

DIR's Anti-Fraud Unit (AFU)

Fighting Workers' Compensation Fraud

William Murphy

- Joined the AFU in May of 2022
- 22 years as a prosecutor
- Prior supervisor of an insurance fraud unit that handled medical billing fraud investigations
- Represents the Director of the Department of Industrial Relations at California's Fraud Assessment Commission

What does the Anti-Fraud unit do?

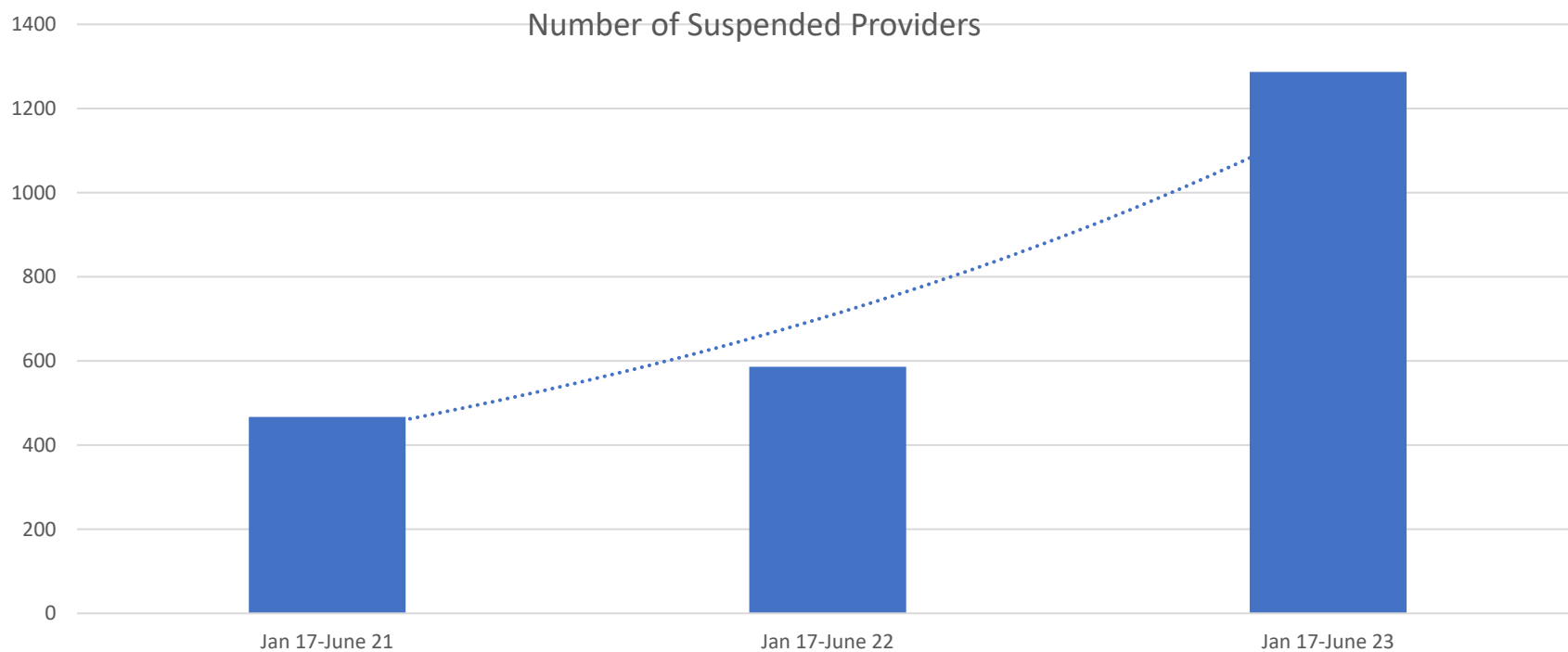
- We assist law enforcement by analyzing Worker's Compensation Information System (WCIS) and Electronic Adjudication Management System Data (EAMS)
- We identify liens that should be stayed by the court – when a provider has been criminally charged or indicted
- We help suspend providers from the worker's compensation system when they have been convicted of certain crimes or have lost their licenses
- We identify liens that should be consolidated and dismissed by the court after criminal convictions

AFU Statistics

	Jan 17- June 21	Jan 17-June 22	Jan 17- March 24	Link
Number of Suspended Providers	467	586	1326	https://www.dir.ca.gov/Fraud_Prevention/Suspension-List.htm
Number of Stayed Liens	633,094	804,000	866,000	https://www.dir.ca.gov/Fraud_Prevention/List-of-ERNs-with-4615-DWC-Proceeding-Status.xlsx
Stayed Liens - Requested Amount	\$3.9 Billion	\$5.2 Billion	\$7 Billion	
Number of Consolidated and Dismissed Liens	50,144	60,165	81,000	https://www.dir.ca.gov/dwc/SB1160-AB1244/Calendar.htm
Consolidated and Dismissed Liens - Requested Amount	\$480 Million	\$670 Million	\$836 Million	

AFU does not break down by year the number of provider suspensions, the number of lien stays under Labor Code (LC) § 4615, or the number of lien dismissals

AFU Statistics



Classic Examples of Fraud & Abuse of the System

- Provider bills for 72 hours in a single day
- Billing for services not rendered
- Billing for medically unnecessary services – so that a kickback can be received
- Creating “new” fake compounded medicines so that you can avoid the Official Medical Fee schedule
- Excessive and unnecessary provision of durable medical equipment supplies

Large Organized Kick Back Schemes

- The capper signs up an “injured” person for a lawyer,
 - The lawyer sends the person to a specific provider,
 - An interpreter is brought in for every appointment and medical records,
 - The person is sent to a certain imaging center or pharmacy,
 - Orders are given so that the person receives certain DME and testing.
- And illegal kick-backs are sent to every part of the chain.*

Exploitation of Under-Regulated Systems

- Subsequent Injuries Benefit Trust Fund (SIBTF)
- Uninsured Employers Benefit Trust Fund (UEBTF)
- Vocational Return to Work Counseling system (VCRTWC)

SIBTF Fraud

- Doctors who have been suspended from the WC system are moving over to the SIBTF system
 - Imperfect DATA
 - Need for Regulations
 - Contact attorney **Henry Park** for assistance:
hpark@dir.ca.gov

VCRTWC fraud and abuse

- Unlicensed schools, fake schools, worthless training
- The signing over of full voucher amounts for cheap laptops
- The AFU has started assisting law enforcement with investigations and suspending convicted “providers” from the WC system, but there is no method to stay or consolidate the bills
- The AFU is drafting new regulations to:
 - Improve data collection and,
 - Strengthen and improve DIR’s published licensed counselor list
- Contact attorney **Stacy McCormick** for assistance
Smccormick@dir.ca.gov

UEBTF Fraud – PEO and staffing company fraud

- The AFU received a lot of tips from D.A. offices, law enforcement, legitimate companies and business organizations
- Attorneys from the Office of the Director Legal (ODL) defend the State against claims made to UEBTF
- We conducted an informal survey of ODL attorneys asking about cases involving companies that were *uninsured, underinsured, or using fake certificates of insurance*
- The initial list was 34 companies

PEO and Staffing company fraud

- We have started to audit the EAMS system for every case involving these companies. The audit is not complete but it will certainly exceed:
 - 60,000 workers injured while working for these companies
 - 2100 UEBTF cases from these injuries
 - Average resolution ($\$50,000 \times 2100$) = \$105 million dollars
 - Costs of attorney and court time
- *All of this is occurring because these companies are operating without worker's compensation insurance, while under insured, or with fake certificates of insurance.*

Contact attorney Alison Chandler for assistance.

AChandler@dir.ca.gov

Links and Emails

- Please email fraud tips to antifraudunit@dir.ca.gov
- The suspended provider list can be viewed at:
http://oak01web/Fraud_Prevention/Suspension-List.htm
- The list of criminally charged providers can be viewed at:
http://oak01web/Fraud_Prevention/List-of-Criminally-Charged-Providers.pdf
- The 4615 stay public documents are posted at:
http://oak01web/Fraud_Prevention/4615-List.htm
- You can email me directly at: wmurphy@dir.ca.gov