

## BENEFITS – FRAUD \$ CLAIMS ABUSE

### Crimes of opportunity

Canadian Life and Health Insurance Association (CLHIA) reports that insurance fraud and abuse annually account for “hundreds of millions of healthcare spending”, up to 10% of annual costs. In 2019, supplementary health coverage was provided to 26 million Canadians – 90% through group insurance plans, and 10% through individual plans, costing over \$38.1B annually.

Fraudulent group benefits claims, where false or misleading information about a treatment or service, can be submitted to the insurer by a service provider, clinic, facility, and/or plan member.

### Why does this matter?

Sustainability of group plans is important – employers are looking for cost containment opportunities. Think about your organization’s plan. If your plan costs \$100,000 annually, and fraudulent claims reach 10% of claims, that would cost the plan \$10,000. Insurers cannot overlook this threat, and have focused on solutions to manage fraud through technology and improvements to their processes.

According to Sun Life, key threats include lack of understanding, which makes employees more susceptible for fraud; rising health care costs, allowing criminals higher financial gains; organized crime migrating to benefits fraud as other sources tighten controls (ie: credit and debit cards); and law enforcement focusing their limited resources on crimes against individuals, not companies.

### Most common benefit frauds

Equitable Life recently published a comprehensive list of the most common types of benefits fraud, which include:

- Billing for services not rendered: creating false claims using genuine patient information or padding claims with extra charges for services that never took place
- Up-coding services or items: billing for more expensive services or products than what was actually provided
- Submitting false claims: altering an existing claim receipt, such as the date or dollar amount, in order to claim twice for the same service, or have the date fall within a time frame that is eligible

### THE JOHNSTONE'S ADVANTAGE

Our mission is simple:  
**Treat each client as if they were our only client.**

Our value is clear:  
**We are completely independent.** We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization, and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple.**



- Unbundling: submitting separate bills for services that would normally be bundled together
- Charging for excessive or unnecessary service
- Kickbacks: rewards given to entice clinics, facilities, and providers into using specific services or products
- Falsifying patient records: creating a false diagnosis to justify tests, products or treatments, or other procedures that aren't medically necessary
- Co-pay activities: billing more than the co-pay amount when services were paid in full by the benefit plan, or waiving the co-pay and over-billing the insurer

We've added a few more, based on our experience:

- Multiple drug stores for prescription drugs
- Locations of services: have a dentist's appointment in Kelowna, when the insured lives and works in Vancouver
- Employers mispresenting information about an employee, such as hire date or benefits effective date

### Is prevention the cure?

With technology, insurers have powerful tools to identify potentially fraudulent or abusive patterns, including analysis of social networks of relationships across service providers and plan members; analysis of patterns to identify suspicious behaviours related to previous fraud patterns; and analysis that predicts the likelihood of fraud, where and when new fraud might be likely to occur.

A well-designed benefits plan helps to reduce benefits fraud. When employees share in the premium costs, they are more interested in controlling costs. As well, plans with fair and reasonable caps, including health spending accounts, limit abuse and plan liability.

We encourage plan sponsors to educate employees about benefit fraud and what steps they can take to mitigate plan risks, which include:

- Protect personal information to mitigate identity theft
- Don't give your benefits information to others to obtain services or products
- Ensure your receipts reflect the service or treatment you received
- Check your Explanation of Benefits provided by the insurer to ensure it's correct
- Don't sign your name to blank claim forms
- Understand your coverage and plan limits
- Ask questions if the treatment or service given to you, or invoiced, doesn't make sense to you, and alert the insurer if not satisfied with the information.

#### *It's a Crime ....*

*"Benefits fraud is becoming more widespread, in part because, as we've found in our research, many don't understand that it is a crime," notes Stephen Frank, President and CEO of the CLHIA. "Most people think, if you are caught, you would just repay the money. In fact, the consequences are bigger than that and can include the loss of your job and in some cases, ending up with a criminal record and jail time."*

## CONTACT US

### Johnstone's Benefits

3095 Woodbine Drive  
North Vancouver, BC  
V7R 2S3

Phone: 604 980 6227  
Toll Free: 1 800 432 9707  
Fax: 604 983 2935

Website: [www.jbenefits.com](http://www.jbenefits.com)

**JOHNSTONE'S JOURNAL** is published monthly and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies and share with your employees.

