

Identifying prescription abuse via fraud analytics

People are dying from drug overdoses in increasingly alarming numbers. They're from poor, middle-class and wealthy communities. The deaths have jumped in nearly every county just in the U.S. — driven largely by an escalating increase in addiction to prescription painkillers and heroin. That's according to a recent study by The New York Times. (See "How the Epidemic of Drug Overdose Deaths Ripples Across America," by Haeyoun Park and Matthew Bloch, January 19, <http://tinyurl.com/zdf8jeu>.)

Addicts are obtaining prescription drugs fraudulently in burgeoning numbers. The U.S. Department of Justice (DOJ) collected nearly \$2 billion from health care fraud settlements and judgments last year. Of this, more than half was related to prescription drug fraud prosecutions and allegations driven by economic gain, diversion and/or abuse. (See <http://tinyurl.com/gu9vcjw> and <http://tinyurl.com/hlwurgm>.) The various entities that have committed prescription drug fraud include drug manufacturers, pharmacists, prescribers, patients and enterprising fraudsters.

Prescription drug fraud has both a health care and human impact. The economic cost derives from the high price of emergency services, prescriber visits, diagnostics, drug costs, loss of productivity, psychological treatment and legal expenses. The human cost includes the emotional stress that abuse and addiction inflicts on individuals and their families, loss of jobs, adverse health events (such as injury, HIV and hepatitis C) and, ultimately, the potential loss of life due to overdose.

The industry should employ fraud analytics to identify abusive patterns, which will allow clinicians to intervene to reduce this toll.

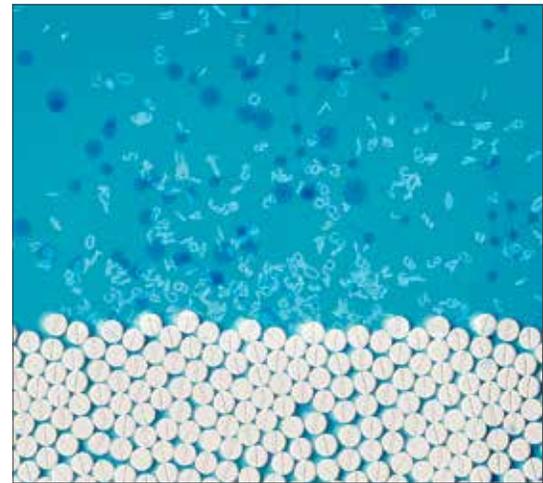
What is it about prescription drugs that attracts illegal behavior? The two major factors driving fraudulent activity are financial gain and abuse.

Financial gain driving profits

Prescription drugs, of course, are designed to provide therapeutic relief from medical maladies. The legal and illegal sale of these products provides a huge opportunity for financial gain, which affects everyone involved. The following are notable cases of fraud from 2015, including kickbacks, false claims and diversion. (This year promises to be no different.)

In May, DaVita (a dialysis provider) agreed to pay \$450 million to settle allegations that it overbilled Medicare and Medicaid for drugs it wasn't fully using. A few months later, DaVita agreed to pay \$350 million to settle allegations that it paid kickbacks to doctors for referrals to its dialysis clinics. (See "Government healthcare fraud recoveries slide" by Lisa Schencker, Dec. 3, 2015, *Modern Healthcare*, <http://tinyurl.com/zvdsn9z>.)

In June, the Medicare Strike Force filed charges against 243 doctors, nurses, licensed medical professionals, health care company owners and others for allegedly submitting a total of \$712 million in fraudulent billings, which was the result of a nationwide sweep — the largest health care fraud takedown in history. More than 40 of the defendants were charged with fraud related to



the prescription drug benefit program Medicare Part D. (See "243 healthcare professionals accused in \$712 million 'biggest ever' fraud takedown" by Susan Morse, June 18, 2015, *Healthcare Finance*, <http://tinyurl.com/z3hgf7p>.)

In November, Novartis Pharmaceuticals agreed to pay \$370 million to resolve allegations of operating a drug kickback scheme to increase sales. Novartis allegedly paid pharmacies to promote Exjade and another drug, including via rebates for meeting shipment goals. (See "Novartis pays \$370M for drug-pushing scheme" by Kaja Whitehouse, Nov. 20, 2015, *USA Today*, <http://tinyurl.com/zd9ufb5>.)

And in December, co-owners of eight pharmacies in Florida were accused of submitting more than \$20 million in false claims to the Medicare Part D program. The alleged conspirators' fraudulent claims indicated that they provided pharmaceutical drugs pursuant to properly written prescriptions when, in fact, the drugs weren't properly prescribed or actually provided to Medicare beneficiaries. One of the owners pleaded guilty to one count of conspiracy to commit health care fraud and wire fraud. (See <http://tinyurl.com/hpqd9bx>.)



By Erwin Acuna, CFE



By Erik Chase, CFE, CPhT

TRICARE scheme exposé

The case that centered around the alleged false billing of TRICARE — a health care program of the U.S. Department of Defense Military Health System — was exposed as part of a broad effort by the U.S. Department of Justice to identify and target unscrupulous compounding pharmacies. (See <http://tinyurl.com/zwlwyuf>.)

Among the various TRICARE fraud cases, “patients” sought reimbursements for medically unnecessary prescriptions written by doctors who (in some instances) had never met these people. Marketers who obtained prescriptions were paid through improper and illegal incentive compensation arrangements. In one case, a doctor sent hundreds of prescriptions to a compounding pharmacy where his wife worked as senior vice president. (See <http://tinyurl.com/zs2kru8>.)

I again recommend performing analytics to examine those drugs and/or products that are driving velocity and costs. Analyses’ results will show drugs and parties, prescribers, pharmacies, manufacturers and/or patients you should be concerned about. Audit work might be required to collect documentation as evidence of possible fraudulent activity.

Prescription drug abuse

According to the Centers for Disease Control, opioids (prescription pain medications) caused or contributed to nearly 19,000 deaths in 2014 — a larger death toll than for heroin. (See <http://tinyurl.com/h8jnayn>.)

In addition, the Drug Enforcement Administration (DEA) states that nearly 7 million Americans abuse controlled-substance prescription medications, including opioid painkillers. (See “DEA tightens controls on hydrocodone painkiller drugs” by Lisa

Girion, Aug. 21, 2014, *Los Angeles Times*, <http://tinyurl.com/h7ayf3g>.)

With prescription drug abuse at epidemic levels, federal and state policy makers and agencies are adopting more aggressive approaches to identify and address abuse. Policy makers are looking to tighten prescribing controls and expansion of abuse treatment.

Prescription drugs that are illegally obtained — diversion — feed abusive behavior. Diversion also leads to the resale of prescription drugs in illegal drug supply channels. These supply channels distribute through street sellers or are subverted back into the legitimate drug supply channels. Prescription drug diversion occurs when drugs are removed from and then reintroduced into distribution chains. (See “Miami Beach prescription drug supplier pleads guilty in nationwide scheme” by Nina Lincoff, Nov. 2, 2015, *South Florida Business Journal*, <http://tinyurl.com/hj62d5n>.)

Doctor shopping

Patients addicted to prescription drugs often use multiple prescribers and/or pharmacies — “doctor shopping.” Last August, a Government Accountability Office (GAO) report indicated that doctor shopping cost four states — Arizona, Florida, Michigan and New Jersey — \$33 million in Medicaid fraud.

In these states, 16,000 beneficiaries each visited five or more doctors to obtain prescriptions for antipsychotic or respiratory medication. Additionally, 700 beneficiaries received a one-year supply of the same drug, which is an indication that they might have participated in drug-diversion schemes.

The GAO found questionable Medicaid billing patterns that could indicate potential fraud, including beneficiaries who were prescribed large amounts of the same drug. These were beneficiaries who received specific drugs despite

no other outpatient claims that would indicate the need for those drugs.

The pharmacies in this report moved large numbers of brand-name drugs or submitted claims without a single adjustment to the claims transaction, which are both possible red flags for fraud. (See “Doctor shopping cost four states \$33 million in Medicaid fraud” by Evan Sweeney, August 11, 2015, *FierceHealthPayer.com*, <http://tinyurl.com/zsdppae>.)

The following are notable cases from 2015 that include forgery, false claims, diversion and abuse.

In April, 27 pharmacies and two methadone clinics were looted during riots that followed the death of Freddie Gray (a young black man who died in police custody in Baltimore). Looters stole approximately 175,000 drug tablets, which represents only 60 percent of the looted pharmacies. (The rest of the pharmacies were still counting their losses.)

The street value of these stolen drugs might exceed \$2 million. Patient names and their respective medications prescribers were also at risk of being stolen. (See “Rite Aid says personal information, prescriptions stolen in Baltimore looting” by Scott Dance, June 3, 2015, *Baltimore Sun*, <http://tinyurl.com/p2hdd5j>.)

In June, a Kentucky physician was charged with prescribing pain medications that led to the death of five patients. The physician conspired with others to knowingly and intentionally distribute and dispense controlled drugs to patients without legitimate medical purposes and beyond the bounds of professional medical practice. (See <http://tinyurl.com/hg86rm5>.)

And in December, in Baton Rouge, eight were arrested on charges of using fake prescriptions to obtain a total of \$45,000 worth of pain medication. They’re accused of buying and possessing narcotics using prescriptions

Analytic	Identifies
Geospatial	If patients are traveling long distances, possible pill-mill scheme.
Dollars	If high velocity of drugs of concern, possible kickback scheme.
Controlled drugs	If high velocity of controlled drugs, possible pill-mill scheme.
Prescribing out of prescribers' specialty	If high velocity of drugs of concern, possible kick-back and/or pill-mill scheme.
Practice setting	Private practice and clinics (particularly pain or abuse clinics) have experienced higher levels of alleged fraud.
Prescriber type	Evaluate in concert with practice setting. Example: If prescribing volume at a pain clinic is driven by non-physicians (nurse practitioner or physician assistant), concerns arise regarding prescribing controls.
Medical claims	If low velocity of medical claims supporting prescribing volume, possible kickback and or pill-mill scheme.

made to look as if they came from local medical facilities. The group obtained approximately 800 tablets of hydrocodone and 1,200 tablets of oxycodone. (See "Sheriff's Office, DEA arrest eight in prescription drug fraud scheme," Dec. 8, 2015, *The Advocate*, <http://tinyurl.com/gvm2a7d>.)

Catching the crooks

Fraud analysts have found it useful to utilize velocity and comparative-based analytics to detect aberrant billing patterns and/or activity.

The chart above shows some prescriber-based analytic tips to identify possible fraudulent activity.

What action is being taken?

The Centers for Medicare and Medicaid Services (CMS) reported that the agency's advanced analytics system — called the Fraud Prevention System (FPS) — has identified or prevented more than \$25 billion in inappropriate payments to the Medicare program since 2010. The FPS uses predictive analytics to identify troublesome billing patterns and outlier claims for action, which is similar to systems that credit card companies use. It identified or prevented \$454 million in 2014 alone — a 10-to-1 return on investment. (See <http://tinyurl.com/hsglovc>.)

Prescription Drug Monitoring Programs (PDMP) capture prescription

activity so that prescribers and pharmacies can view patients' cash and insurance-based prescription activities within their states and bordering states. While PDMPs vary from state to state, this method of information-sharing allows prescribers and pharmacists to detect if patients exhibit drug-seeking behavior.

The Obama administration is planning to devote an additional \$100 million to fight the national drug addiction epidemic as deaths from substances like heroin and prescription painkillers reach record-breaking levels. (See "HHS unveils \$100M effort to combat drug addictions" by Sarah Ferris, July 25, 2015, *The Hill*, <http://tinyurl.com/jveygc8>.)

In November, the DEA announced its "360 Strategy" to address heroin, prescription drugs and violent crime. The DEA is piloting the program in Pittsburgh as a comprehensive prevention strategy. In December, the DEA hosted a Prescription Drug Awareness Conference (PDAC) in support of its 360 Strategy. The PDAC is designed to assist pharmacy personnel in identifying and preventing diversion activity. (See <http://tinyurl.com/zyko5yw>.)

Insurers and analytic firms perform a host of analytics to detect prescription drug fraud, waste and abuse. While some analytics use retrospective and/or predictive models, all of them focus on aberrant billing patterns.

Fraud analysis to identify abusive patterns

• Prescription drug fraud and abuse continues to take its toll on individuals and the health care system. Insurers and health care agencies should determine when they need to carefully (1) analyze pharmacy and medical billing claims to validate billings, diagnoses and frequency of prescribing activities and (2) criminally investigate prescribers, pharmacies and users that show suspicious abuse patterns or instead employ clinical treatment and education.

There are no winners in the cycle of fraud and abuse of prescription drugs. We should be diligent in our efforts to identify fraudulent and abusive patterns and develop long-term solutions to break the cycle. ■ **FM**

Erwin Acuna, CFE, is senior director of pharmacy operations at HMS in Irvine, California. His email address is: EAcuna@hms.com.

Erik Chase, CFE, CPhT, is director of Medicaid integrity at HMS in Los Angeles, California. His email address is: echase@hmsfederal@hms.com.

Prescription fraud online resources

- Department of Health and Human Services and DOJ HEAT Task Force: <http://tinyurl.com/ld9qg4h>
- National Health Care Anti-Fraud Association: nhcaa.org
- National Association of Drug Diversion Investigators: <http://tinyurl.com/o7qdxjh>
- DOJ and DEA Office of Diversion Control: <http://www.deadiversion.usdoj.gov>
- AWARe: awarx.org