

PKF

Accountants &
business advisers



**Presentation
to the NHCAA Annual Training Conference
November 2011**

The Global Challenge of Health Care Fraud

**Jim Gee,
Director of Counter Fraud Services, PKF (UK) LLP
Chair of the Centre for Counter Fraud Studies,
University of Portsmouth, UK**

www.pkf.co.uk

© PKF (UK) LLP

PKF

Accountants &
business advisers

What will be covered

- Background
- What is healthcare fraud?
- Why is healthcare fraud important?
- Why we need to do more to tackle it
- A new approach : focussing on fraud as a business cost like any other
- What is the cost of healthcare fraud?
- How quickly can the cost of healthcare fraud be reduced?
- How can this be done?
- How we can work together globally to tackle healthcare fraud

www.pkf.co.uk

© PKF (UK) LLP



Accountants &
business advisers

Background

- 28 years a Counter Fraud Specialist
- Advisor to UK Parliamentary Select Committee
- Chief Executive of the UK NHS Counter Fraud Service
- Founding Director-General of the European Healthcare Fraud and Corruption Network
- Senior advisor to the UK Attorney-General, 3 Secretaries of State for Health and 5 Ministers of Health
- Director of Counter Fraud Services at PKF and Chair of the Centre for Counter Fraud Studies at University of Portsmouth
- Recently advising the Chinese Government on health fraud and has worked with organisations in more than 30 countries

www.pkf.co.uk

© PKF (UK) LLP



Accountants &
business advisers

What is healthcare fraud?

Let's be clear ...

NOT

- Corruption or bribery
- Money laundering
- Error or incompetence

NOT just a criminal matter - a destructive social and economic phenomena which can be subject to

- Civil law
- Criminal law
- Regulatory sanctions
- Disciplinary sanctions

www.pkf.co.uk

© PKF (UK) LLP

What is healthcare fraud?

Four main types of healthcare fraud:

- (1) Fraud by managers and staff
- (2) Fraud by healthcare professionals
- (3) Fraud by patients and citizens
- (4) Fraud by contractors and suppliers



Fraud by managers and staff

Misdirection of resources: One finance manager was found to have placed their family on the payroll of the healthcare organisation that they worked for;

Personal impropriety: One Chief Executive Officer of a healthcare organisation was found to have overclaimed on his mileage allowance by 55,000 miles;

Hospitals: Hospitals have been found to falsely claim that they have undertaken surgical procedures to attract extra payments – upcoding and unbundling.





Accountants &
business advisers

Fraud by healthcare professionals

Doctors: a Doctor was found guilty of using bogus herbal medications to offer false hope to dozens of people suffering from diseases such as cancer and Alzheimer's;

Dentists: Dentists have claimed for gold fillings which were actually mostly composed of nickel; and to have claimed fees for re-opening their surgeries out of normal hours without actually doing this;

Opticians: Opticians have claimed fees for undertaking sight tests on people who were subsequently found to have been dead or non-existent.



www.pkf.co.uk

© PKF (UK) LLP



Accountants &
business advisers

Fraud by patients and citizens

Patients: Patients have lied about their circumstances in order to obtain free healthcare treatment, to pretend that they are resident in particular countries where they were entitled to free treatment;

Patients: One patient was found to have registered with more than 200 doctors to feed her drug habit;

Organised criminals: criminals establish bogus medical clinics in order to bill insurers for healthcare treatments that were never provided and have stolen confidential patient data for use in credit card fraud;



www.pkf.co.uk

© PKF (UK) LLP

Fraud by contractors and suppliers

Pfizer Inc., the drugs giant, was ordered to pay \$2.3 billion in America's largest healthcare fraud settlement, for making false claims about four prescription medications;

Generic drug companies: Drug companies have been found to organise cartels to restrict the supply of key drugs and to artificially raise the price

Counterfeit drugs: Thousands of cancer patients were given fake drugs in a multi-million pound fraud that could have condemned them to early deaths.



The nature of fraud

Two important factors

(1) There is a vast honesty majority in each area

BUT

There is a dishonest minority too – and they do significant damage

(2) The greatest fraud 'cost' comes from

High volume / Low value fraud

NOT

Low Volume / High value fraud

Some examples from around the world ...

UK-resident or rich Egyptian?

16 Wednesday, 15 September 2004 Evening Standard *****

CAIRO BUSINESSMAN HAS ASSETS FROZEN AND PASSPORT SEIZED

'NHS tourist' accused of £55,000 free care fraud

AN EGYPTIAN businessman accused of travelling to London to obtain free health care has had his assets frozen and been barred from leaving Britain.

By Isabel Oakeshott
Political Correspondent

Albert Girgis is facing claims he duped doctors into giving him £25,000 worth of free treatment. The action against him follows a Broad investigation and is believed to be the first over so-called NHS tourism. Mr Girgis, who had treatment for a heart condition, is a

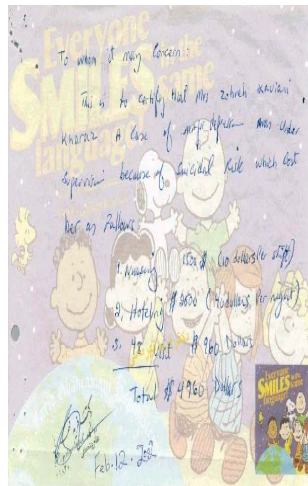
wealthy importer and exporter based in Cairo. NHS investigators claim he has been abusing the system for 13 years. It is alleged he received thousands of pounds worth of surgery and drugs, undergoing free treatment at the Chelsea and Westminster Hospital, Hammersmith

Hospital, the Royal Brompton and Royal Marsden. The NHS Counter Fraud Service claims the 71-year-old told doctors at the hospitals he was a UK resident entitled to free care. During his visits for treatment, he stayed with his sister, who lives in one of London's most affluent areas, just off Kensington High Street. In an international counter-fraud operation, officials tracked down his real address — an expensive

Cairo apartment. Lawyers working for the NHS visited the businessman at the Kensington address yesterday issuing a freezing order on his assets and ordering him to surrender his passport. The freezing order prevents Mr Girgis from disposing of any assets up to the value of the NHS civil claim and costs. He is allowed £300 living expenses per week. The order also bars him from leaving Britain until the case has been resolved. He has until next Friday to pay the £25,000 or face court. Jim Cole, chief executive of the NHS Counter Fraud Service, said: "It is unacceptable for wealthy health tourists to exploit the NHS. We will not allow NHS resources to be plundered by those who should and can pay for their treatment. Such people should expect tough action to be taken against them." Secretary John Reid has vowed to clamp down on foreigners who travel to Britain to obtain free NHS treatment. New measures designed to weed out those fraudulently obtaining free care were introduced earlier this year. However, some NHS doctors are reluctant to help — insisting it is not their job to police the system. The tough action against Mr Girgis will please health managers. Until now, it has been left to individual hospitals to recover costs from suspected NHS tourists — an expensive and often fruitless process. Three months ago it emerged that a Ghanaian trial chief left taxpayers with a £70,000 unpaid NHS hospital bill.

He was investigated in Egypt and the UK; a global freezing order concerning his assets was obtained – and a passport order. He repaid the money within weeks.

Health insurance fraud in Iran



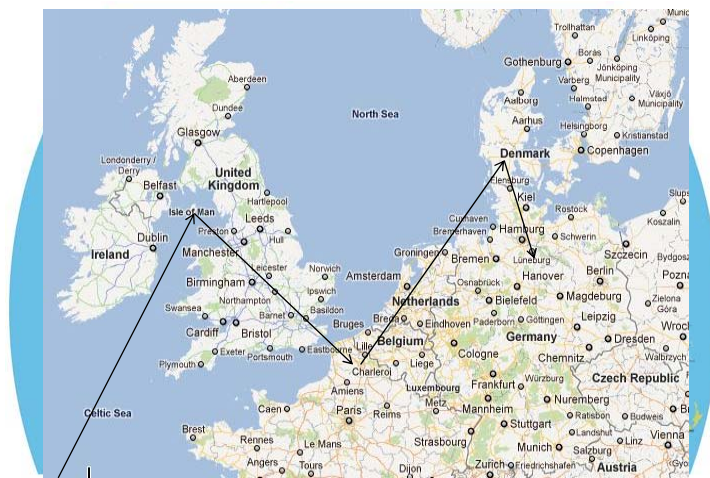
- Patients (husband and wife) on holiday in Iran
 - Both in need of urgent psychological help
 - Both taken to hospital
 - Claim: € 10,000,-
- Investigation showed claim was forged, their drug addicted son was treated

False medical certificates – Ivory Coast

A UK nurse was found to have falsely claimed sickness while on holiday in the Ivory Coast. She did this to recover two weeks holiday. However, the forged medical certificate was found to have incorrect telephone codes and the Doctor who was supposed to have treated her, in fact, was based 200 km away.



International healthcare fraud





Accountants &
business advisers

False diagnosis of cancer in Taiwan

- In **Taiwan** three doctors admitted to conspiring with patients to defraud insurance companies of almost NT\$80 million. They had been falsely diagnosing patients with cancer – performing breast removal surgeries and chemotherapy in disease-free bodies – to file multiple payment claims. The Department of Health estimated that more than 10 hospitals were involved.



www.pkf.co.uk

© PKF (UK) LLP



Accountants &
business advisers

The U.S. 2010 – the Schneider case



www.pkf.co.uk

© PKF (UK) LLP

Unnecessary operations in Italy

- In **Italy** eight doctors performed unnecessary surgery in an attempt to defraud the Italian health service. The operations included unwarranted mastectomies and the unnecessary removal of a lung from a patient with pneumonia. Pier Paolo Brega Massone, the head surgeon at Milan's Santa Rita clinic, was sentenced to 15 months. He oversaw 80 such operations. An anonymous tip-off led to wiretaps which caught the doctors talking about earning more from more invasive surgery. Prosecutors stated that at least five patients died after operations that were too risky for their condition. The frauds reportedly cost the health service £2.2 million.



Pier Paolo Brega Massone

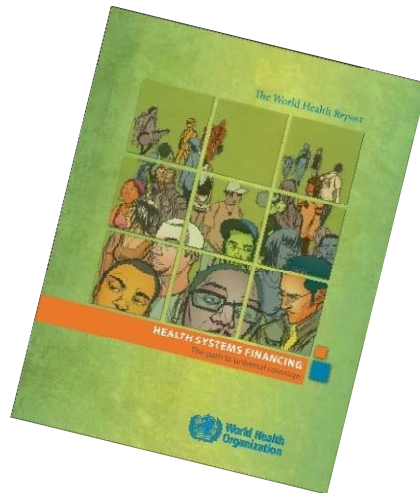
What is healthcare fraud?

- So that is what fraud is – and can be ...

Why is healthcare fraud important?

- It is not a victimless crime
- It diverts resources from the provision of quality patient care
- It has a direct, negative impact on human life

World Health Organisation Report 2010



Fraud is one of the 'top ten' causes of inefficiency in healthcare spending

http://www.who.int/whr/2010/10_chap04_en.pdf

Protecting global healthcare



- WE NEED TO DO MORE
- We need stronger national and international networks *BETTER ORGANISATION*
- We need more investment in healthcare fraud work *GREATER RESOURCES*
- We need professional training and accreditation like any other healthcare profession *IMPROVED SKILLS*
- BUT – We also need an improved *APPROACH ...*

A new approach

A new approach to healthcare fraud has developed over the last decade:

- Focussing on the financial cost of fraud not just the individual fraudsters
- Doing much more to prevent fraud taking place
- Accurate measurement of the nature and scale of the problem
- Reducing fraud losses and delivering a multiple return on the cost of the work
- Treating fraud like any other business cost – it is the last great, unreduced healthcare cost

A new approach

'OLD STYLE' APPROACH

- 'pay and chase'
- 'pick & choose'
- Considered enough to merely do something - anything!
- Focused on activities (e.g. investigations)
- Perceptions based on anecdotal information or cases which have come to light
- Cannot quantify effects or track benefits to the organization.

MODERN APPROACH

- Proactive and comprehensive.
- Identifies and applies exactly the right solution
- Focused on outcomes (e.g. reduced losses)
- Statistically sound and legally founded method of measuring fraud
- Seeks to pre-empt fraud not just react to it
- Quantifies the cost of fraud and reductions in fraud losses
- Tracks tangible benefits.

Fraud Loss Measurement

The last 15 years

- In the UK NHS from 1998
- US Improper Payments Information Act 2002
- European Healthcare Fraud and Corruption Declaration 2005
- The UK Government Fraud Review 2006
- 'The Financial Cost of Healthcare Fraud' Report 2009
- US Improper Payments Elimination and Recovery Act 2010



PUBLISHED TODAY!

What the data shows

Where has healthcare fraud been accurately measured?

Our 2011 research shows:

- Results collated over more than 12 years from across the world
- Estimating the **total** cost of fraud (and error)
- **Statistically valid** estimates : 90 – 95% statistical confidence
- **Accurate** : between plus or minus 1 – 2.5%
- **Externally validated**



What the data shows

- 79 loss analysis exercises in 33 organisations in 6 countries
- Value of expenditure where measurement took place = over US\$1.6 trillion (£1 trillion / €1.16 trillion)
- Excluding any figures based on detected or reported fraud or 'guesstimates' or surveys of opinion
- That the average loss rate from such a large, diverse and international study will give a **reliable** indication of losses in any organisation

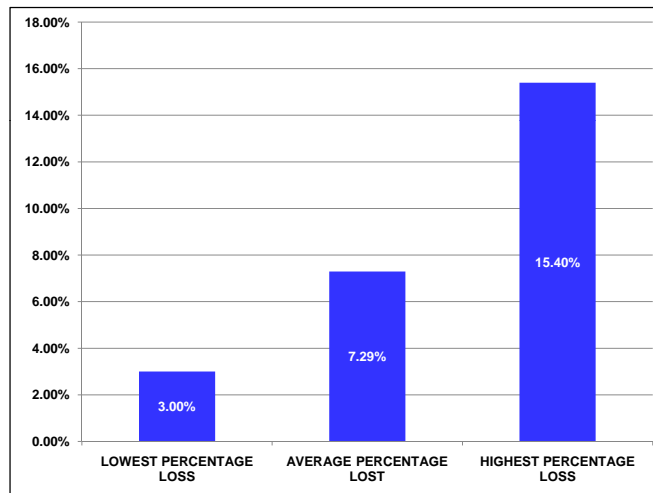


What the data shows

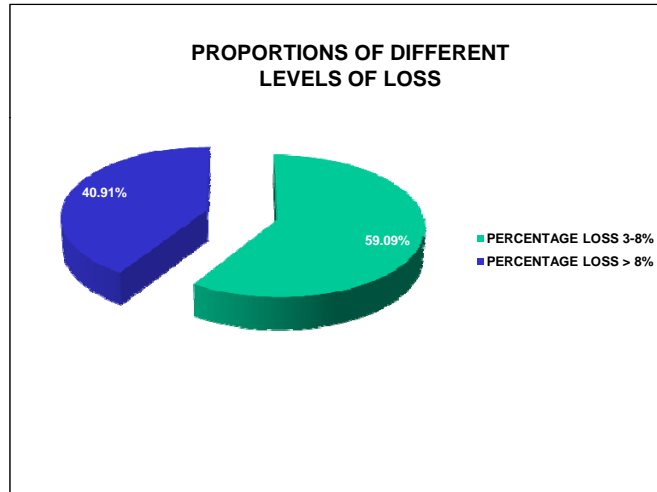
Many different types of healthcare expenditure:

- the fraudulent provision of sickness certificates
- prescription fraud by pharmacists
- prescription fraud by patients
- fraud and error concerning capitation payments to doctors
- fraud and error concerning payments made to doctors to manage a patients medical care
- the evasion of dental charges by patients
- fraud and error by opticians concerning the provision of sight tests
- fraud and error concerning employees of healthcare organisations
- fraud and error concerning payments for in-patient hospital services
- fraud and error concerning long term care
- fraud and error concerning home and community based services
- fraud and error concerning the provision of services and supplies,
- fraud and error concerning health insurance for children

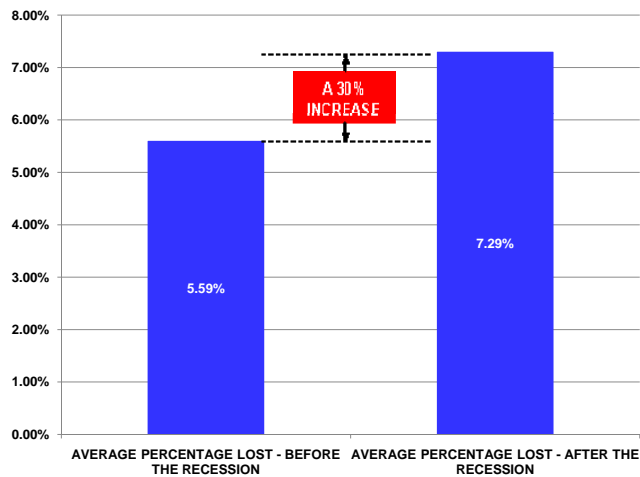
What do the figures show?



What do the figures show?

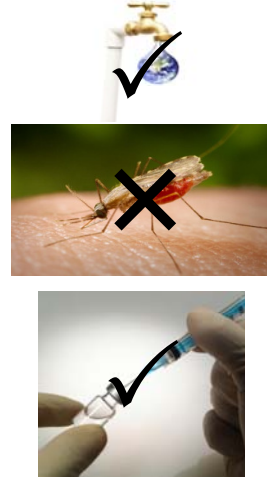


What do the figures show?



Global losses to healthcare fraud

- What do the figures mean?
- Globally, just in the healthcare sector **US\$415 billion** (£259 billion / €301 billion) is lost
- Enough to provide clean, safe water around the globe, bring malaria under control in Africa, provide the Diphtheria, Tetanus and Pertussis vaccine to all 23.5 million children under one years old who are currently not immunized (2.5 million die each year from diseases preventable by vaccines), quadruple the budget of the World Health Organisation and UNICEF (the United Nations Children's Fund), with over **US\$320 billion** (£200 billion / €232 billion) **left over!**



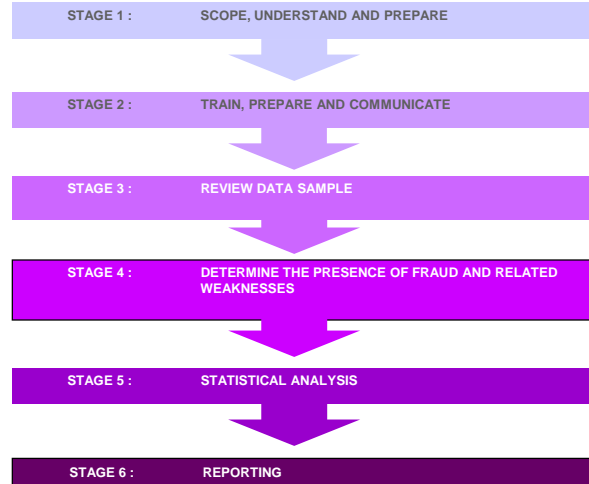
How do you measure fraud?

- We published the first ever guide – and offer training



- If you can measure it, you can manage it ...

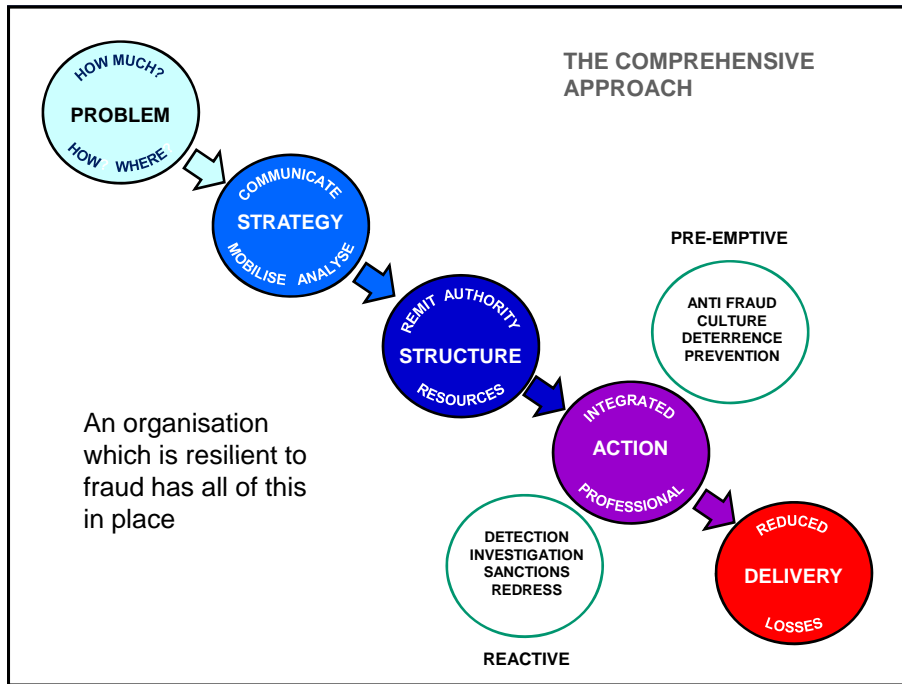
How do you measure the cost of fraud?



How quickly could these losses be reduced?

- Examples in “The Financial Cost of Healthcare Fraud Report 2011”
- Reductions of up to 40% within 12 months
 - i.e. if the average cost is just under 7.3% of expenditure then just under 3% of that expenditure is no longer being lost
 - With up to a 12 : 1 return on the costs
- The potential benefits
 - healthcare organisations better able to deliver top quality patient care





Accountants &
business advisers

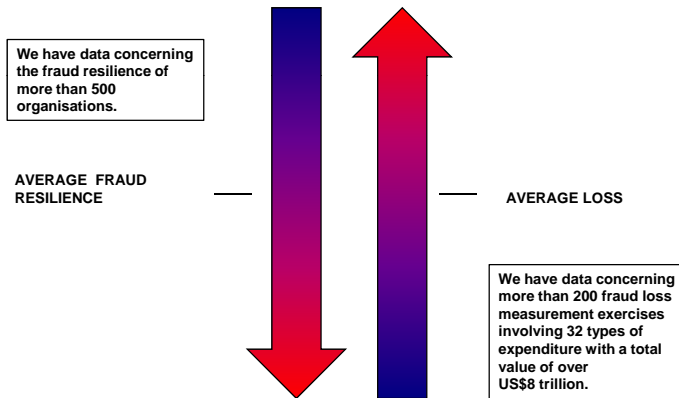
The importance of fraud resilience

The better protected an organisation is the less it will lose to fraud ...

- With the Centre for Counter Fraud Studies at University of Portsmouth, PKF has one of the largest databases in the world with data on 29 different aspects of fraud resilience relating to over 500 organisations
- Research undertaken by PKF Forensic and the Centre for Counter Fraud Studies at University of Portsmouth:
<http://www.port.ac.uk/departments/academic/icjs/centreforcounterfraudstudies/>
- We provide a 'helicopter view' of how well an organisation is protected against fraud, so weaknesses can be identified and removed and the cost of fraud reduced.

Fraud losses and fraud resilience

- Fraud resilience makes a difference to fraud losses



- We can now start to calibrate fraud losses against fraud resilience

Conclusions

- Healthcare fraud can be measured as a business cost like any other
- More and more organisations recognise the value of doing this
- The data shows that fraud losses are significant – AND RISING
- Research shows they can be reduced by up to 40% within 12 months – if organisations become fraud resilient
- The link between fraud resilience and fraud losses is very clear – and can be calibrated
- The power of knowledge – practical experience and academic rigour brought together – can help – but we can also help each other ...



Accountants &
business advisers

Conclusions

- What we have in common
- What our people want
- None of us are immune
- Fraud drains the lifeblood from our healthcare systems
- Three main reasons why we need to work together
- Healthcare fraud is a killer
- A message to every healthcare organisation in every country
- Together we can do much more; together we are strong; divided we are weak.

www.pkf.co.uk

© PKF (UK) LLP



Accountants &
business advisers

Questions?

- Jim Gee
jim.gee@uk.pkf.com
+44 20 7065 0557

www.pkf.co.uk

© PKF (UK) LLP