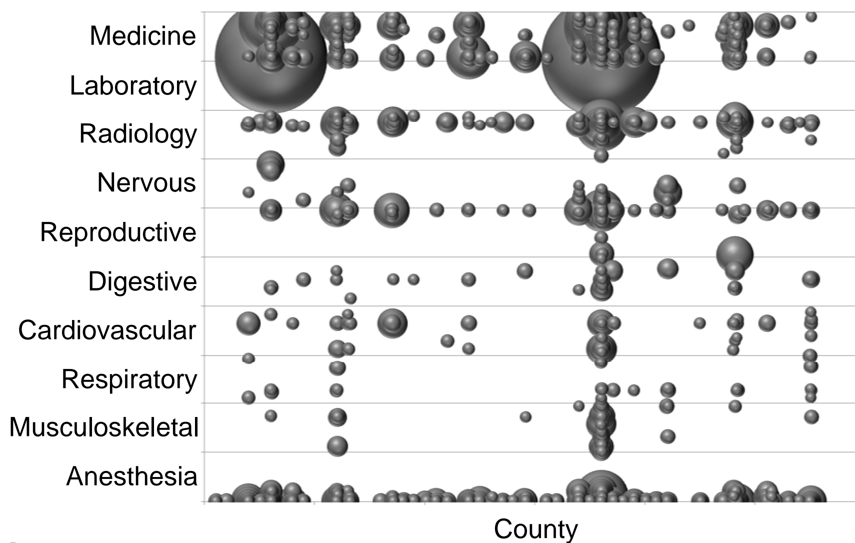
	Patients	Units	Unit Cost
Occurrence	XX%	XX%	XX%
Acceleration	XX%	XX%	XX%

A Possible Approach:

1. For each demographic region (county, state, plan) determine:
   - Patients with procedure / total patients (200 / 1,000 = 10%)
   - For example, county=16%, state=8%, plan=4%
2. Choose the maximum of the state and plan rates
3. Divide the county rate by rate from #2
   - County rate / MAX(state rate, plan rate)
   - 8% / 16% = .5
4. Apply this ratio to the amount paid in the county for the procedure to determine unexplained cost:
   - $1M – ($1M X .5) = $500,000
   - Can be a negative result:
     $1M – ($1M X (8% / 6%)) = – $333,333

Proprietary and Confidential. Do not distribute.

Exposure



Proprietary and Confidential. Do not distribute.

Example Walk-Through

- The previous slide shows that procedure codes in the 9XXXX series (Medicine) have quite a bit of unexplained variation.
- We chose 97140 for this analysis:
  - – Manual therapy techniques (e.g., mobilization/ manipulation, manual lymphatic drainage, manual traction), one or more regions, each 15 minutes
- Selected the county with the greatest amount of unexplained variation (after adjusting for enrollment changes, regional differences, etc)
- Then, within that county, selected the healthcare provider where 97140 represented the greatest amount of unexplained variation within the practice

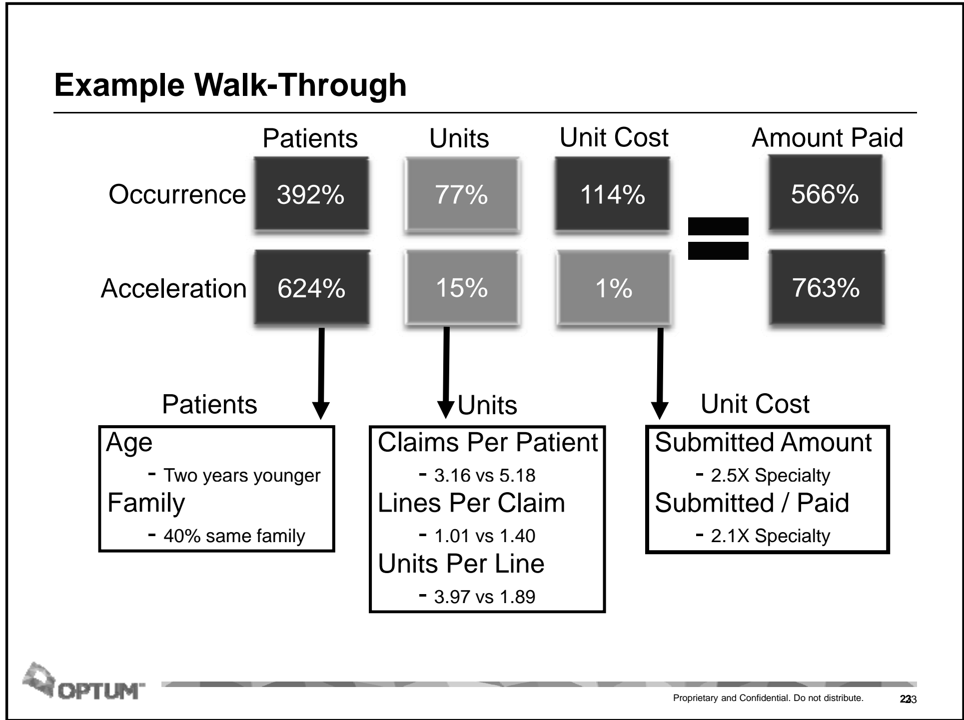
Proprietary and Confidential. Do not distribute.

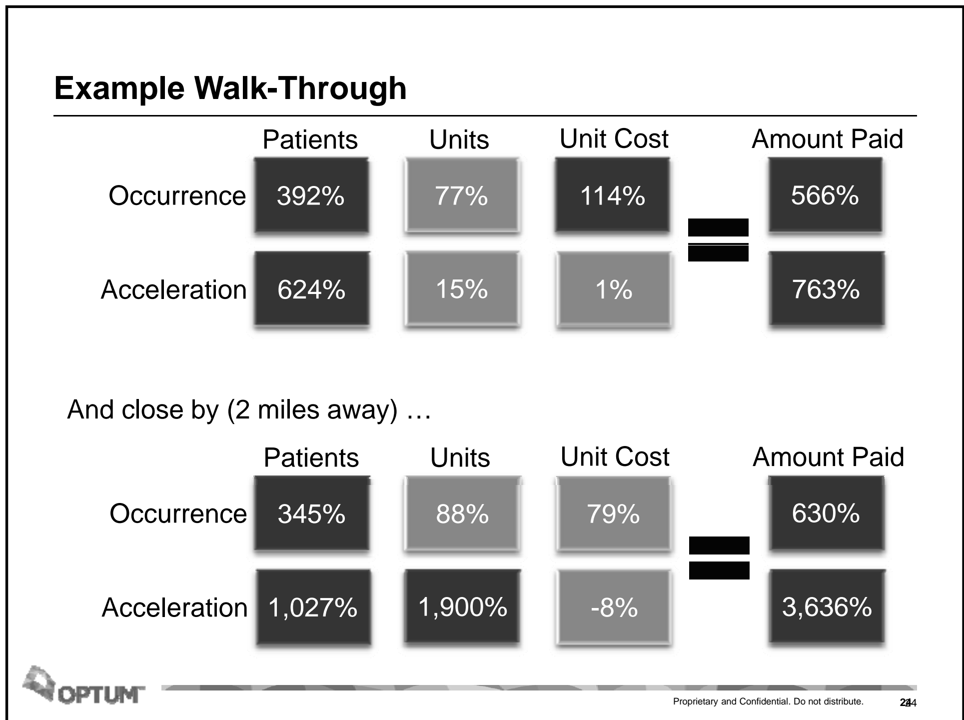
Example Walk-Through

Overall 97140 Use	Occurrence	Yearly Change	Average Age
State Enrollment		-3%	
County Enrollment		3%	
97140 Use at Plan Level	2.81%	6%	49
97140 Use at State Level	2.87%	12%	48
97140 Use at County Level	7.25%	32%	47

97140 Use by Healthcare Provider	% of Patients	Yearly Change	Average Age
Acupuncturist Patients		8%	44
Healthcare Provider Patients		41%	44
97140 by Acupuncturist	24%	8%	43
97140 by Healthcare Provider	98%	49%	43

Proprietary and Confidential. Do not distribute.


Example Walk-Through
Patients
Units
Unit Cost
Amount Paid
Occurrence
392%
77%
114%
566%
Acceleration
624%
15%
1%
763%
Patients
Units
Unit Cost
Age
- Two years younger
Family
- 40% same family
Claims Per Patient
- 3.16 vs 5.18
Lines Per Claim
- 1.01 vs 1.40
Units Per Line
- 3.97 vs 1.89
Submitted Amount
- 2.5X Specialty
Submitted / Paid
- 2.1X Specialty
OPTUM
Proprietary and Confidential. Do not distribute.
23


Example Walk-Through
Patients
Units
Unit Cost
Amount Paid
Occurrence
392%
77%
114%
566%
Acceleration
624%
15%
1%
763%
And close by (2 miles away) …
Patients
Units
Unit Cost
Amount Paid
Occurrence
345%
88%
79%
630%
Acceleration
1,027%
1,900%
-8%
3,636%
OPTUM
Proprietary and Confidential. Do not distribute.
24

Next Steps

- **Statistical Modeling**
  - Uncover less obvious relationships between the variables
- **Clinical Prevalence**
  - Procedure codes can have multiple uses
  - Linking them to diagnosis codes and peer literature on disease prevalence will help us understand the complete treatment picture
  - Should help weed out false positives

Proprietary and Confidential. Do not distribute.

Conclusion

- Healthcare Entrepreneurs can range from licensed providers pushing the envelope for revenue maximization to fictitious entities engaged in fraudulent billing schemes
- Traditional scheme analysis is still an important part of an overall detection strategy
  - It yields savings
  - Can help exclude inappropriate provider types
- Analytics can lead to the discovery of new schemes
  - There are only three “levers” to increase reimbursement
    - Patients, Units and Unit Cost
  - Need both benchmarking and acceleration to accurately describe a reimbursement pattern
  - Many common occurrences will result in false patterns
    - Remove known causes of variation such as new groups, regional differences, etc…

Proprietary and Confidential. Do not distribute.

Closing

Questions and Discussion

Proprietary and Confidential. Do not distribute.