



Reducing Medi-Cal Fraud



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The State Health Director discusses the problem of Medi-Cal Fraud and what providers can do to protect themselves.

IN 1999, GOV. GRAY DAVIS established a Medi-Cal Fraud Task Force to combat Medi-Cal fraud and abuse. This multiagency task force launched a crackdown by:

- Sending fraud prevention specialists to visit every provider in high-risk groups.
- Requiring current providers in high-risk categories to re-apply for a provider number and undergo a vigorous background check and an on-site review.
- Establishing a program to identify irregular billing patterns prior to checks being released to stop payment to suspected fraudulent providers.
- Launching an intensive effort in Los Angeles to crack down on physician and medical clinic fraud.

Last year, Gov. Davis signed into law Assembly Bill 1098, which increases penalties for Medi-Cal fraud and abuse and gives California more power to prosecute fraud.

Current plans include expanding the Medi-Cal Fraud Prevention Bureau and the Anti-Fraud Program to include other high-risk provider groups* and tightening the provider enrollment process.

One of many different Medi-Cal provider scams has involved pharmacies and suppliers of durable medical equipment (DME) setting up "shell" companies to disguise phony businesses.

In the scam, crooks obtain Medi-Cal provider numbers, bill the program for high dollar amounts in short periods of time and then shut down. Many then re-open their business under a new fictitious name. The current moratorium on the enrollment of new DME providers has significantly reduced this type of scam.

Investigators have identified wholesalers who create and sell fictitious invoices for medications and DME supplies. Fraudulent pharmacy owners and DME suppliers use these fictitious invoices to substantiate their false Medi-Cal claims to state auditors and law enforcement officers.

Another scam involves fraudulent Medi-Cal billing at bogus medical clinics. With the assistance of "cappers," Medi-Cal beneficiaries receive gifts or cash to board vans, which take them to various clinics sometimes far from their homes.

At these clinics, employees commonly conduct several diagnostic tests and draw blood samples without performing medical exams. (A "dental" version of the "capping" scheme

brings vans full of children to dental offices, where each child may receive a filling in each tooth.)

The fraudulent clinics bill the Medi-Cal program for the tests (or the dental fillings) and send the blood samples to fraudulent laboratories, which use them to bill for multiple and repeated tests.

Physicians are also victimized by Medi-Cal fraud. Physician identity theft occurs when an individual obtains a physician's personal identifying information, such as name, address, Social Security number and medical license number.

With this information, criminals can apply for a fraudulent Medi-Cal provider number and bill false Medi-Cal claims in that provider's name. In many ways, the physicians remain unaware of the identity theft until the Internal Revenue Service and Franchise Tax Board contact them regarding failure to pay taxes on the large Medi-Cal payments issued in their names.

Another way physicians can be victimized is when they furnish their Medi-Cal provider numbers to a clinic or agency for which they work, and relinquish any oversight of claims billed to them. The clinic or agency receives the Medi-Cal checks and issues payments to the physicians. Criminals are then able to submit false claims without the provider's knowledge.

There are many things providers can do to protect themselves and their employees from becoming victims of Medi-Cal fraud:

- Don't allow anyone to perform your billing procedures without your direct oversight.
- Monitor and maintain control of your practice. On a monthly basis, review all billing invoices and financial statements.
- Don't endorse checks to unknown third parties.
- Treat your Medi-Cal provider number as you would a personal credit card. Be wary of individuals who promote business arrangements that sound too good to be true.
- Exercise due diligence in your business practices. If you need help with your practice, California Medical Board Action Reports offer timely information on professional issues and business practices.

Providers should protect their medical license number as closely as their Social Security number. A "Special Fraud Alert" to all Medi-Cal providers, released by the state Attorney General and California Department of Health Services (CDHS) director in 1999, focused on this problem. It urged physicians to put the statement, "Copy for use by Name of Hospital/Clinic Only," on any copy of their medical license/wallet card given to a hospital or clinic, or forwarded as part of an employment application. Hospitals and other providers can protect themselves by placing their business stamp on file copies of these documents.

The Special Fraud Alert states: "Health care professionals are strongly encouraged to review the security of physician and patient information under your control. If appropriate safeguards are in place, fraud will be reduced."

If you observe "capping" activity or patients coming to your office with real medical needs after being inappropriately diagnosed or treated by fraudulent health care providers, call CDHS' Medi-Cal Fraud Hotline at 1-800-822-6222. You may remain anonymous when you call. CDHS needs your assistance to stop Medi-Cal fraud.

***High-risk Provider Groups?**

Just what are "high-risk provider groups?" The Department of Health Services' answer - they are "provider groups targeted for fraudulent activity" - doesn't clear up much.

According to Deputy Director Ken August, fraud investigations began by looking at durable medical equipment and then found problems at independent pharmacies. The Department can't be sure where investigations will lead, so he cannot rule out providers based on such factors, say, as Medi-Cal patient load, or office location. Most activity so far has been in Southern California - not surprisingly, because that's where most Medi-Cal beneficiaries live.

He added, "Honest mistakes or disagreements over billing aren't fraudulent activities."

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