



## Managing Healthcare Fraud – A South African Perspective

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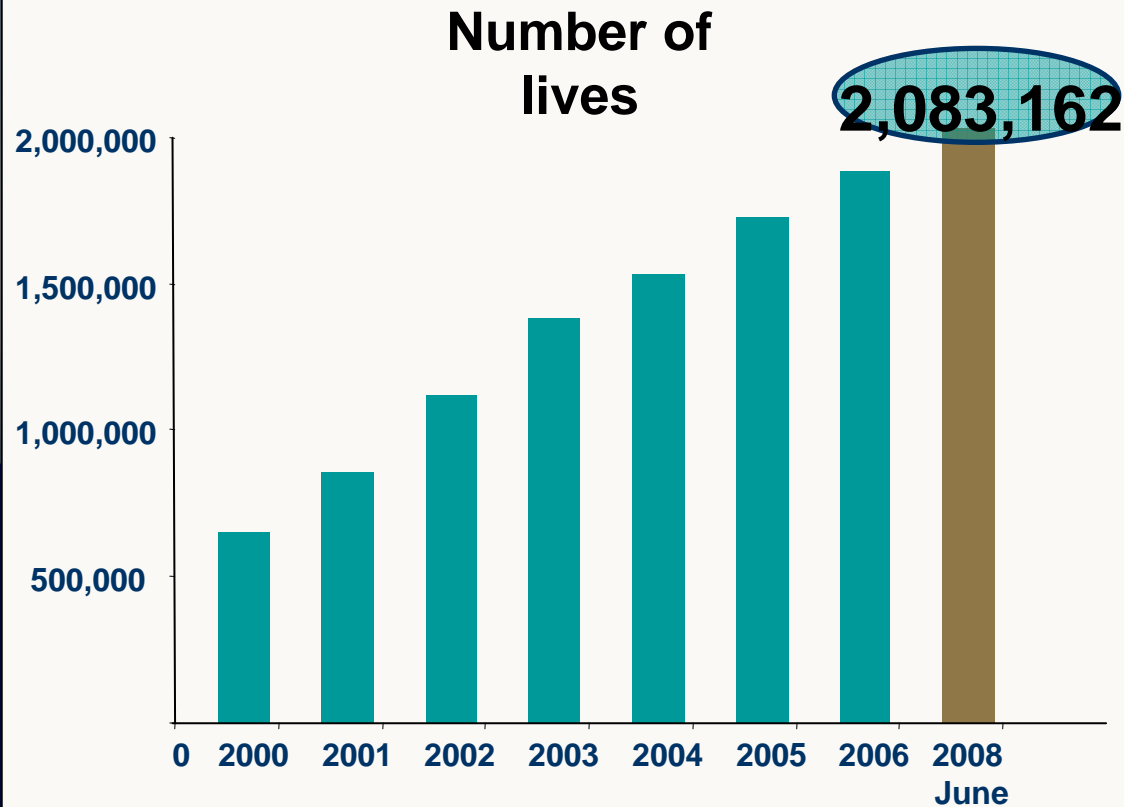
## Background – South African Healthcare System

- Public Healthcare System - Provides Healthcare to approximately 42 million lives.
  - Total spent in public sector in 2007 was R58 billion.
- Private Healthcare system – Provides cover to approximately 7,5 million beneficiaries.
  - Total spent in private sector in 2007 was R56,2 billion.
- 12,5 times more spent per beneficiary in the private sector than in the public sector.
- Biggest challenge for the private sector is to contain costs and increase access to healthcare, through the private sector.

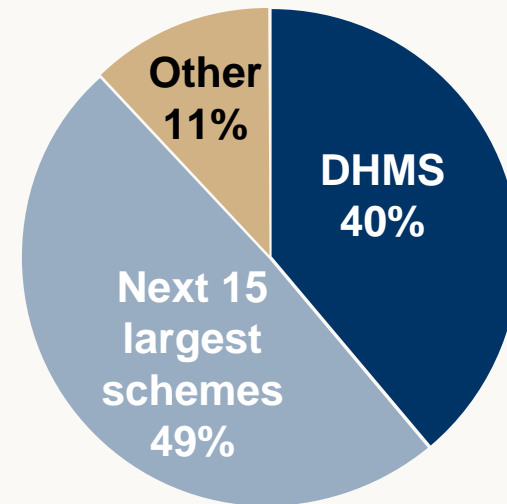
# Background – Discovery



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### Current market share



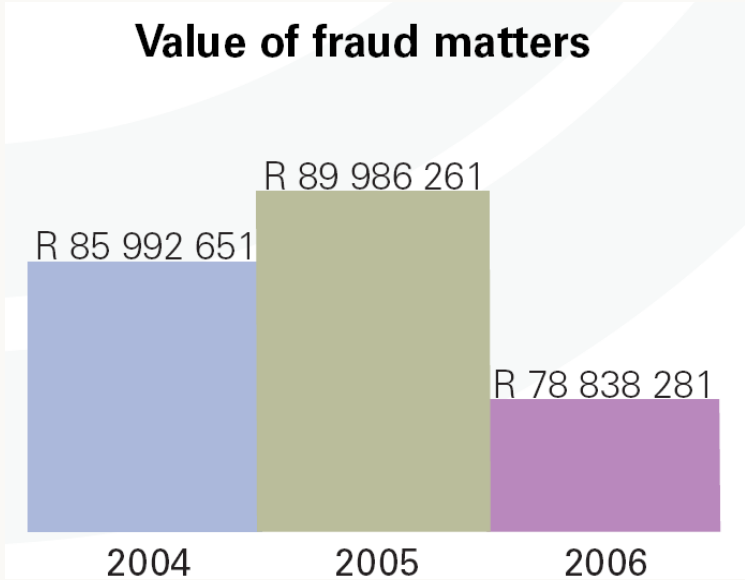
## Background – WHO Report 2004

	Namibia	Brazil	Chile	Mexico	Netherlands	South Africa
<b>2004 WHO Report</b>	<b>Other</b>		<b>BBP</b>			
<b>Total population</b>	<b>2m</b>	<b>176.2m</b>	<b>15.6m</b>	<b>102m</b>	<b>16.1m</b>	<b>44.8m</b>
<b>GDP per capita</b>	<b>7,910</b>	<b><u>7,537</u></b>	<b>11,265</b>	<b><u>8,903</u></b>	<b>29,237</b>	<b><u>7,538</u></b>
<b>Life expectancy at birth male (years):</b>	<b>52</b>	<b>65.7</b>	<b>73.4</b>	<b>71.7</b>	<b>76</b>	<b>48.8</b>
<b>Life expectancy at birth female (years):</b>	<b>52</b>	<b>72.3</b>	<b>80</b>	<b>77</b>	<b>81.1</b>	<b>52.6</b>
<b>Healthy life expectancy at birth male (years):</b>	<b>43</b>	<b>57.2</b>	<b>64.9</b>	<b>63.4</b>	<b>69.7</b>	<b>43.3</b>
<b>Healthy life expectancy at birth female (years):</b>	<b>44</b>	<b>62.4</b>	<b>69.7</b>	<b>67.6</b>	<b>72.6</b>	<b>45.3</b>
<b>Child mortality male (per 1000):</b>	<b>62</b>	<b>42</b>	<b>16</b>	<b>30</b>	<b>6</b>	<b>86</b>
<b>Adult mortality male (per 1000):</b>	<b>579</b>	<b>246</b>	<b>134</b>	<b>170</b>	<b>94</b>	<b>598</b>
<b>Adult mortality female (per 1000):</b>	<b>589</b>	<b>136</b>	<b>67</b>	<b>97</b>	<b>65</b>	<b>482</b>
<b>Total health expenditure per capita</b>	<b>407</b>	<b>573</b>	<b>792</b>	<b>544</b>	<b>2,612</b>	<b>652</b>
<b>Total health expenditure as % of GDP</b>	<b>6.8</b>	<b>7.6</b>	<b>7</b>	<b>6.1</b>	<b>8.9</b>	<b>8.6</b>

# Fraud Estimates

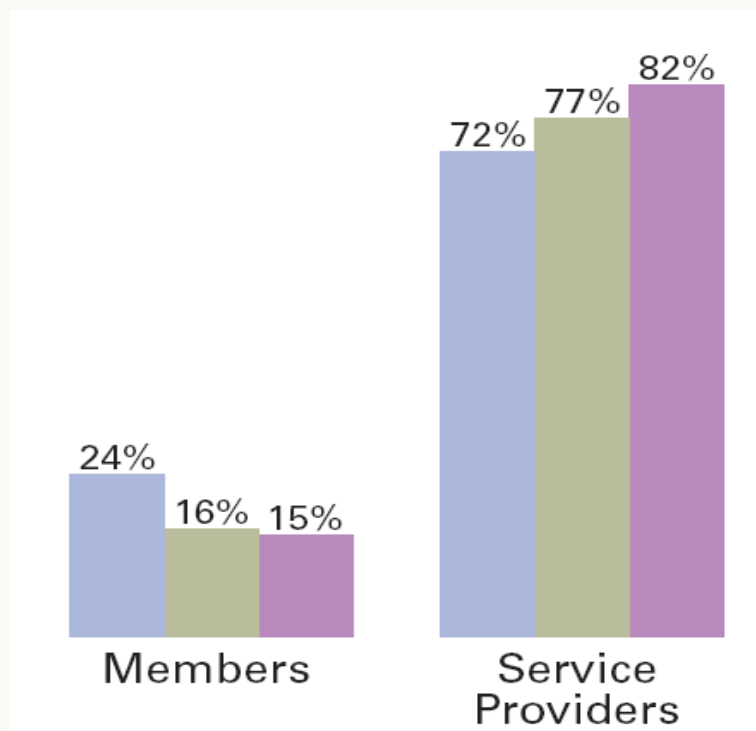
- Included in our estimates are Fraud, Abuse and Perverse incentives.
- Abuse includes intentional over servicing.
- Perverse Incentives includes unlawful kickbacks and rebates.
- Estimated to be as much as 10% per annum in the private sector.
- Equates to as much as R6 billion rand per annum, potentially being lost to fraud and abuse in the private sector.

# KPMG Private Healthcare Anti-Fraud Survey

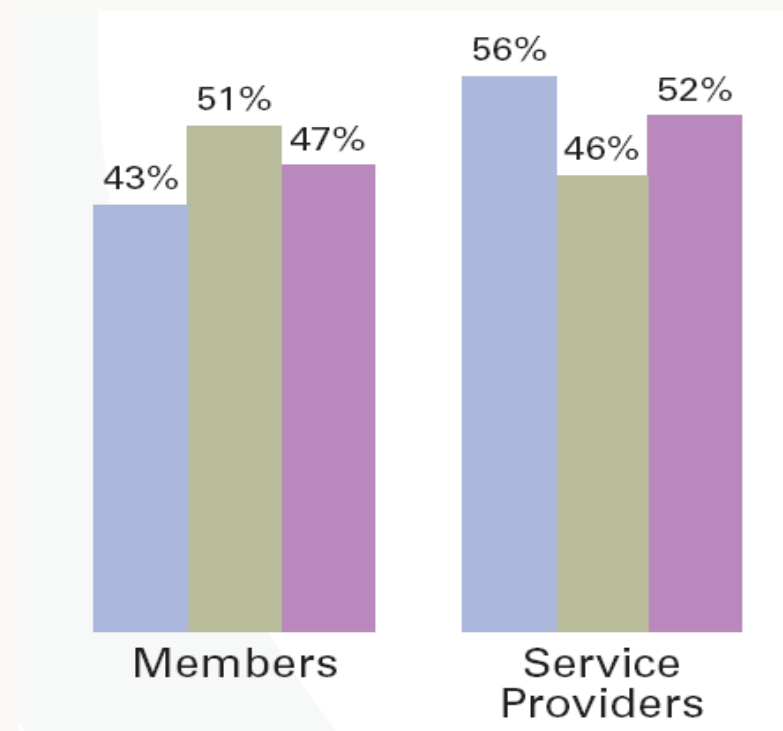


# KPMG Private Healthcare Anti-Fraud Survey

## FREQUENCY OF FRAUD

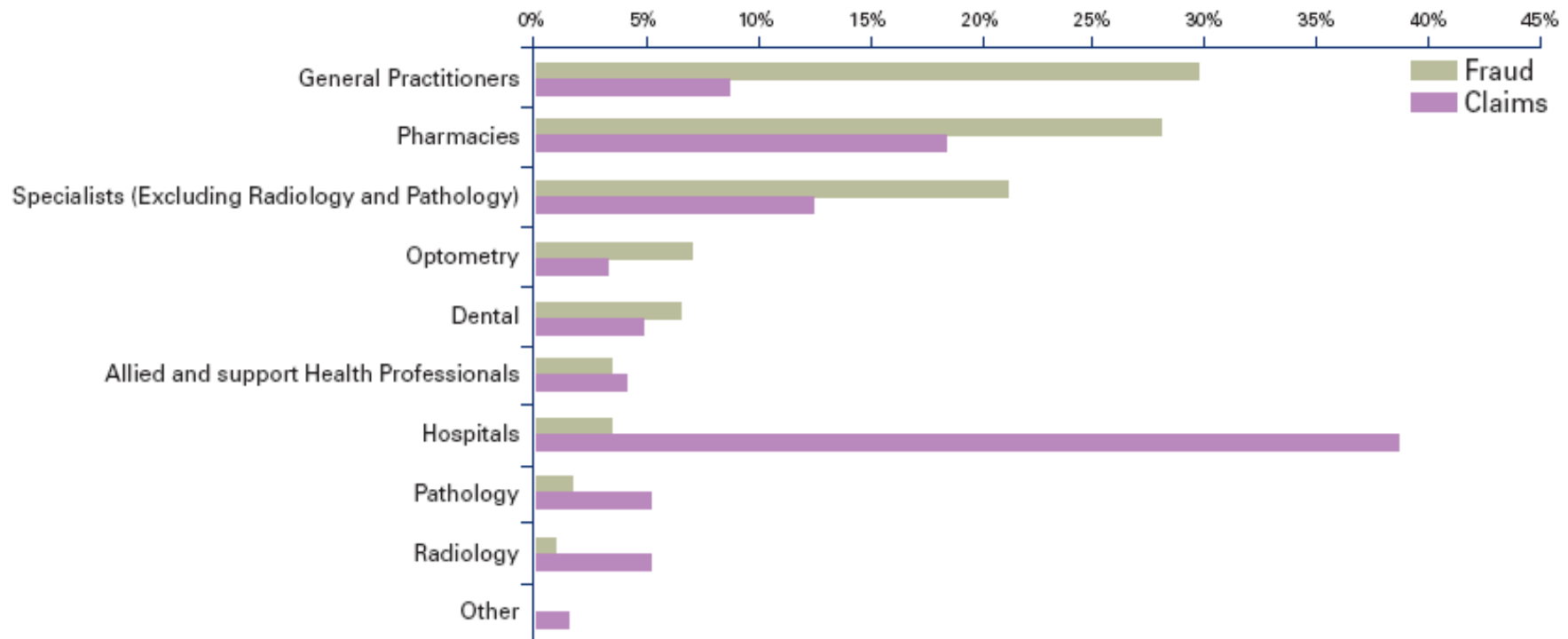


## VALUE OF FRAUD



# KPMG Private Healthcare Anti-Fraud Survey

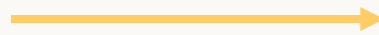
## Ratio of investigated fraud to claims, per discipline



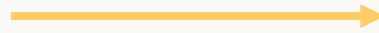
## Drivers of Fraud - Primary

### Current Problems

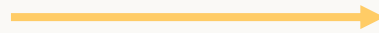
Perverse incentives



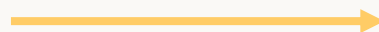
3<sup>rd</sup> party payer



Fee-for-service



Lack of information



### Workable Solutions

Align incentives

Consumer driven

Risk sharing

Knowledgeable consumers

## Drivers of Fraud - Secondary

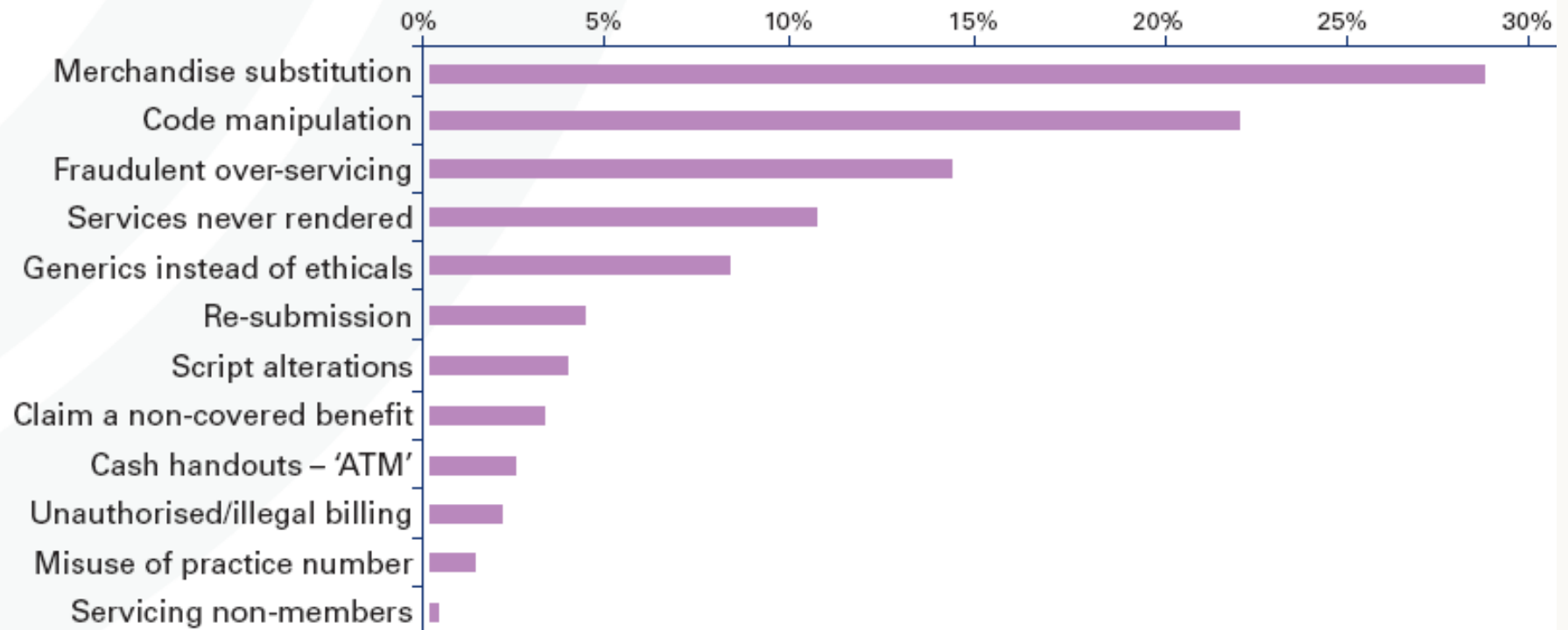
- Cannot always separate abuse and fraud.
- Abuse, over-servicing, quality.
- Beware of the moral hazard: Non-insured spend 60% of what the insured do.
- “Weak Legal system”.
- Weak governing bodies.
- Sense of entitlement / Grudge Purchase

## Types of Fraud

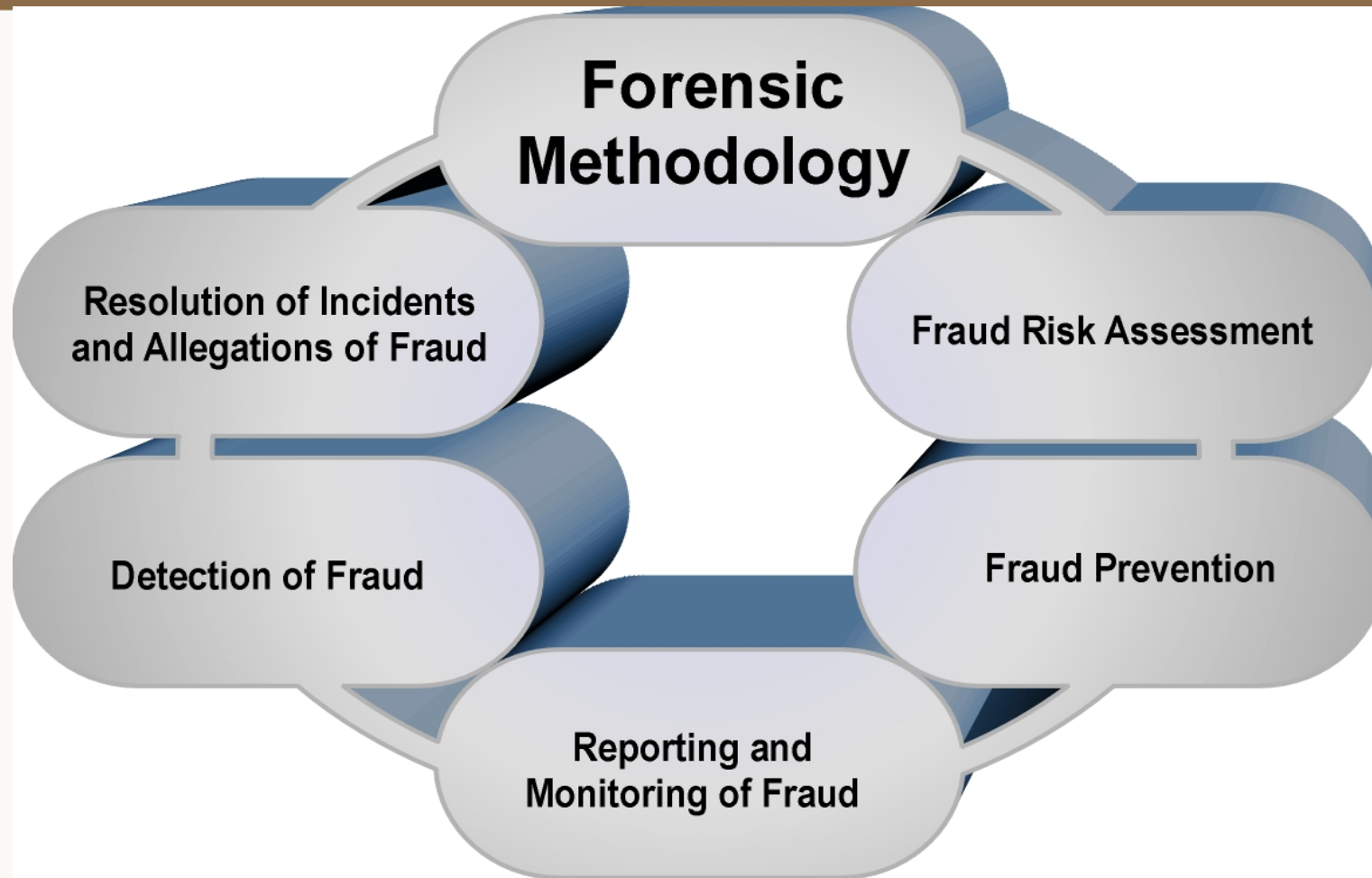
- Claiming for services never rendered.
- Merchandising.
- Claiming for non-covered benefits as a covered benefit.
- Cash loans (ATM Scams).
- Claiming for services rendered to non-members, especially hospital admissions.
- Code gaming or manipulation.
- Non – Disclosures.

# Types of Fraud – KPMG Survey

## Service provider fraud per category



# Discovery's Fraud Management Strategy



# Industry Fraud Management Strategy

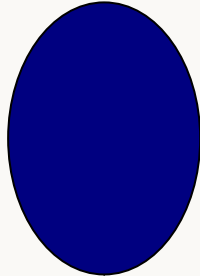
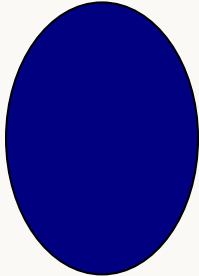
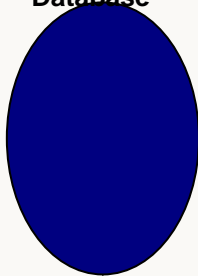
- An industry Forensic Management Unit (FMU) was launched in 2003.
- The FMU strategy is build around information sharing throughout the private healthcare sector, as well as cross industry information sharing.
- Information sharing is mainly facilitated through the Medical Schemes Forensic Databases (MSFD).
- Furthermore capacity has been created in order to facilitate provider profiling across the industry.

# Industry Fraud Management Strategy – MSFD Databases

Service Provider Database

Employee Database

Member Database



Administrator 1

Administrator 2

Administrator 3

Administrator 4

Scheme A



# Industry Fraud Management Strategy - Profiling

## **Provider profiling database**

Generic claims information across the industry are recorded.

Cost per patient/cost per encounter.

Industry norms established, e.g. hospital theatre benchmarked; no. of patients seen per day.

Excessive claimers identified and analyzed.

Pharmacies – establish whether medicines dispensed corresponds with medicines purchased.

Pave the way for benchmarking.

## Industry Fraud Management Strategy – Profiling Example

<u>Top 10 Neurology Claimers</u>	<u>Amount Paid</u>	<u>% of all Neurologist expenditure</u>
1	R 4,534,929.09	9.3%
2	R 3,129,461.63	6.4%
3	R 2,998,750.19	6.2%
4	R 2,615,897.64	5.4%
5	R 2,291,720.95	4.7%
6	R 1,587,187.18	3.3%
7	R 729,408.05	1.5%
8	R 715,985.11	1.5%
9	R 622,363.68	1.3%
10	R 356,707.16	0.7%
<b>Top 10 Total:</b>	<b>R19,582,410.68</b>	

# Industry Fraud Management Strategy – Profiling Example

	TOP 10 NEUROLOGISTS	ALL NEUROLOGY	% OF TOTAL NEUROLOGY
Scheme/Admin 1	R 11,442,584.60	R28,995,565.52	59.5%
Scheme/Admin 2	R 1,746,725.00	R 4,538,979.00	9.3%
Scheme/Admin 3	R 1,452,578.51	R 3,271,788.83	6.7%
Scheme/Admin 4	R 1,311,509.50	R 4,008,134.33	8.2%
Scheme/Admin 5	R 1,110,197.34	R 1,932,806.11	4.0%
Scheme/Admin 6	R 759,893.38	R 1,547,075.90	3.2%
Scheme/Admin 7	R 436,993.47	R 1,240,225.08	2.5%
Scheme/Admin 8	R 387,231.57	R 844,066.31	1.7%
Scheme/Admin 9	R 380,219.02	R 1,109,768.96	2.3%
Scheme/Admin 10	R 298,685.03	R 578,288.82	1.2%
Scheme/Admin 11	R 255,793.26	R 689,077.27	1.4%
	R 19,582,410.68	R 48,755,776.13	40.2% of all neurology expenses

Code	<u>Top 10 vs Rest (Volume)</u>	Top 10	All Neuro's EXCI Top 10	Total	Top 10
717	ELECTRICAL EXAMINATION OF SINGLE NERVE OR MUSCLE <i>As % of all consultations</i>	1,297 <b>9.7%</b>	29 0.1%	1,326 2.5%	<b>97.8%</b>
2802	PERIPHERAL NERVE BLOCK <i>As % of all consultations</i>	1,332 <b>10.0%</b>	95 0.2%	1,427 2.7%	<b>93.3%</b>
2703	SEP SGL NERVE EXAM <i>As % of all consultations</i>	1276 <b>9.6%</b>	77 0.2%	1,353 2.6%	<b>94.3%</b>
2682	VISUAL EVOKED POTENTIALS - BILATERAL <i>As % of all consultations</i>	965 <b>7.2%</b>	598 1.5%	1,563 2.9%	<b>61.7%</b>
2717	ELECTROMYOGRAPHY/FIRST <i>As % of all consultations</i>	1941 <b>14.6%</b>	1,235 3.1%	3,176 6.0%	<b>61.1%</b>
713	ELECTROMYOGRAPHY <i>As % of all consultations</i>	5624 <b>42.2%</b>	1,958 4.9%	7,582 14.3%	<b>74.2%</b>
2692	SHORT LATENCY BRIANSTEM EVOKED POTENTIALS: BILATERAL <i>As % of all consultations</i>	902 <b>6.8%</b>	172 0.4%	1,074 2.0%	<b>84.0%</b>
2800	PLEXUS NERVE BLOCK <i>As % of all consultations</i>	1017 <b>7.6%</b>	25 0.1%	1,042 2.0%	<b>97.6%</b>
733	MOTOR NERVE CONDUCTION STUDIES SINGLE NERVE <i>As % of all consultations</i>	8459 <b>63.5%</b>	7,484 18.8%	15,943 30.1%	<b>53.1%</b>
735	EXAMINATIONS OF SENSORY NERVE CONDUCTION (SWEEP AVERAGES) <i>As % of all consultations</i>	6237 <b>46.8%</b>	5,981 15.1%	12,218 23.0%	<b>51.0%</b>
730	LIMB-BRAIN SOMATOSENSORY STUDIES/PER LIMB <i>As % of all consultations</i>	1007 <b>7.6%</b>	376 0.9%	1,383 2.6%	<b>72.8%</b>
2711	ELECTRO-ENCEPHALOGRAPHY <i>As % of all consultations</i>	4,868 36.6%	9,710 24.4%	14,578 27.5%	33.4%
2712	ELECTRO-ENCEPHALOGRAPHY - INTERPRETATION <i>(2712 a function of 2711 ) As % of all consultations</i>	5335 40.1%	11,020 27.7%	16,355 30.8%	32.6%
▶▶	<b>Total consultations</b>	<b>13313</b>	<b>39,728</b>	<b>53,041</b>	<b>25.1%</b>
	<b>Total paid amount (all codes incl cons)</b>	<b>R 19,581,944.28</b>	<b>R 29,173,883.71</b>	<b>R 48,755,827.99</b>	<b>40.2%</b>

Questions / Discussion

THANK YOU