



Fraud

Baldomero Gonzalez

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Workers' Compensation Fraud

It is estimated that ten percent of all claims, nearly \$31 billion dollars, is paid annually in fraudulent workers' compensation claims. Workers' compensation laws vary from state to state, but most require payment of 100% of medical and upwards of 75% of lost wages. These factors makes false and exaggerated claims workers' compensation fraud a common target.

One of the best ways to control your workers' compensation cost is to reduce your numbers of claims. A strong safety program not only avoids the legitimate claim, but also reduces the potential for fraud. Another step to reducing fraud is taking a pro-active stance toward fraud.





Pro-Active Workers' Compensation Fraud Prevention Program

- CAS-Claims Administrative Services, Inc. has found that a strong pro-active anti-fraud program is one of the strongest deterrents to preventing and controlling workers' compensation fraud. A pro-active program will not only save you thousands of dollars, but also provide a positive work environment for the many honorable employees who file work-related claims.
- To assist employers in avoiding and controlling workers' compensation fraud, CAS has developed an overview of fraud in the workplace.





What is Workers' Compensation Fraud?

Workers' compensation fraud occurs when a person knowingly, or intentionally conceals, misrepresents, or makes false statements to either deny, or obtain workers' compensation benefits, or insurance coverage, or otherwise profit from deceit. The key to conviction is proving in court that the misrepresentation, or concealment occurred knowingly, or intentionally.





Red Flags for Fraud

- Experience shows that when the following events occur there is the potential that the claim may be fraudulent and may warrant further investigations.
- These are only indicators, and a thorough investigation should be completed to determine if fraud exists according to your individual state laws.





Red Flags for Fraud

- **Monday Morning Claims**
Be cautious of a claim that occurs first thing Monday morning, or late Friday, but not reported until Monday, and there are no witnesses. Too often this can be the result of a weekend injury, or sports injury.
- **Length of Employment**
If the length of employment is relatively short and much like the Monday morning claim has no witnesses then this type of claim has the potential for being a fraudulent case.
- **Employment Change**
Watch for an accident that is reported near a job change, job termination, industrial dispute, end of a large project, at the conclusion of seasonal work, or if the employee is a short term employee.





Red Flags for Fraud

- **Long Delay Between Date of Injury and reporting of injury**
Be aware of late reporting of injuries without a reasonable explanation.
- **Holiday or Vacation**
Watch for an injury that occurs a day or two prior to a holiday, vacation, or hunting season.
- **No Witnesses**
Watch for a report of injury that either has no witnesses, or the injured workers' description of the accident doesn't logically fit the type of injured reported.





Red Flags for Fraud

- **History of Claims**
Employee has a history of suspicious claims.
- **Conflicting Descriptions**
Watch for a claims report where the employee's description of the accident's conflicts with the medical history, or injury doesn't fit the description of the injury, or location.
- **Never at home**
If the injured employee is never at home when they are allegedly disabled, or if a family member is the contact person.





Red Flags for Fraud

- **Doesn't keep medical appointments**
If the employee misses numerous medical appointments without adequate explanation, or an injured employee who refuses a diagnostic procedure to confirm the nature of the injury. Be aware of any injured employee who has no ongoing treatment.
- **Disgruntled Employee**
Watch for unhappy employees who have voiced complaints over their job, salary, or has a grudge against the employer.
- **Employee Immediately hires an attorney**
Be cautious of an injured employee who immediately hires an attorney.





Red Flags for Fraud

- **Unusually familiar with insurance terms**
Be aware of worker who is unusually familiar with insurance terms and procedures.
- **Obvious Signs of Working**
Be aware of the physical appearance of the employee after the accident.





Tips For Controlling Workers' Compensation Fraud

- **Written Policy Regarding Fraud**
Have written policies and procedures that make it clear to employees you will not tolerate any abuse of the workers' compensation system. Have procedures for investigating, prosecuting, and seeking recover from overpayment, or benefits received fraudulently.
- **Post Signs**
Post signs throughout your district about fraud awareness and how employees can report fraud. Employees are an excellent source for detecting fraud.
- **Meetings**
Include topics on fraud and its impact in training sessions for your employees. Let them know the harm that fraud causes them and the company.





Tips For Controlling Workers' Compensation Fraud

- **Train Your Staff**
Train your staff how to detect fraud and how to report it.
- **Know Your Rights and Responsibilities**
Know your rights regarding fraud. It is equally important to know your responsibilities regard the handling of any suspected fraud case.
- **Show Concern For Your Employees**
Call your employees at least weekly and make personal visits to your employees. Showing your concern will show the all employees that you care about their well-being.





Tips For Controlling Workers' Compensation Fraud

- **Retain Current Addresses For All Employees**
This can be very beneficial for the claims adjuster.
- **Listen and Document**
Document all information relating to employee injuries. This data can become very valuable when pursuing a fraudulent claim.
- **Conduct Exit Interview**
Conduct exit interviews to determine why the employee is leaving, and to determine if any injuries, or accidents have occurred while employed.






Tips For Controlling Workers' Compensation Fraud

- **Awareness**
Be aware of unhappy employees and the basis for their concerns.
- **Participate in Fraud Investigations**
Take the time to participate in the fraud investigation. Stay involved until the claim has been resolved.
- **Report Claims Immediately**
Report any suspected fraud immediately. The more rapidly the adjuster is aware of potential fraud the better opportunity of detection.





What Should You Do If You Suspect Fraud?

- **Report the suspected fraud claim immediately** to CAS with the basis for suspected fraud. Call and/or fax the data. Do not delay reporting or send by regular mail. The more rapidly the suspected fraud is reported the more rapidly determination can be made if fraud exists.





What Should Be Done If Fraud is Detected?

- If you have evidence of fraudulent activity, provide the evidence to your local district attorney, or to the State Workers' Compensation Commission where the offence occurred. Many states have fraud hot lines. This data can be obtained from the state or CAS.





What is Normally Required to Prosecute Fraud?

- There must be a false representation.
- The false representation must be intentional or knowingly made.
- The false representation must be made for the purpose of obtaining a benefit that the claimant is not due.
- The false representation must be material, that is, make a difference in whether benefits were or were not obtained.





What is Normally Required to Prosecute Fraud?

- There must be probable cause of fraud that indicates a violation of the law or code.
- Normally a jurisdiction, or state has a minimum dollar loss from fraud before they will pursue.
- Determination of the likelihood of successful prosecution.





Penalties

Penalties vary by State.

- Although most claims are legitimate, many are inflated, or fraudulent. The ability to identify and report suspicious claims is essential in controlling fraudulent claims.
- The indicators listed above don't necessarily indicate that fraud has been committed. They should however make you aware of the possibilities.



Workers' Compensation

FRAUD

has many faces...Do you know one of them?

- Health care providers who bill for medical services not performed.
- Employers who falsely report the number of workers they employ or falsely classify workers to reduce the cost of insurance.
- Workers who report fake injuries.
- Insurance carriers who intentionally falsify documents in order to deprive benefits.
- Attorneys who submit false attorney fees to insurers for payment.

Workers' compensation fraud costs Texans millions of dollars each year in higher prices for goods & services, insurance premiums, and medical care.

Report workers' compensation fraud by calling 1-888-327-8818.
Or e-mail FraudReport@tdi.state.tx.us. You may remain anonymous.



Reporting Fraud

Here are three ways to report fraud and help put money back in your pocket:

1. Submit a fraud report online. Go to www.tdi.state.tx.us/fraud and click on Report Fraud.
2. Call the toll free fraud hotline 1-888-327-8818
3. Download a form and instructions from the TDI website.

Print and send it to:
Texas Department of Insurance
Fraud Unit
P.O. Box 149336
Mail Code 109-3A
Austin, TX 78714-9336
or e-mail the form to
FraudReport@tdi.state.tx.us

Contact Information

Website:

www.tdi.state.tx.us/fraud

E-mail:

FraudReport@tdi.state.tx.us

Fraud Hotline:
1-888-327-8818

**WORKERS'
COMPENSATION
FRAUD**



**has many faces...
Do you know one of them?**

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Texas Department of Insurance

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Q&A



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