Workers' compensation fraud

A costly and fast-growing risk

Workers' compensation is the fastest growing type of insurance fraud in the nation and costs employers **$7.2 billion** annually. Policies, procedures, and controls need to be regularly reviewed and enhanced to stay ahead of the fraudsters.

What questions can CRA help answer?

- Do payments comply with statutes, rules, and policies?
- Do costs line up with comparable data points; and if costs are higher, why?
- Are there indicia of waste, fraud, or abuse by employee claimants, medical providers, and/or professional services firms?
- Is there a sufficiently robust process in place to ensure each employee's timely return to work?

Phase 1 Assess risks and test controls

Understand the operations, controls, and risks of the workers compensation program, and test the presence and efficacy of controls.

This typically involves a review of:

- Applicable statutes, rules, and policies governing the compensation program
- Prior reviews, internal audits, and investigation reports
- Forms and reports that claimants are required to complete
- Employee and vendor contacts
- Workers' compensation claims and related awards
- Payments to third parties who provided workers' compensation services

Phase 2 Analyze claims data for patterns of interest

Analyze diverse data sets to identify patterns, trends, anomalies, and outliers; identify "red flags" and develop a risk-based sampling approach.

Analytical procedures may include reviews of:

- Length of time the claimant was an employee before filing a claim
- Department associated with the claimant
- Higher frequency of claims filed by employees ("outliers")
- Claims filed against previous employers
- Employees granted awards without filing a claim
- Presence or absence of witnesses to the underlying incident
- Timeliness of reported incident
- Higher rate of claims compared to other occupations

Phase 3 Test claims, using a risk-based approach

Develop a risk-based approach to select a sample of claims. Test claims to assess the validity and extent of the awards.

Sample lines of inquiry:

- Were appropriate diagnostic exams performed to confirm the injuries?
- Do the underlying medical records support the diagnosis?
- Is there evidence that the employee sought appropriate treatment from qualified clinicians for the underlying injury?
- Are the details of the claimed injury consistent with the reported underlying incident?
- Do the medical bills and procedures performed appear reasonable based on the claimed injury?
- Is there evidence that the employee was responsive and available for questions and follow-up, while recovering?
- Is there evidence the employee is performing tasks or activities that would not be possible or appropriate, given the claimed injury?

Kristofer Swanson, CPA/CFF, CFE, CAMS, Vice President & Practice Leader, Forensic Services
+1.312.619.3313 | kswanson@crai.com

Patricia Peláez, CPA/CFF, CFE, CPC, CAMS, Principal, Forensic Services
+1.312.577.4180 | ppelaez@crai.com

CRA Charles River Associates

CRA Forensic Services is ISO27001:2013 certified, the best-known international standard for information security.