



**Coalition Against  
Insurance Fraud**

# **Summer Membership Meeting**



**Report of Proceedings  
June 12, 2012**

# UNITING

*The entire fraud-fighting community*



## Attendance

Nearly 80 people from more than 50 organizations attended the Coalition's mid-year meeting, which was held in Baltimore.

## SPECIAL PRESENTATION: Impact of Florida's New PIP Fraud Law

What impact will Florida's newly passed no-fault fraud reforms have on widespread medical mills around the state? That was the question posed in a panel session featuring Bill Newton, executive director of the Florida Consumer Action Network; Frank Goldstein, partner in the Goldstein Law Group; and Tom Kaschalk, chief claims officer of Direct General Auto Insurance.

Among the key anti-fraud reforms are tougher licensing standards for clinics and confirmation

of insurers' rights to conduct examinations under oath (EUO) and an independent medical exam (IME).

The anti-fraud provisions are a big plus, but it's unclear if they'll have the intended effect in the fraud centers of Hillsborough County and Miami-Dade, said Kaschalk.

There's still a question about whether the provision giving insurers 90 days to investigate before paying a claim — up from 30 days — will work in practice, cautioned Goldstein.

It's potentially a huge plus, but insurers must factually document their "reasonable belief" that a possibly bogus claim has been filed, Goldstein warned.

That provision also has high potential for litigation, said Kaschalk. There likely will be new legal theories about what can be litigated.

The 90-day provision is very long, and insurers



# SPECIAL PRESENTATIONS

will need legally valid probable cause to delay paying a claim that long. Insurers should be penalized when they can't show probable cause, Newton said.

Florida is seeing a large volume of fraudulent clinics, and they will try to skirt the licensing provisions, Goldstein said. Installing straw medical directors is one potential approach.

The provision clarifying an insurer's right to conduct EUO under the recent Custer court decision is positive, as is the provision creating a rebuttable presumption of fraud if a claimant fails to show up, Kaschalk said. But the loophole is that there's no provision requiring a third-party medical provider to show up, Kaschalk said.

Insurers shouldn't have the power to use the EUO and IME for a fishing expedition, Newton cautioned.

All panelists agreed that the new law was a mixed bag of potential pluses and minuses. It will take time before the full impact is known, especially as challenges and interpretations work their way through the courts.

## **SPECIAL PRESENTATION:** **Anatomy of the Bust —** **Major N.Y. Auto Fraud Ring**

A no-fault auto-fraud ring recently busted in New York made at least \$400 million in bogus injury claims in one of the largest auto frauds in U.S. history, a member of the FBI's Eurasian task force said in an exclusive briefing.

The ring was run by Russians primarily from an ethnic enclave in Brooklyn, but operated in all boroughs.

Notably, the ring identified "good" and "bad" insurers. Good insurers scrutinized claims in less detail than bad insurers that conducted rigorous examinations under oath and other tough claim scrutiny. The ring focused primarily on fleecing only policyholders of good insurers to better avoid detection.

Runners trolled crash sites, looking for crash victims to recruit for fake injury treatment. Runners were paid \$2,000-\$3,000 per patient. The patients received \$500 and other inducements such as free massages. And if they failed the show for an appointment, Russian enforcers would knock on their doors and escort them to the clinics for their treatments.

Some runners used police scanners, and received leads from tow-truck operators and ER employees.

The ring set up hundreds of professional corporations to bribe cronies and launder stolen insurance money.

The ring also operated numerous bogus clinics with diverse specialties such as chiro, psychologists, MRI units, X-ray firms, orthopedics and therapeutic massage. Kickbacks were described as rental payments.

Recruiters knew doctors willing to sell their licenses and be illegally installed as shell owners and operators. The docs then received \$6,000 a month. One doctor had 35 shell corporations



**Mikhail Zemlyansky**  
*Alleged ringleader*



# BALTIMORE 2012

## *Coalition Against Insurance Fraud*

under his name. Affiliated attorneys coached the doctors on what to say at EUOs, especially confirming that they owned and controlled “their” clinic. Treatment could be as minimal as a chiro merely touching a “patient” for 30 seconds, requiring three to four regimens, and then billing insurers full price. Psychologists might bill for 10 hours but see a “patient” for only 15 minutes.

***Key to the bust was cooperation by NICB and insurers such as Travelers and MetLife, that provided pretext policies and vehicles that allowed the FBI to conduct its undercover operation.***

Much of the money was laundered through check-cashing services and rent checks the clinics paid to landlords. Insurance money also was direct-deposited into the doctors’ personal accounts, then transferred to shell companies.

Key to the bust was cooperation by NICB and insurers such as Travelers and MetLife, that provided pretext policies and vehicles that allowed the FBI to conduct its undercover operation. Undercover agents posed as patients for three months, gathering audio and video evidence. A clinic manager also was convinced to cooperate.

Once the case was ready for prosecution, 37 RICO indictments were filed against 10 doctors, three attorneys, two chiropractors and other professionals. These were the individuals who actually controlled the medical clinics and other entities. They were charged with illegally incorporating “docs in a box,” and with unnecessary and phantom treatment. More indictments may be in store as the investigation continues.

## Membership

Five new members have joined the Coalition so far this year: Inform Software Corporation; North American Training Group; CorVel Corporation; Washington State insurance department; and the National Center for the Prevention of Home Improvement Fraud. Membership in the Coalition now stands at 96 organizations, with a goal of 100 by year’s end.



## Legal

The Coalition is co-filing an amicus brief next week with NICB in the West Virginia case of State Farm v. Huggins in a effort to overturn the decision allowing protective orders limiting an insurer’s ability to detect fraud by medical providers.



## Public Information Committee

One of the Coalition’s biggest business assets is its diverse membership of insurers, consumer groups and government agencies, communications director Jim Quiggle said in opening the mid-year report of the Public Information Committee.



# PUBLIC INFORMATION COMMITTEE

Unique in the U.S., this membership has given the Coalition a powerful brand as a uniting voice of the anti-fraud community. This brand has earned the Coalition great credibility with the public, media and other audiences whose support is crucial to turning the corner on insurance fraud.

This credibility translates to access and impact. HHS Secretary Kathleen Sebelius asked the Coalition to speak at a news conference this winter announcing some of Medicare's toughest reforms in years. The Coalition also has helped legislators write anti-fraud laws from scratch. Reporters frequently interview the Coalition



because we are considered a balanced and authoritative voice.

## In the Media

In ongoing media efforts, the Coalition has earned 204 news stories covering 16 distinct fraud topics.

Key successes include placing a story about contractor fraud on *CBS News*; appearing on *ABC World News Tonight* in a feature about workers comp scams; and an *Associated Press* story on no-fault fraud in Florida that garnered roughly 50 stories, including the *Miami Herald*.

Contractor fraud is one of the Coalition's lead

media issues this year. The Coalition has issued one news alert, and will send more alerts this summer and fall. A key news hit was an interview with AARP's news magazine. It is one of the most well-read publications in the U.S. with a circulation of 37 million.

Videos in English and Spanish also have been posted on *YouTube*.

The spring issue of the *Journal of Insurance Fraud in America* was published. One feature article reveals that TV commercials developed with careful science can measurably convince more people not to commit fraud.

Another article uses exclusive Coalition data to explore how the economy is buffeting many fraud bureaus. Agent fraud is the biggest concern of bureau directors, and fake health plans may be making another national comeback, the data reveals.

The Coalition also continues growing its Facebook and Twitter efforts, and has pushed at least 200 anti-fraud messages to the public so far this year.

## New website

The Coalition is planning a major redesign of its website, which is the nation's largest site devoted solely to insurance fraud. The experience will be more enjoyable and informative, thus encouraging visitors to return for more.

The site will be on the cutting edge of technology, aesthetics and functionality. Information will be easier to find. Popular features such as the Hall of Shame will be more easily displayed for quick discovery and viewing. Footers will allow important information to be displayed on every page, such as real-time news, blogs, and *Facebook* and *Twitter*. The pages also will have more colorful art and will be more interactive.



# GOVERNMENT AFFAIRS

## Government Affairs

The Government Affairs Committee reported on successful anti-fraud efforts in several states. Of special note was Alabama's making insurance fraud a specific crime. Until this spring, Alabama was one of just three states without such a law.

**Alabama.** The anti-fraud community tried for 17 years to convince the state legislature both to make fraud a specific crime, and create a fraud unit housed in the insurance department. A bill finally passed this spring. It is nearly identical to a proposal the Coalition helped draft 17 years ago. Funding will come from an annual assessment on insurers.

**Michigan.** An anti-runner law was enacted earlier this year. The proposal moved when the insurance department used the bill for non-fraud issues that had to be passed. The original version was based on the Coalition's model anti-runner law several years ago.

The state also is looking to create an auto insurance fraud prevention authority. The Coalition has worked with NICB and Michigan insurers to draft the original bill. An amended version passed the House less than a week ago. An alliance of insurers, the Coalition and other parties will work to help the measure clear the statehouse this fall.



**Bob Passmore**

*Highlighted PCI's legislative effort on contractor fraud*



**Louisiana.** Two bills championed by the state police advisory board passed. One extends the anti-fraud effort to 2014. The second gives the attorney general the authority to bring civil actions against suspected fraudsters.

**Maryland.** Initiated by the Coalition's Government Affairs Committee two bills introduced in Maryland were enacted into law recently. First, the insurance department gained civil fining authority against suspected fraudsters. This will help ensure penalties especially if prosecutors are reluctant to bring a criminal case.

The state insurance fraud immunity law also was expanded to allow more exchange of case information among insurers, law enforcement, regulators and NICB.

**PCI focus: contractor fraud.** Pursuing new state contractor fraud laws has been a key thrust this year of the Property Casualty Insurers of America, reported Bob Passmore, senior vice president-personal lines policy. This reflects an effort to thwart storm chasers who defraud homeowners and insurers.

Eight state laws have passed so far in 2012, primarily in the midwest storm belt. Another bill may be considered in Pennsylvania. Contractor fraud laws generally revolve around three elements: cracking down on inducements such as paying for deductibles; allowing contract rescissions; and restrictions on solicitation, Passmore said.

## SPECIAL RESOLUTION

The Coalition presented Joe Wehrle, center, of NICB a framed [resolution](#) honoring the organization for its 100th anniversary. The resolution was signed by co-chairs Steve Perry, left, and Frank Sztuk, right, and executive director Dennis Jay.

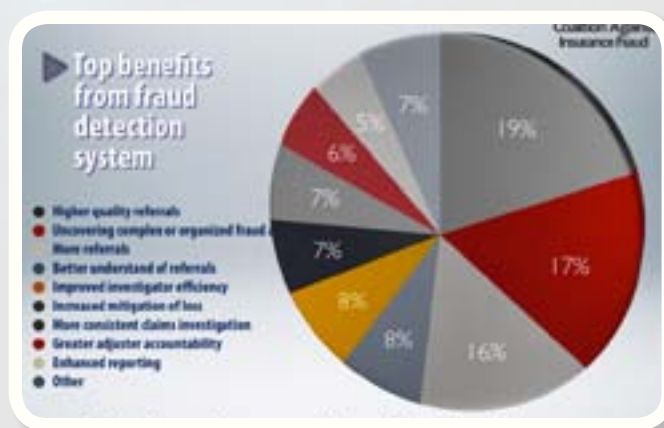
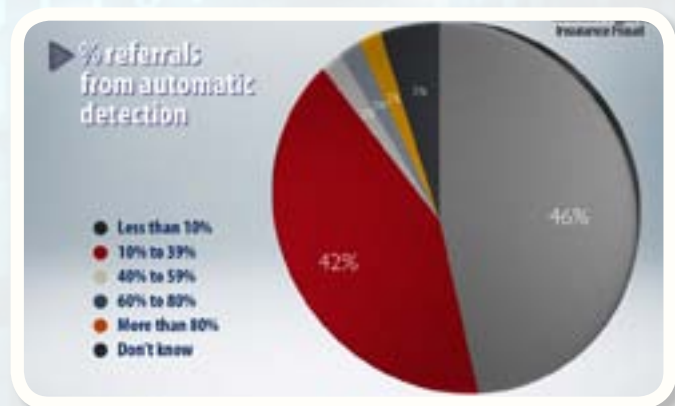


## Technology Committee

The technology survey has gathered data from 73 insurers so far, but more insurers are needed to fully vet the findings.

Among the findings so far: Detection (33 percent) and investigation (34 percent) are the two primary insurer uses of technology; more than half have used technology for more than five years; uncovering complex or organized rings (17 percent) and more-consistent claim investigations (19 percent) were top benefits of technology; text mining was the top technology being considered for 2012 (17 percent).

The study, which is being conducted with technology vendor SAS, should be concluded in August, with a final report issued soon thereafter.



## ORGANIZATIONAL UPDATES

**NAIC.** The Anti-Fraud Task Force has nearly finished the latest updates of the online health-care fraud reporting form recommended by federal health reform, task-force vice chair Steve Perry reported. The task force also is drafting a guide covering safety procedures for state fraud investigators while in the field. The guide comes in response to the shooting deaths of two investigators of the Louisiana insurance department by an agent last year.

**National Insurance Crime Bureau.** CEO Joe Wehrle reported that analysis of NICB's aggregated medical data reveals that providers are more likely to charge property-casualty insurers almost twice the amount for the same services that health insurers are charged, including services such as providing hot/cold packs (\$396 v. \$175). Some 15 percent of billing in all lines in the database involve packs.

Property-casualty insurers are easier to target for several reasons: Lack of consistent guidelines on allowed/payable procedures; lack of guidelines for billing practices; and lack of broadly applied fee schedules, he said

**IASIU.** IASIU's European Chapter held its 6th biannual seminar in Dresden, Germany June 4- 6. More than 200 attendees from 21 countries spanning four continents were on-hand. The European CIFI program debuted, and five people received their CIFI designation. A new president was elected, Oliver Lindsiepe of General Reinsurance AG of Germany. Former President Lars Skaar was honored for his years of contributions, reported IASIU President Dave Rioux.

In the U.S., early spring through early summer is training mania with many of the chapters hosting seminars. A new chapter recently was formed in Tennessee by Ryan O'Rear of Permanent General. This brings IASIU to 40 chapters throughout the U.S. and Europe. The international conference will be held September 9-12 in Palm Desert, Calif. To register, visit [www.iasiu.org](http://www.iasiu.org).

**New York Alliance Against Insurance Fraud.** The Alliance is taking out a digital in Times Square in New York City, reported NYAAIF board chair Jack Houston. Several rotating messages will focus on what constitutes fraud, such as padding a claim to cover a deductible. The Alliance's *Facebook* and *Twitter* efforts continue steady growth, and news releases have been sent out in English and Spanish.

**San Diego County DA.** The DA has mounted an active public outreach effort to combat workers comp fraud with a focus on prevention, said Dominic Dugo, chief of the Insurance Fraud Division. A key focus involves reaching out to the many ethnic groups in the region.

The DA, for example, has taken out ads in news outlets of numerous locally spoken languages such as Spanish, Korean, Vietnamese, Filipino and Chinese. A billboard ad featuring a jailed fraudster and headlined "Commit Workers Comp Fraud, Make New Friends" has proven effective. The DA also has distributed 200,000 anti-fraud posters to employers in English, Spanish and Chinese. Ads in 340 movie screens reached one million people.

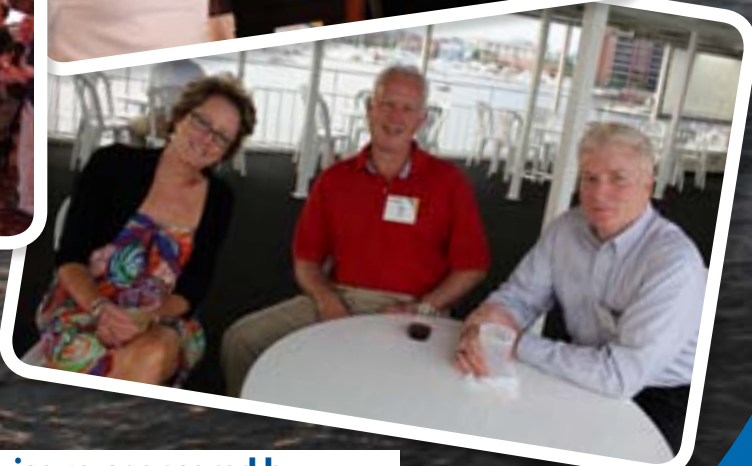
### Next Meeting

The annual membership meeting will be held December 6 in Washington, D.C. at the Georgetown University Conference Center.

**Jack Houston**  
*Discussed the NYAAIF's campaign*



# THE BLACK-EYED SUSAN



Dinner cruise co-sponsored by

