
THE AIS REPORT

on Blue Cross and Blue Shield Plans

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Almost \$350 Million Said Saved by Blues Plans' Anti-Fraud Efforts

Blue Cross and Blue Shield plans say they saved and recovered \$347.2 million in 2008 because of plans' anti-fraud investigations, almost \$100 million more than the \$248.4 million recovered in 2007. The Blue Cross and Blue Shield Association (BCBSA) pointed to the efforts of a number of plans, among them Anthem Blue Cross of California and Blue Cross and Blue Shield of Illinois, during a recent Webcast. BCBSA said medical fraud costs the health care industry roughly \$63 billion a year, or about \$200 per member per year in premium costs.

Byron Hollis, managing director of BCBSA's national anti-fraud department, said that over the past five years, fraud detection and recovery efforts at Blues plans have increased through their special investigations units (SIUs). Last year's efforts, he said, led to closing 43% more cases (16,612) than in 2007 (11,665) and a return of \$7 for every \$1 spent on anti-fraud measures, up from a ratio of \$5 returned for \$1 spent in 2007, according to Hollis. Blues' SIU efforts resulted in 252 convictions and 140 civil actions, settlements and judgments in 2008, he added.

BCBSA recognized Health Care Service Corp. (HCSC) — which operates Blues plans in Texas, Illinois, New Mexico and Oklahoma — for efforts that led to fines and restitution of \$2.5 million from an allergist who submitted inappropriate bills and threatened to send collection agencies after patients. The provider submitted \$800,000 in Medicare and private health care claims, according to HCSC. The investigation was spurred by anti-fraud hotline and FBI calls made to HCSC. The Illinois Blues plan now has placed "a new edit in its system to prevent similar future payments," BCBSA said.

HCSC spokesperson Mark Lane tells *The AIS Report* that the company works with law enforcement, tracks referrals and works with regulatory agencies as part of its anti-fraud efforts. Last year, according to Lane, the company recovered \$1.6 million related to fraud. In addition, it received court-ordered restitution of \$773,000 last year.

As of June 2009, HCSC already recovered \$2.0 million in fraudulent claims, he says. And prepayment review has saved \$810,000 in Illinois and Texas and \$2.0 million in Oklahoma. But Lane asserts, "We can't tell if the actual

fraud activity is increasing or if we're getting better at detecting it...It's probably a little of both."

An Anthem effort in California, to cut fraudulent claims used Google Earth and other tools to find unlikely provider addresses and to conduct visits of "questionable" durable medical equipment and laboratory providers. The company found that 10% of 500 new providers submitting claims were not valid businesses. Anthem spokesperson Todd Siesky contends that without the program, each entity could incur between \$1,000 and \$75,000 in claims.

Anthem Sees Two Types of Phantom Schemes

Anthem's experience shows that phantom providers often bill plans for "three to nine months and shut down individual operations, only to reopen under new corporate names, with new locations, often merely post office boxes or small offices designed only to receive mail and checks from the insurance companies," according to Siesky. He explains that they use two different approaches. "Some use a 'pinging' approach." Such operations start with a few small claims. After the plan has processed the claims, they submit more claims. The other group submits "a mass of billings shortly after opening, "seeking to obtain large initial payments," and then closes operations very shortly thereafter, Siesky explains.

Another effort, dubbed "Operation Pillbox," identifies providers distributing illicit drugs and furnishes the information to local, state and federal investigators, particularly the Drug Enforcement Administration drug diversion units, says Siesky. He stresses that it is an ongoing program, and "savings really only begin when their investigations reach the arrest and filing stage." Many cases already are referred to law enforcement, and "we have every expectation that our savings will be multiplying as these cases reach the prosecutorial stage," Siesky contends. He says that "our most recent year-to-date figures, resulting from already achieved arrests, totaled \$906,607 in the Anthem commercial programs, and \$1,726,751 in our state-sponsored business program."

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