

## Scamming the system: The rising cost of health care fraud

By: Richard N. Velotta, Vegas Inc.

As insurance fraud prosecutions go, this one was a textbook case.

Thirty-one-year-old Las Vegas resident Shanita Flax pleaded guilty to two counts of felony theft in August 2012 for a scheme in which she received money from women undergoing cosmetic breast implant procedures but ordered their implants as though they were part of breast cancer treatments.

Flax, a civilian contractor at O’Callaghan Federal Hospital at Nellis Air Force Base, pocketed the cash she collected from the women, then billed Air Force insurers for the implants.

Health care fraud investigators say the deceit is common. Fraudulent billings are a lucrative tactic for scammers.

In 2009, when Flax was committing her scheme, health care fraud, including bogus Medicare claims and kickbacks for worthless treatments, reached upward of \$175 billion. Today, the problem is even worse.

During the first eight months of 2011, the Justice Department prosecuted 903 cases of health care fraud — more than for all of 2010.

Because Nevada’s population is so small, the number of local prosecutions is relatively low. Industry sources say there were fewer than 100 health care fraud cases here in 2012.

Despite the low numbers, the percentage of successful prosecutions is high, mainly because the state’s health insurance industry, law enforcement and prosecutors are organized and on the same page about the cases to pursue and the approaches to take.

“One of the things Nevada has going for it is that it has a very active U.S. Attorney’s Office that is concerned about health care issues,” said Gary Auer, director of the Special Investigations Unit for health insurer Anthem Blue Cross.

Prosecutors are smart to take the fraud seriously. Health insurers say they save \$11 in costs for every dollar they spend fighting fraud.

Health care fraud comes in a variety of flavors. Most involve bogus claims, such as the Flax case. Others include physician overbilling, identity theft, staged traffic accidents, fake slip-and-fall injuries and drug abuse.

Many scammers justify their behavior by slamming insurance companies and their desire for profits.

Often, there is a cavalier attitude about fraud and insurance companies, the **Coalition Against Insurance Fraud** reported. Accenture, a

*Often, there is a cavalier attitude about fraud and insurance companies, the Coalition Against Insurance Fraud reported.*



management consulting company, conducted a study that found 1 in 4 Americans believe it’s acceptable to defraud insurers. One in 10 said it is acceptable to submit claims for personal injuries that never occurred, and 2 in 5 said they were unlikely to report someone who ripped off an insurer.

Doctors aren’t above sticking it to insurance companies, either. The Journal of the American Medical Association reported that almost 1 in 3 physicians said it is necessary to game the health care system to provide high-quality medical care. One in 10 doctors reported medical signs or symptoms a patient didn’t really have to help the person secure coverage for treatment or services.

Insurance investigators hunt for fraud. They use computer systems to detect unusual payment patterns and collect tips from whistleblowers.

Law enforcement officials, on the other hand, focus on prescription drug abuse.

“We’ve got a huge, huge public health problem, and it’s not just here in Clark County,” said Paul Rozario, assistant special agent in charge of Nevada’s Drug Enforcement Administration. “This problem is, by far, one of the worst things we’re facing as a country. If you look at it, there are safeguards in place, but obviously there appears to be some serious deficiencies in the way we’re going about it.”