

# Treatment Patterns of Medical Providers Indicted for Fraud in California Workers' Compensation

By the WCIRB Medical Analytics Research Team

## Summary

For most of this decade, the average medical cost per indemnity claim in California has declined. While much of these savings have been attributed to the impact of Senate Bill No. 863 (SB 863)<sup>1</sup> and subsequent legislation, anti-fraud measures by the Department of Industrial Relations (DIR), the California Department of Insurance (CDI), local district attorneys and insurer special investigative units also contributed to the significant reduction in medical costs. As part of this effort, the DIR has, as of August 2019, indicted and/or suspended more than 500 medical providers from participating in the California workers' compensation system.

In 2018, the WCIRB published a study evaluating the potential impact of medical fraud enforcement.<sup>2</sup> This research brief provides a follow-up analysis of the treatment patterns of indicted/suspended providers (indicted providers) based on a sample of individual providers linked to the WCIRB medical transaction data. This analysis compares types of services rendered by indicted providers to non-indicted/suspended providers (other providers), as well as the regional variations and differences in treatment levels on cumulative trauma (CT) claims. The WCIRB's findings include:

- The average total medical paid per indicted provider was 10 times higher than the average paid to other providers between 2013 and 2018, largely because indicted providers treated significantly more injured workers and rendered more services per injured worker.
- The shares of medical payments for medical-legal (ML) and medical liens to indicted providers were two to three times higher compared to other providers. Indicted providers were also paid a significantly higher share of payments for complex office visits and ML evaluations.
- Indicted providers in the Los Angeles (LA) Basin<sup>3</sup> accounted for about half of all linked indicted providers but received more than 90 percent of the medical payments made to indicted providers. The share of indemnity claims involving CT within the LA Basin was consistently higher for indicted providers between 2013 and 2015, but the pattern did not hold for 2016.
- Suspended providers, on average, were paid significantly less than providers that were indicted both before and after suspension or indictment. Providers indicted were paid significantly less for liens after indictment, indicative of the impact of the automatic stay of liens.

## Background

Efforts by the DIR, the CDI, local district attorneys and insurer special investigative units to identify and prosecute fraud have been a significant contributor to reduced medical costs in California workers' compensation. These efforts have been furthered by Assembly Bill No. 1244 (AB 1244)<sup>4</sup> and Senate Bill No. 1160 (SB 1160),<sup>5</sup> which were adopted effective January 1, 2017. AB 1244 requires the Division of Workers' Compensation (DWC) to suspend any medical provider, physician or practitioner convicted for fraud against the workers' compensation system, Medi-Cal or Medicare programs from participating in the workers' compensation system. SB 1160 provides for automatically staying lien claims of providers criminally charged with fraud. As of August 2019, the DIR has indicted and/or suspended more than 500 medical providers in the California workers' compensation system.

While not all suspended and criminally charged medical providers rendered workers' compensation-related services, a fraction of these providers billed insurers and were paid significant amounts by the workers' compensation system. In October 2018, the WCIRB published a study on the overall volume and payments to the medical services rendered by indicted providers. The study showed that the volume of medical services provided by indicted providers was significant, particularly with respect to certain types of treatment. The objective of this analysis is to update the prior study, with a focus on the treatment patterns of indicted providers based on a sample of individual providers linked to the WCIRB medical transaction data.

## Analysis Approach

To characterize treatment patterns of indicted providers, the WCIRB linked the lists of indicted and suspended providers published on the DIR's website as of August 2019 to the WCIRB medical transaction data. The linking utilized the National Provider Identifiers (NPIs) and tax IDs through a variety of processes, including automating the search in the NPI Registry<sup>6</sup> and identifying tax IDs in the WCIRB Policy Data and Dun and Bradstreet Hoovers database.<sup>7</sup> The WCIRB also obtained indictment and suspension dates from the DWC and publicly available court documents.

The WCIRB analyzed paid medical services rendered by linked indicted providers between January 1, 2013 and December 31, 2018 using the medical transaction data. The medical transaction data was also linked to the WCIRB's Unit Statistical Report

<sup>1</sup> WCIRB Research Brief – Senate Bill No. 863 Update, WCIRB, October 10, 2019.

<sup>2</sup> Basuino, T., *Impact of Medical Fraud Enforcement on California Workers' Compensation*. WCIRB, October 2018.

<sup>3</sup> The LA Basin comprised of LA, Long Beach, Orange County, Ventura, Pasadena, Santa Monica, San Fernando Valley, San Bernardino and part of Riverside County.

<sup>4</sup> See Assembly Bill No. 1244 (Department of Industrial Relations, January 2018) for more information.

<sup>5</sup> See Senate Bill No. 1160 (Department of Industrial Relations, January 2018) for more information.

<sup>6</sup> The NPI Registry Public Search [npiregistry.cms.hhs.gov](https://npiregistry.cms.hhs.gov).

<sup>7</sup> Dun and Bradstreet Hoovers database [hoovers.com](https://www.dunandbradstreet.com).

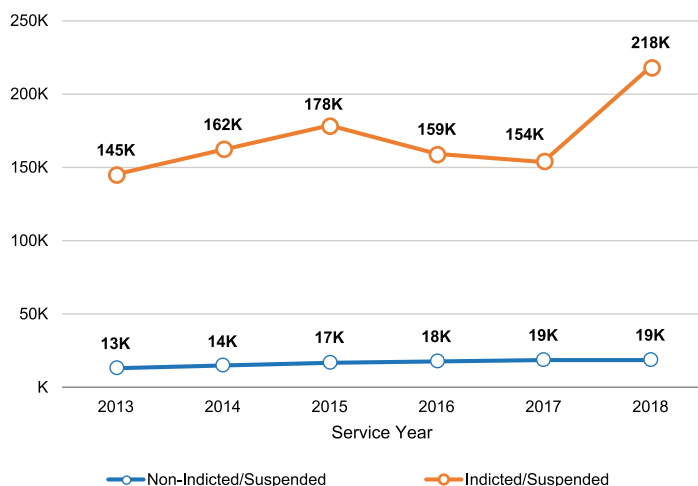
data to identify CT claims. This analysis focuses on a series of comparisons between indicted providers and other providers regarding the types of medical services, regional variations, CT claims and payments received before and after indictment and suspension, respectively.

## Results

### Medical Payments to Indicted Providers

The WCIRB linked more than half of the indicted providers who participated in the workers' compensation system to the WCIRB medical transaction data. These providers were paid, on average, 10 times more than other providers (Figure 1). This is largely because indicted providers treated, on average, 10 times more claims and rendered a higher volume of medical services (almost twice more) per claim. This suggests that indicted providers may be primarily practicing in the workers' compensation system, while other providers may also treat patients in group health or other health care systems. The gap in the paid medical per provider between indicted and other providers became more pronounced in 2018.

Figure 1. Trends in the Total Medical Payments per Provider, Comparing Indicted Providers to Other Providers



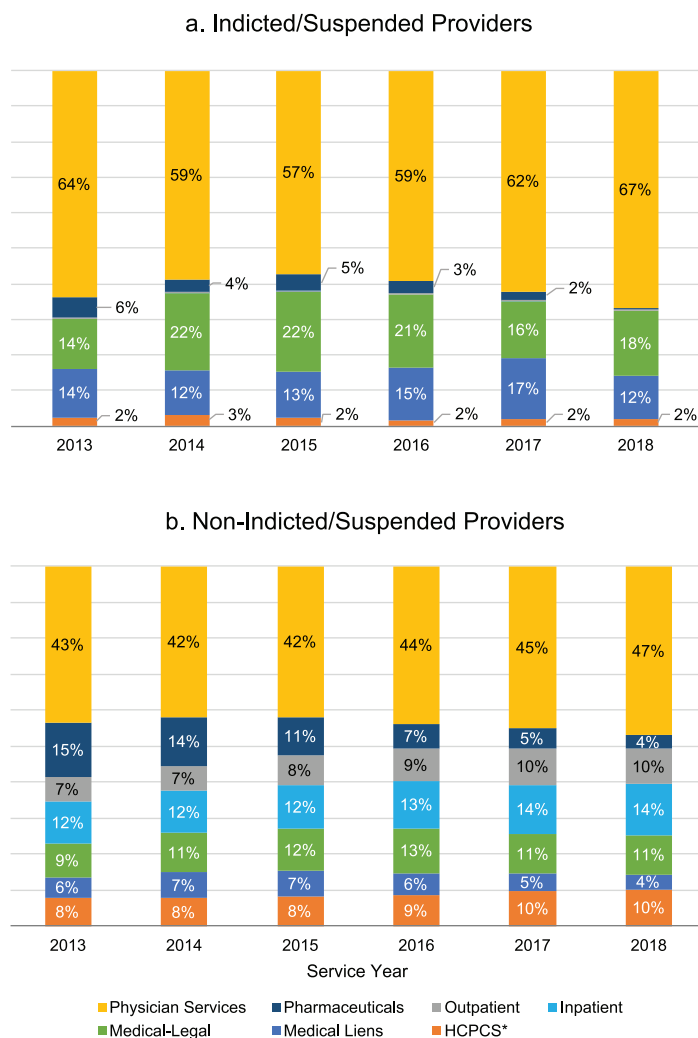
### Treatment Patterns of Indicted Providers

For both indicted and other providers, physician services accounted for the largest share of medical payments. However, indicted providers tended to be paid a significantly larger share (61 percent) of payments for physician services between 2013 and 2018 compared to other providers (44 percent) (Figure 2). This is largely because indicted providers were more likely to provide medical services in a physician's office than in a health care facility.

Within physician services, as shown in Figure 3, indicted providers were paid disproportionately more (64 percent) in 2018 for evaluation and management (E&M) services, which are mostly office visits, than other providers (39 percent). In particular, indicted providers tended to bill and be paid more for more complex office visits (for example, 99214<sup>8</sup>) than other providers.

The shares of medical payments for ML and medical liens to indicted providers also grew during this period, totaling 30 percent in 2018, which is twice as high as those of other providers (15 percent) within the same year (Figure 2). The share of payments for the most comprehensive and expensive ML report, ML104,<sup>9</sup> is very similar across indicted and other providers over time; whereas the share for the second-most expensive ML report, ML103,<sup>10</sup> is significantly higher for indicted providers.

Figure 2. Share of Payments for All Medical Services, Comparing Indicted Providers to Other Providers

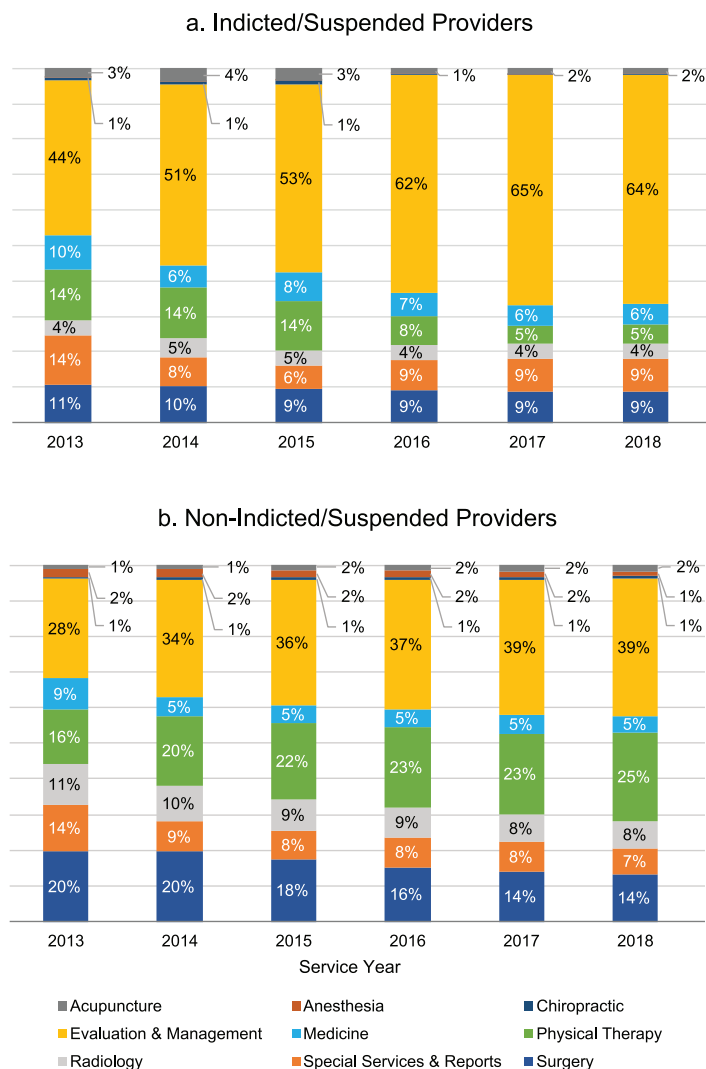


\* HCPCS stands for Healthcare Common Procedure Coding System, including durable medical equipment, prosthetics, orthotics and supplies.

Note. Any service category that has a paid share lower than 1% is not shown.

<sup>8</sup> CPT code 99214 is for Office Visit Evaluation & Management for Established Patient; Level 4 of 5.  
<sup>9</sup> ML104 is for complex comprehensive medical-legal evaluation involving extraordinary circumstances.  
<sup>10</sup> ML103 is for complex comprehensive medical-legal evaluation.

Figure 3. Share of Medical Payments for Physician Services, Comparing Indicted Providers to Other Providers



Note. Any service category that has a paid share lower than 1% is not shown.

#### Indicted Providers in the LA Basin and Cumulative Trauma Claims

The medical payments to indicted providers in the LA Basin accounted for more than 90 percent of the total medical payments to all indicted providers included in this analysis (Figure 4). These payments were mainly for physician services (61 percent), ML evaluations (19 percent) and medical liens (14 percent), which is similar to the treatment patterns of other indicted providers.

On the other hand, the share of payments for medical services provided by other providers in the LA Basin was declining between 2013 and 2018, and physician services accounted for a much lower share (43 percent) of the total medical payments.

CT claims often remain open longer and incur significantly more ML and lien payments than other claims in the California workers' compensation system.<sup>11</sup> The average ultimate costs on CT claims are also higher than claims involving specific injuries.

Figure 4. Share of Medical Payments in the LA Basin and Remainder of California, Comparing Indicted Providers to Other Providers

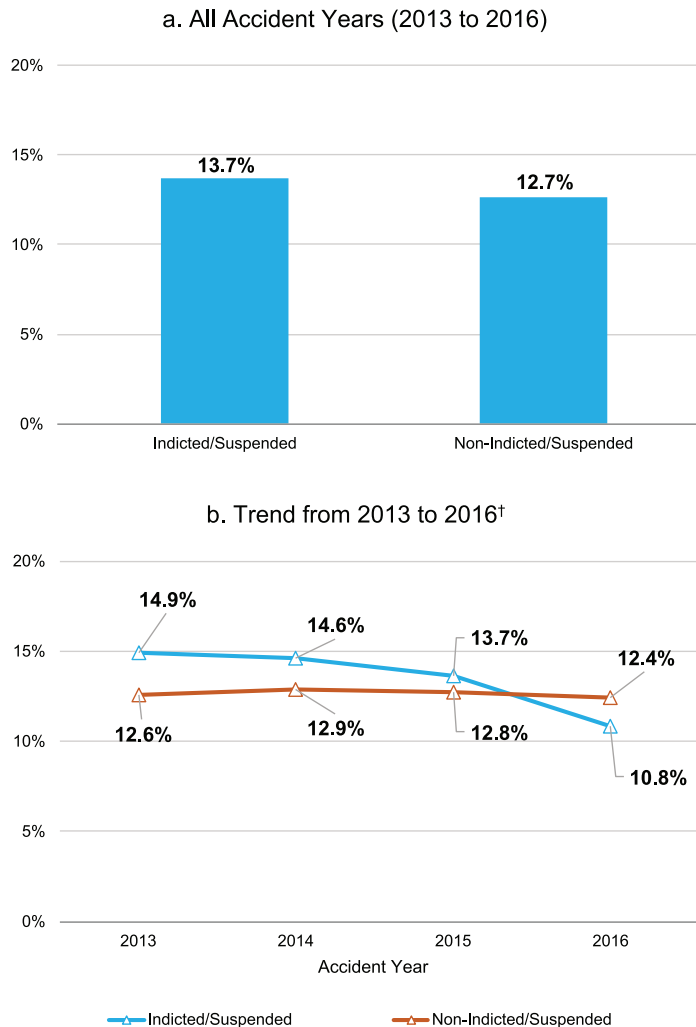


Given that CT claims tend to concentrate in the LA Basin, this analysis focuses on the indicted providers in the same region. Within the LA Basin, on average, for the 2013 through 2016 period, 13.7 percent of indemnity claims treated by indicted providers were CT claims, while that for other providers was slightly lower (12.7 percent) (Figure 5a). Specifically, before 2016, the CT claim proportion within the LA Basin was consistently higher for indicted providers than other providers; however, the pattern started to change in 2016, and CT claim share was lower for indicted providers (Figure 5b). While the share of indemnity claims that involve CT treated by other providers remained flat over time, there seems to be a steady decline in the CT claim share for indicted providers.

Among the claims involving specific injuries, it was found that indicted providers tended to treat claims involving soft tissue injuries and mental and behavior disorders, and less likely to treat dislocation and sprain and minor wounds, than other providers.

<sup>11</sup> The World of Cumulative Trauma Claims, WCIRB, October 2018.

Figure 5. Cumulative Trauma Claims\* as a Share of Indemnity Claims in the LA Basin



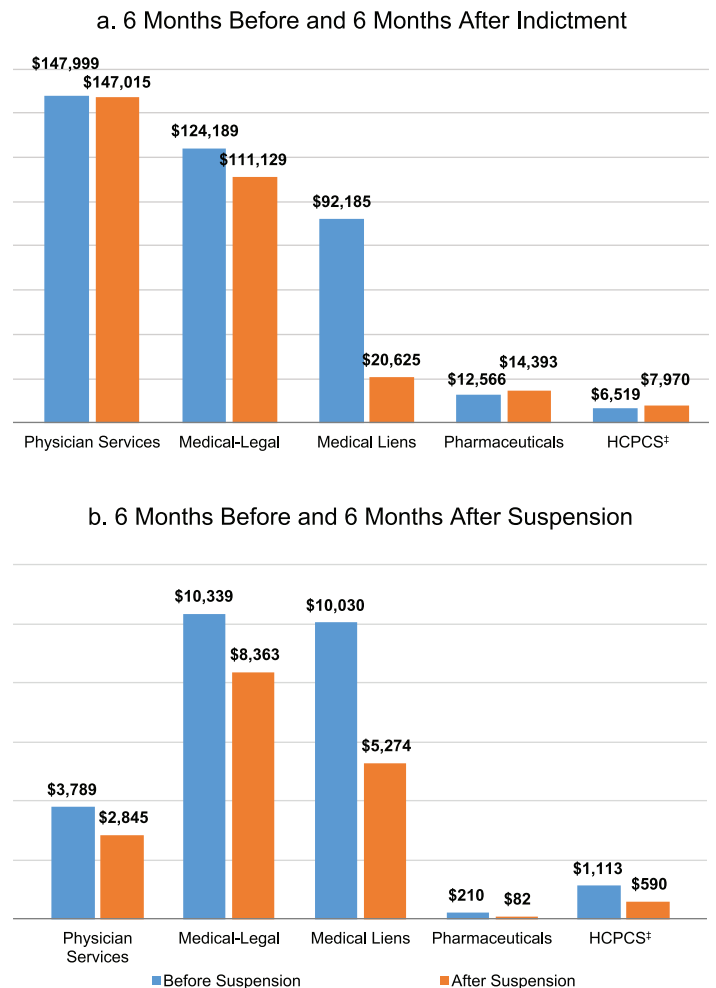
\* CT claims were identified using WCIRB USR data at 2nd report level (approximately 30 months after the date of injury).  
† Accident year 2016 is the latest year for USR data at 2nd report level (approximately 30 months after the date of injury).

### Payments to Indicted Providers Before and After Indictment

For providers indicted for fraud, the average total medical payments per provider was very similar during the six months before and six months after the indictment dates (Figure 6a). They were, on average, paid slightly more for physician services and ML services before indictment, but slightly less for pharmaceuticals and durable medical equipment. Conversely, payments for liens to these providers dropped significantly after indictment, which may be indicative of the impact of the automatic stay of liens. Suspended providers, on the other hand, were paid significantly less for all service types after suspension. The differential was more pronounced for ML services and medical liens, which tend to have a long delay in payments.

Overall, the average total medical payments per suspended provider accounted for only a small fraction of those to providers that were indicted. The pattern is similar 6 months before and 6 months after suspension and indictment, respectively.

Figure 6. Medical Payments\* per Indicted/Suspended Provider for Leading Medical Services† Before and After Indictment/Suspension



\* Based on transaction date; that is, when a medical service was paid.

† Service types shown were ranked by the medical payments to indicted/suspended providers in a descending order.

‡ HCPCS services performed by indicted/suspended providers include mostly durable medical equipment and supplies.

## Conclusions

Based on a sample of individual providers indicted/suspended for fraud in the California workers' compensation system, this study found that these providers tended to treat, on average, significantly more injured workers and rendered more services on each claim compared to other providers. Indicted providers also received significantly higher shares of medical payments for complex and expensive office visits and ML evaluations and, on average, treated a slightly higher share of indemnity claims involving CT. This is consistent with the concentration of indicted providers in the LA Basin, where disputes and legal representation occur more frequently. Suspended providers, on average, were paid significantly less than providers that were indicted both before and after suspension or indictment. Providers indicted were paid significantly less for liens after indictment, indicative of the impact of the automatic stay of the liens.

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1221 Broadway, Suite 900  
Oakland, CA 94612  
888.CA.WCIRB (888.229.2472)

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