



# WORKING TOGETHER TO COMBAT WORKERS' COMPENSATION FRAUD

Presented by: SilverStone Group

# Insurance Fraud Facts

- ❑ Insurance fraud is defined as an occurrence in which employers or employees try to make money from insurance transactions via deceptive measures.
- ❑ Second to tax evasion, insurance fraud is the most costly white-collar crime in the United States.\*
- ❑ Insurance fraud accounts for nearly \$80 billion in lost claims, wages, etc.\*

Sources: \* Virginia State Police Insurance Fraud Program, 2009.

# Types of Insurance Fraud

- ▣ **Hard Fraud:** Includes faking an accident, injury, theft, arson or other loss to collect money illegally from an insurance policy.
- ▣ **Soft Fraud:** Cheating acts by normally honest people, such as exaggerating injuries or damages due to an accident



# WC Fraud in the Workplace



- ❑ WC Fraud – The majority of WC claims reported are truthful, but given the statistics, unfortunately fraud does occur.
  - Claimant fraud, the most popular kind of WC soft fraud, occurs when a worker lies to collect benefits. He/she may claim an injury is work-related but it isn't, exaggerate an injury, or secretly continue working elsewhere while collecting benefits from you.

# WC Fraud – Red Flags

- ▣ How can you tell if a claim is false? There is no sure-fire way to identify WC fraud without proof, but there are red flags:
  - **Accidents on Fridays or Mondays** – Accidents that occur on these days raise a red flag, especially if other red flags appear.
  - **Late Reporting** – Employee delays reporting the claim without a reasonable explanation.
  - **Employment Change** – The injury is reported after disciplinary action, before or after a strike, after job termination, or upon conclusion of seasonal work.

# WC Fraud – Red Flags

- **New Employee** – Statistically, the newer the employee is, the more likely the claim is fraudulent, especially if combined with other red flags.
- **No Witnesses** – The accident has no witnesses, and the employee's own description does not logically support the cause of injury. Make note of alleged accidents with no witnesses, especially if the employee's duties rarely call for him or her to work alone.
- **Conflicting Descriptions** – The injured worker describes the alleged accident differently to the employer and doctor, or it varies from witnesses' statements.

# WC Fraud – Red Flags

- **Hard to Reach** – You have difficulty contacting employees at home when they are allegedly disabled. The employee may be working another job while collecting benefits. This practice, referred to as ‘double-dipping,’ constitutes fraud.
- **Treatment is Refused** – The employee refuses a diagnostic procedure to confirm the nature or extent of injuries or may not be compliant with therapy.
- **Medical History** – The employee has a pre-existing condition medical condition that is similar to the alleged work injury.

# WC Fraud – Red Flags

- **Unusual Coincidence** – There is an unusual coincidence between the employee's alleged date of injury and his/her need for personal time off.
- **Using the Same Doctor/Lawyer** – Use of the same professionals by a group of employees
- **Suspicious Providers** – Medical/legal consultants have a past history of handling suspicious claims.
- **Hobbies** – The employee has a hobby that could cause an injury similar to the alleged work injury.

# Take Action



- ▣ Fraudulent claims are a primary factor in driving up the cost of premiums for both employers *and* employees.
- ▣ If two or more of these red flags are identified, or if there are other reasons for concern notify the claims adjuster immediately.

# Fighting WC Fraud

- ▣ How can you fight fraud and lower your Workers' Compensation costs?
  - **Implement a Return to Work Program** – Significant savings may be achieved with a Return to Work program. Experience shows that injured workers recover faster when they return to work. Returning to regular work usually occurs more quickly when transitional or modified duty is offered to the injured employee.
    - ▣ Employers can cut costs by decreasing the amount of time that an injured worker remains out of work. Companies that have implemented early Return to Work programs have seen 20 to 40 percent or more in WC cost savings.

# Fighting WC Fraud

- ▣ **Educate employees about the impact of insurance fraud and the importance of early reporting.**
  - Make WC fraud a regular topic of discussion at safety meetings
  - Utilize flyers and payroll stuffers to advance fraud awareness
  - Emphasize your tough stance on WC fraud perpetrators
- ▣ **Keep in touch** – Employees who feel valued are less likely to cheat the system. Keep in touch with an injured employee and make it clear you're looking forward to having him/her back at work as soon as they have the doctor's approval.

# Fighting WC Fraud

- ▣ **Partner with a reputable medical provider** – Pair with a local medical clinic to serve as your company's primary provider to ensure workplace injuries are treated by a reliable physician.
- ▣ **Establish accident-reporting procedures** – Employees and supervisors should be familiar with reporting procedures, and keep accident forms on hand. Also, stress the importance of reporting injuries promptly.



# Fighting WC Fraud

- ▣ **Investigate accidents immediately** – If an accident occurs, investigate the accident while memories are still fresh. Separately talk to each witness and co-worker about the injury. Be sure to relay any suspicions about the incident to your claims adjuster.
- ▣ **Handling suspicious claims** – Neither deny or confirm doubtful claims. Fraud is a serious accusation that if not handled properly could put you in the middle of a lawsuit for libel or slander. Give your company the added protection by working with your claims carrier to validate your suspicion and determine if the incident should be reported to the appropriate authorities.

# Fighting WC Fraud

- ▣ **Maintain a safe work environment** – Initiate a formal Safety or Injury Prevention Program to minimize safety hazards.
- ▣ **Conduct exit interviews** – You should document the work-related activities of employees who are about to be laid off or fired. Conduct exit interviews of employees that include questions about the employee's physical condition and any on-the-job accidents or injuries that have not been reported. This may help to deter fraudulent claims or refute future false claims.

# Strategies for Fighting Fraud

- ▣ If an accident occurs:
  - Instruct supervisors to conduct Accident Site Investigations immediately to confirm: **What, where, when, why and how**
- ▣ Communicate frequently with the injured employee
- ▣ Show concern for well-being
- ▣ Monitor treatment progress
- ▣ Discuss return to work dates



# Strategies for Fighting Fraud

- ▣ Communicate frequently with claim contacts
- ▣ Share Information with SilverStone Group
- ▣ Share Information with your Claims Adjuster
  - Adjuster tools:
    - ▣ Coordinate surveillance
    - ▣ Conduct unannounced in-home visit
    - ▣ Schedule independent medical exam (IME)
    - ▣ Challenge the medical condition and length of disability

# In Closing

Communication is key when it comes to WC fraud prevention. Any particular circumstances, witness statements, or other reasons putting the legitimacy of a claim in question should be shared with the insurance adjuster as early in the claim as possible.