

# Medical Identity Theft: The Future Of Healthcare Fraud Is Now

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# Introduction

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- The Current Medical ID Theft Threat
  - 19,428 complaints to FTC since 1992
  - World Privacy Forum (WPF)
    - Estimates 1/2 million victims
    - “Future [threat] is now”
  - *United States v. Fernando Ferrer, Jr.*



**Slide 2**

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**LTF1**

L.T. Lafferty, 3/11/2007

# Introduction Cont.

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- “Newest frontier”
- Electronic culture
- Unprotected environment
- Widespread threat
- Compliance professionals



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# **Financial Verses Medical Identity Theft**



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# Financial ID Theft

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- Consumer fraud complaints
- Victims = Crime of opportunity
- Definition
- Federal Identity Theft & Assumption Deterrence Act & State statutes
- Identity Theft Program



# Financial ID Theft Cont.

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- FTC 2003 Survey Report
- Friends & Family Plan
- Workplace Crime - Insiders



# Medical ID Theft

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- Distinction from traditional ID theft
- Medical ID theft hallmark
- Healthcare expenditures & cost of fraud
- “That’s where the money is”
- “Newest frontier”





# Medical ID Theft Cont.

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- Context & Memories
- Context of healthcare
- “Unwholesome criminal trilogy”
- Definition
- Essence Of Medical ID Theft



# Medical ID Theft Cont.

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- Core root issues
- Vulnerable victims
- Human cost
- Unfettered medical judgment



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# Common Categories Of Medical Identity Theft



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# ***“When Bad Guys Get Sick”***

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- Perpetrator is a sick patient
- Uses another’s person’s identity for treatment
- Case Studies:
  - Career offender
  - Retired school teacher



# ***“Friends Or Relatives In Need”***

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- Not a seasoned criminal
- But someone desperate for health insurance
- Case Studies:
  - Cousin w/ AIDS
  - Sister w/ a toothache
  - “My ID is in the car”



# ***“When Professionals Are Dishonest”***

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- Most outrageous form of medical ID theft
- Insiders fabricate care on real patients for profit
  - Physicians, clerks, nurses et al.
- Case Study:
  - Podiatry gone bad



# ***“Clinical Takeovers”***

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- Medicare patients lured into a clinic for services provided & billed by legitimate staff or imposters
- Patients don't realize they are victims
- Designed for concealment through large # of small claims for short duration



# ***“Clinical Takeovers” Cont.***

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- Clinic operated for few months & disappears
- Case Study:
  - Free baby formula clinic





# “Opportunists”

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- Access to confidential info. & temptation to take advantage of access
- Theft of provider’s identity
- *U.S. v. Ferrer, Jr.* (SDFL 2007)
  - Purchased patient Info.
    - Names, DOB, SSN, Medicare numbers & addresses
  - Submitted over \$7 million in false claims



# ***“Opportunists” Cont.***

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- Indictment of both Ferrer, Jr. & Machado (cousin)
  - Conspiracy
  - Computer fraud
  - Aggravated ID theft
  - Wrongful disclosure of PHI under HIPAA
- Ferrer, Jr. convicted at trial; Machado pled guilty
- First person convicted of identity theft under HIPAA



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# **Electronic Health Systems, Enforcement Initiatives & Healthcare Security Breaches**



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# Electronic Healthcare Systems

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- Electronic Health Records (EHR)
- Electronic Health Care Culture
- Increased Portability & Risk
- “That’s where the money is”
- “Fresh Meat”



# Enforcement Initiatives

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- Increased diligence
- HIPAA Administrative simplification
- DHHS-Office of Civil Rights (OCR)
- DOJ-FTC ID Theft Task Force
- Statistics
- PROTECT ACT



# Compliance Professionals

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- Lead The Way
- “Thundering Herd” Warning
- Beef Up The “Moat” Around Your Healthcare Castle



# 2006 Top 10 Healthcare Security Breaches

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- **Cleveland Clinic**
  - Front-desk coordinator steals & sells info. on over 1,000 patients
- **HCA Inc.**
  - Theft of 10 computers containing info. on 18,000 beneficiaries & 7,000 employee & physicians
- **Aetna, Inc.**
  - Theft of employee's laptop from car containing 59,000 members info.



# Healthcare Security Breaches Cont.

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- **Beaumont Hospital**
  - Nurse's laptop stolen from car containing 28,000 patients' info.
- **PSA HealthCare**
  - Employee's laptop stolen from car containing 51,000 patients' info.
- **Kaiser Permanente**
  - Two contract employees arrested stealing info. on 25,000 patients





# Healthcare Security Breaches Cont.

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- **Vassar Brothers Medical Center**
  - Stolen laptop computer believed to contain 257,800 former patients' info.
- **Sisters of St. Francis**
  - Medical billing records contractor forgot 3 CDs containing medical info. on 260,000 patients in a laptop computer she returned to a store



# Healthcare Security Breaches Cont.

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- **Providence Health System**
  - Theft of computer disks & tapes containing info. on 365,000 patients
- **Dept. of Veterans Affairs**
  - Data analyst's stolen laptop computer containing data on 26.5 million veterans & spouses



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# Preventive Tips For The Compliance Professional



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# Preventive Tips For The Compliance Professional

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- Culture Of Compliance
  - Recognize the threat & importance of top down buy-in
  - Zero tolerance for violations
- Risk Assessment
  - Pay special attention to insiders
  - Criminal background checks
  - Physical bldg. security
  - Medical record security



# Preventive Tips For The Compliance Professional Cont.

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- Create & Implement Effective Policies & Procedures
  - Require patient identification
  - 2 forms of ID w/ same name if ID doesn't match med. record
  - No photo ID – take a picture
  - Cross reference stolen ID medical records w/ real record to correct
  - Encryption of computer data
  - Prohibit storage of PHI & passwords on laptops
  - Prohibit storage of passwords for encrypted data near computers
  - Publicize charity care policy to eliminate desire to commit theft
  - Inform patients that it is against law to share insurance coverage
  - Zero tolerance – prosecute violators



# Preventive Tips For The Compliance Professional Cont.

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- Security Training
- Develop A Rapid Response Plan
  - Identify a rapid response team
  - Assign roles & duties
  - Consider notifying patients of a breach in security



# Preventive Tips For The Compliance Professional Cont.

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- Serve Your Own Patients
  - Establish a toll-free hotline to handle inquiries
  - Help patients correct erroneous data
  - Flag the record
  - Contact FTC & file a report
  - Report to local police
  - Contact 3 credit agencies & place fraud alert
  - Report to insurance company
  - Offer to credit monitoring services
  - Offer free credit report
  - Offer identity theft insurance



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