



Detecting and Preventing Healthcare Fraud with Audit Analytics

The Healthcare industry is susceptible to fraud carried out by both providers and claimants. This article will look at a few techniques for detecting fraud using data analysis technology and provide common examples that may help you identify opportunities for fraud prevention at your organization.

The Association of Certified Fraud Examiners (ACFE), the Institute of Internal Auditors (IIA), and the American Institute of Certified Public Accountants (AICPA) all advocate the use of data analysis technologies to assist in fraud detection.

Data analysis is important for fraud prevention because it enables you to examine all critical transactions that are susceptible to fraud, error and abuse.

That is because internal control systems typically have inherent weaknesses that can either be exploited, or actually end-run. To implement an effective fraud detection and prevention program, it is important to look at 100% of transactions and compare data from different applications and systems to find matches that really should not be there. Or, to look for duplicate entries in the transactions that are indicative of fraudulent activity and inefficiencies. Ideally, the transactions need to be monitored continuously, which is why automation in high-risk areas is key to be able to catch fraud as it occurs and before it escalates.

While there are some advocates of using sampling for fraud detection, there are known issues with this approach including:

- you may not be able to fully quantify the impact of control failures
- you may not be able to estimate within certain populations
- you may miss many smaller anomalies and sometimes it's the little anomalies that add up over time to result in very large instances of fraud

While sampling is required for some mandated processes, it may not be sufficient for comprehensive controls testing. Sampling is not able to fully quantify the impact of control failures... It may be able to estimate errors within a population but may miss many smaller anomalies. Yet these anomalies can point to weaknesses that may later be exploited causing a material breach. Also, fraud is not necessarily representative in a sample. So if you want to proactively look for fraud, you need to review all transactions. The need is to get the complete picture of potential anomalies, and sampling doesn't do this.

Additionally, sampling is most effective with problems that are relatively consistent throughout data population. Fraudulent transactions by nature do not occur randomly. Also fraudulent transactions may fall "within bounds" for standard testing and therefore do not get flagged

There are a number of proven tests available that can help detect and prevent fraud, and help you find money within your organization. A few Healthcare examples include:

- Excessive Billing
- Multiple Billings
- Upcoding of Procedures.

The culprits of excessive billing are typically the actual health care providers themselves. For example, physicians with the same diagnosis on the same procedure, time and time again; or an excessive number of procedures either per day or per place of service. There are cases where physicians claim to have seen so many patients in one day that they would only be able to spend seconds per patient. This is a great indicator of someone trying to abuse the system.

There are also physicians who are guilty of upcoding procedures. That is, they consistently submit codes for expensive procedures more often than most of their colleagues. If you compare the statistics, this anomaly becomes obvious. There are other physicians who will submit age-inappropriate treatments. For example, a teenager who is being treated for a geriatric disease or vice-versa. These types of submissions are made by people who don't think anyone is paying attention to every transaction.

There is also fraud perpetrated by those claiming healthcare expenses. For example, people will submit multiple claims for the same thing or they will invent fraudulent family members. There are instances of people who claim to have five dependant children who are all born within a two-year period with different birth dates. That's clearly someone who is trying to get more than their own children covered by their health benefits, such as nieces and nephews. And there are examples of gender-inappropriate treatments, such as a man giving birth to a baby.

Obviously fraud that goes undetected is very expensive for healthcare providers. ACL's powerful analytic solutions can help organizations automate tests that review all critical transactions on a scheduled basis, so these examples of fraud and abuse are quickly and easily detected.

» [Download](#) our Healthcare Applications for ACL sheet for a list of usage scenarios and areas that you could find money, fast.