

Insurance Fraud Bureau of Massachusetts

2017 Annual Report





Contents

Executive Summary	1
Highlights of 2017	2
Referral Summary	3
Case Summary	4
Community Insurance Fraud Initiatives	5
Health Care and Prescription Fraud	6
Prosecution Summary	7
Individuals Charged	8
Individual Dispositions	9
Financials	10
IFB Organizational Units	11
Officers & Board of Governors	12
Committees	13

CONTACT the INSURANCE FRAUD BUREAU OF MA

Address: 101 Arch Street, Boston, MA 02110
Telephone: 617-439-0439
Hotline: 1-800-32FRAUD
Email: referrals@ifb.org
Website: <https://www.ifb.org>

Executive Summary



Established in 1991, the Insurance Fraud Bureau of Massachusetts (IFB) is one of the oldest fraud bureaus in the nation. Its staff of 53 professionals has taken on all types of insurance fraud schemes from high profile staged car accidents and workers' compensation premium evasion schemes, to more routine slip and fall claims and phony car thefts. Lately, we have seen a trend that has targeted the health insurance industry by defrauding carriers for unnecessary and over-prescribed opioid insurance reimbursements in an area that has drawn attention to the opioid over-treatment epidemic nationwide.

The IFB investigates all types of insurance fraud cases, and where evidence is compelling, cases are referred to the Massachusetts Attorney General, various District Attorneys across the Commonwealth, and the United States Attorney, District of Massachusetts.

This past year, we again set a new high water mark for cases recommended for prosecution; a total of 250. Two hundred twenty-eight cases were forwarded to district attorneys who partner with the IFB via the Community Insurance Fraud Initiative (CIFI), 19 cases were referred to the Attorney General, with three to the United States Attorney.

We owe special thanks to those in the special investigation units of the insurers licensed in Massachusetts, for it is they who typically spot fraud at its source, and refer the cases to the IFB for further investigation. Additionally, the IFB enjoys a strong working relationship with police departments across the Commonwealth, and in particular in the larger CIFI communities. Their help in this ongoing effort is invaluable.


Daniel J. Johnston, Executive Director

Highlights of 2017

Milestones reached in 2017:

- ◇ In 2017, 250 cases, the highest yearly total to date, were recommended for prosecution to the offices of the Attorney General, United States Attorney and District Attorneys. Of that amount, 179 individuals were charged including 13 indictments returned and 166 complaints issued. Of cases concluded, 247 individuals reached a final disposition (including 20 convictions and 59 continued without a finding).
- ◇ From inception of the IFB, more than 74,330 referrals from insurers, law enforcement, regulators, professionals and the public have been received. Since inception, 3,831 individuals have been charged, either through indictment or complaint, on insurance fraud and related charges. Of those charged, 977 convictions have resulted with 1,146 other cases continued without a finding.

The IFB presented two seminars in 2017. In partnership with the Northwestern District Attorney's Office, *Insurance Fraud 101: Identifying, Investigating and Prosecuting a Crime That Doesn't Pay* was attended by 100 law enforcement personnel. A *Seminar on Insurance Fraud Hot Topics!* attracted attendees from insurance companies, law firms and private investigative agencies. Topics included Pawn Shop Database; Regulations on Involuntary Towing; Social Media and Covert Profiles; and What Makes a Good Medical Fraud Case.

In a joint collaboration, the New England Chapter of the International Association of Special Investigation Units (NEIASIU), National Insurance Crime Bureau (NICB) and the IFB, speakers and support were provided for the twelfth annual Training Seminar and New England Fraud Expo. The seminar included topics on automobile, workers' compensation, property and provider fraud; insurance claim coverage issues regarding medicinal marijuana; opioid investigation and prosecution; and social media. This two-day training program was attended by over 200 people.

An article, *Fighting Fraud with the Use of Technology*, written by the IFB Chief of Investigations, appeared in *The Standard* in 2017.

A new position, special assistant to the chief of investigations, was created to concentrate on outreach and communication efforts to insurance company personnel including in-house training of Special Investigation Units and claims personnel on insurance fraud issues. In addition, IFB management personnel are sought as speakers or panel members at various industry conferences. In 2017 IFB presented at the New England Association of Insurance Fraud Investigators (NEAIFI) annual conference, the Eastern Claims Conference, the annual all-staff training of the Office of the State Auditor, the Auditors Association of New England, the International Association of Auto Theft Investigators (IAATI) annual conference, Boston Chapter CFE and NEAIFI training workshops, and local police new recruit and roll call training.

Attendance at seminars and workshops aids IFB staff in understanding new and trending fraud schemes and affords an avenue to network with fellow fraud investigators. Seminars attended in 2017 include the annual conferences of Insurance Fraud Management, International Association of Law Enforcement Intelligence Analysts, the International Association of Auto Theft Investigators (IAATI), Association of Certified Fraud Examiners, National Fraud Directors, New England Chapter of the International Association of Special Investigation Units (NEIASIU), and the National Health Care Anti-Fraud Association. Investigators also attended training sessions at the National White Collar Crime Center and New England State Police Information Network (NESPIN) as well as Boston Chapter CFE and NEAIFI training workshops.

Referral Summary

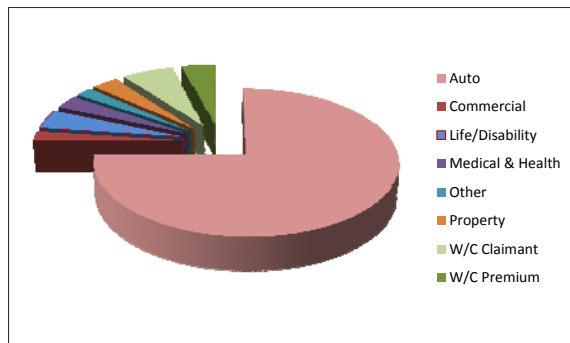
The IFB received 3,446 referrals in 2017. The principal source of referrals is from insurance carriers; 2,948 referrals received through submission by the insurance carrier directly or forwarded through the websites of the National Insurance Crime Bureau and the National Association of Insurance Commissioners. Most information is submitted electronically via a secured FTP site, DropBox, or secured email to referrals@ifb.org. Password protected CDs and flash drives along with paper referrals are received through mail.

Strong relationships with local police departments have resulted in an increased number of reports of suspected insurance fraud from local police. Referrals are also received from state and federal agencies. Private citizens are encouraged to report possible fraud tips to the IFB hotline at 1-800-32FRAUD or through the IFB website at <https://www.ifb.org>.

Each allegation of insurance fraud received is evaluated. Referrals may be declined for investigation due to lack of evidence of criminal insurance fraud or insufficient information provided with the referral. Information from referrals may also be forwarded to another agency better-equipped to handle the allegation. The referrals accepted for investigation are deemed to be the most viable for successful prosecution.

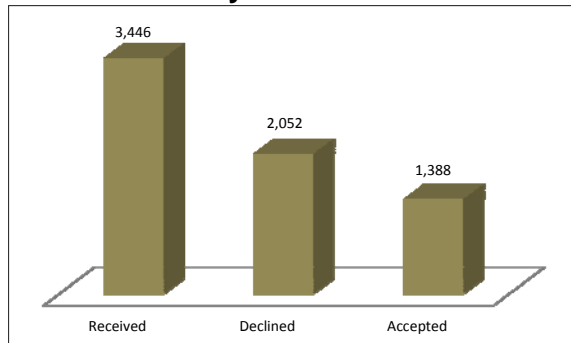
Since the inception of the IFB, more than 74,330 referrals have been received. Automobile claims continue to comprise the majority of referrals while workers' compensation and provider referrals typically involve higher dollar impact cases.

Referrals Received in 2017

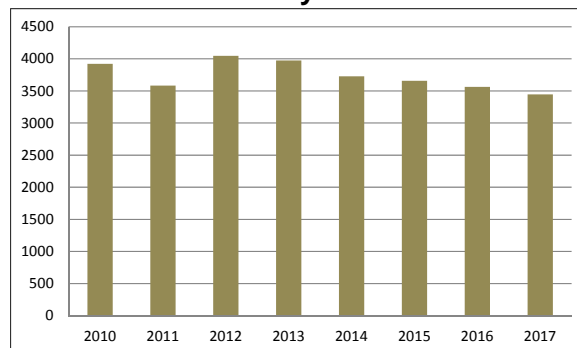


Auto	2,585
W/C Clmt	214
W/C Prem	140
Other	507
Total	3,446

Referral Activity in 2017



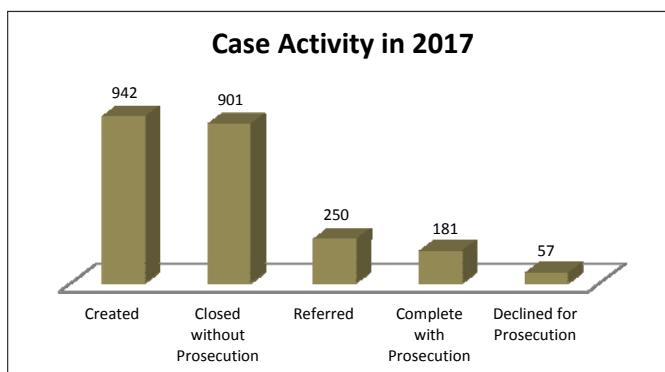
Referrals Received by Year



Case Summary

There were 1,472 cases under investigation in 2017 with 250 cases recommended for prosecution. Cases that did not meet the required burden of proof were closed without prosecution.

Investigative caseloads include cases under active investigation as well as cases referred to prosecution. Working with the prosecutor may involve location of witnesses, witness interviews, delivery of subpoenas and pursuing additional avenues of investigation. Case workloads change frequently with new cases created, assigned for investigation and closed.



The time a case remains in wait or assigned status is influenced by the loss location and the type of case. Cases in the task forces (CIFIs) move faster through the process due to the type of fraud and the close working relationship with local police and prosecutors. Investigations dealing with alleged provider fraud, workers' compensation premium and claimant fraud, and other types of insurance fraud can be more complex in nature. These cases are usually recommended for prosecution to the offices of the Attorney General and United States Attorney and take longer to move through the process.

The following table depicts, for year-end 2017, the number of cases in inventory waiting to be assigned to an investigator and cases that are actively being worked.

Case Status by Unit/Task Force as of December 31, 2017

Unit/Task Force	Cases in Wait	Cases Assigned	Cases at a Prosecutor's Office	Total Active Cases
General Unit	246	76	20	96
Provider Fraud Unit	50	47	24	71
W/C Claimant Unit	11	6	4	10
W/C Premium Evasion Unit	29	32	27	59
Boston CIFI	182	44	93	137
Brockton CIFI	21	6	30	36
Chelsea/Revere CIFIs	16	4	5	9
Lawrence/Lowell CIFIs	69	22	29	51
Lynn CIFI	47	3	7	10
New Bedford/Fall River CIFI	47	34	37	71
Randolph CIFI	17	2	27	29
Western Massachusetts CIFI	148	39	41	80
Worcester CIFI	55	12	17	29
Total	938	327	361	688

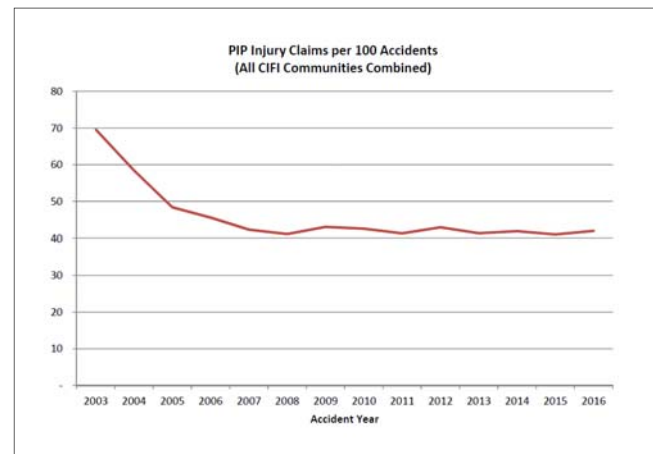
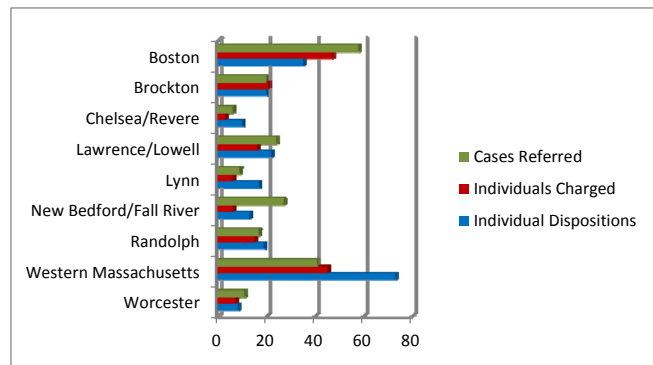
Community Insurance Fraud Initiatives

Created in 2003, the Community Insurance Fraud Initiatives (CIFI) continue to provide deterrence against alleged insurance fraud within each CIFI town. Automobile investigations remain the priority within each CIFI town although an expansion to surrounding towns in some CIFIs occurred in 2017. In addition, some jurisdictions also investigate workers' compensation, property and provider fraud at the community level. The largest CIFIs are in Boston and Western Massachusetts. Boston handles automobile insurance fraud cases throughout Boston and its neighborhoods. The Western Massachusetts CIFI investigates all types of alleged fraud in the Western part of the state, with emphasis on Hampden and Western Massachusetts counties.

The statistic "injuries per 100 accidents" was key in determining where to establish CIFI task forces around the state. In cities where staged accidents were dominant, this statistic was always higher than average, obviously caused by piling a greater than average number of people into staged accident cars, all claiming injury. As IFB task forces identified fraud and brought charges, each city saw a reduction in the "injuries per 100 accidents," a measurement that indicated the success of the program. The graph above shows the effect of this program in all CIFI communities combined, where this statistic started at 70 injury claims and has dropped to 42, notably and importantly not rebounding.

The table at right displays the impact of the policy premium savings for each of the CIFIs and its cumulative effect on the automobile insurance industry. There has been a \$1.3 billion premium savings since 2003 in the CIFI towns and a \$5.8 billion premium savings for the total industry.

2017 Case and Prosecution Activity by CIFI



CIFI Communities Estimated Policy Premium Savings Since CIFI Introduction (Through 2016)		
CIFI Community	Year CIFI Introduced	Cumulative Premium Savings
Boston	2004	\$467,767,072
Brockton	2004	38,377,847
Chelsea/Revere	2005	24,684,379
Fall River/New Bedford	2006	95,818,541
Holyoke/Springfield	2004	137,515,325
Lawrence	2003	116,316,085
Lowell	2004	105,032,976
Lynn	2004	70,643,049
Quincy/Randolph	2005	116,410,914
Worcester	2006	184,366,340
Total CIFI		1,356,932,528
Industry ex-CIFI	2004	4,473,340,335
TOTAL Industry	2004	5,830,272,863

Cumulative premium savings is estimated for each community by comparing the difference between the pre-CIFI average policy premium and the average policy premium for each subsequent year applied to the total vehicles in each community.

Health Care and Prescription Fraud

The over-treating and over-prescribing of narcotics and opioid drugs continues to be an increasing problem throughout the Commonwealth. The IFB had a role in the investigation of several high-profile cases involving medical providers, nurses and medical personnel who abused narcotics and opioids or, in their various capacities, over-prescribed drugs. In addition, investigations into health care personnel who falsely bill insurers for services not rendered or overbill for services rendered continue to be a priority of the IFB Provider Fraud Unit.

The following stories involve health care providers fraudulent overbilling and medical personnel who abused narcotics and opioids or over-prescribed drugs.

- ◇ Indictments were returned against an Agawam doctor and his medical assistant on charges of uttering false prescriptions and false health care claims. The investigation centered around the time period when the doctor was imprisoned in Kentucky for failure to pay child support. While imprisoned, narcotics were allegedly prescribed through his assistant on pre-signed prescriptions to patients who were not seen by a doctor. The investigation found that while the doctor was imprisoned, a total of 116 opiate prescriptions were allegedly issued from his office accounting for over 15,000 pills.
- ◇ A registered nurse pleaded guilty to 35 counts of uttering a false prescription for a controlled substance in connection with a scheme to fraudulently obtain prescription opioid medications. She was sentenced to three years probation and ordered to surrender her nursing license. She used a physician's prescription pad that did not belong to her to fill 35 forged prescriptions for thousands of painkillers including oxycodone, hydrocodone, hydromorphone and tramadol.
- ◇ A pain management physician pleaded guilty to 27 counts of health care fraud and money laundering charges in connection with billing the Medicare program and other health care insurers for services he did not provide to patients. [In March 2018 he was sentenced to 8 years in prison, followed by 3 years of supervised probation, and ordered to pay \$8.7 million in restitution.]
- ◇ A Northampton social worker was indicted on a count of making false statements in applications for payments of health care benefits and 38 counts of larceny over \$250. She allegedly fraudulently billed for therapy sessions that never occurred. At her arraignment, she was ordered to surrender her social worker license.
- ◇ A Cumberland, Rhode Island woman was arraigned on multiple counts of uttering a false prescription, obtaining a drug by fraud and false health care claim. The woman, a registered nurse, unlawfully procured and forged false prescriptions to obtain oxycodone. A Walgreen's pharmacy filed a complaint with Worcester police regarding a prescription passed by the woman. She admitted to police that she had forged a couple of prescriptions, and police discovered other forged prescriptions in addition to the ones the woman admitted to. [In March 2018 the woman admitted to sufficient facts and her case was continued without a finding for 18 months.]

Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Prosecution Summary

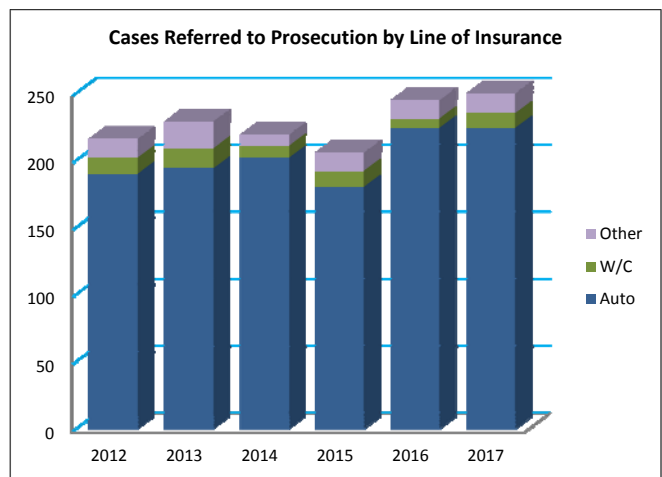
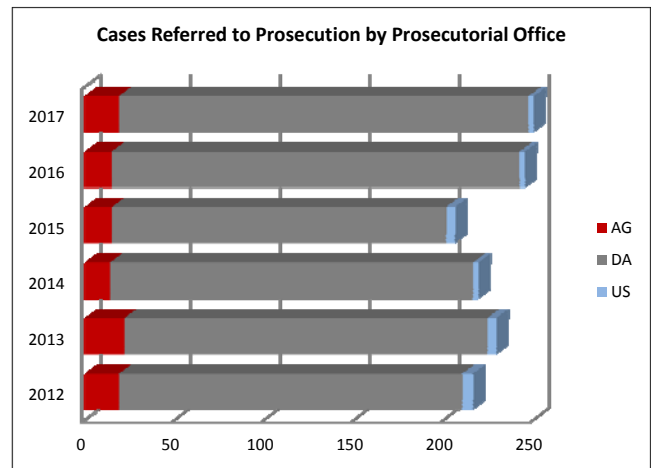
After an IFB case investigation is complete and a determination is made that sufficient evidence has been gathered for possible criminal prosecution, a recommendation is made to a prosecutorial office. Depending on the type, complexity and prosecutorial jurisdiction of the case, a decision is made to recommend the case to the office of the Attorney General, United States Attorney or a District Attorney. Prosecution activity may result in complaints issued or indictments returned. A case may conclude quickly as in single-vehicle, single-subject cases. However, in many instances, it may take months or years to achieve final disposition.

Cases Referred to Prosecution

In 2017, IFB referred 250 cases to prosecutors. CIFI-related case activity makes up the largest number of cases. These cases are predominantly staged automobile theft, hit-while-parked, and single-subject cases.

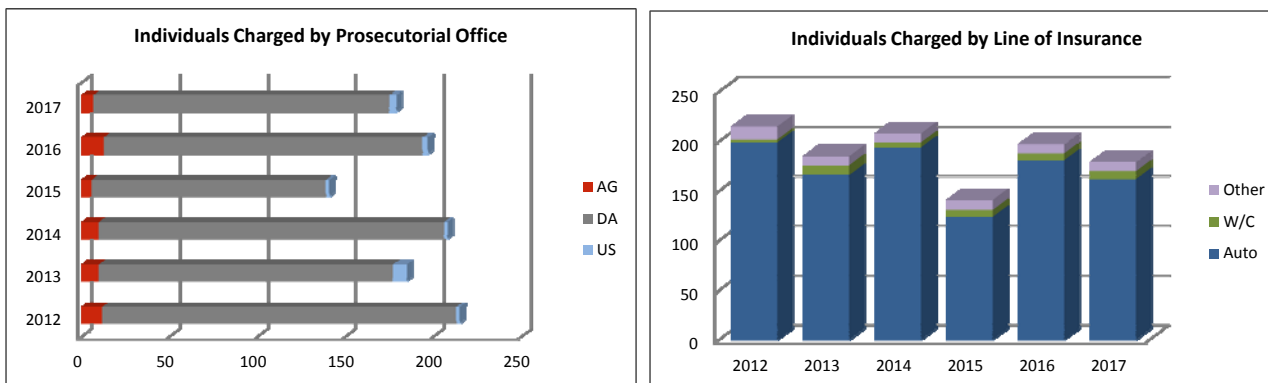
In 2017, there were 228 cases referred to offices of District Attorneys. Three cases were referred to the United States Attorney's office and 19 to the Massachusetts Attorney General's office.

Of the 250 cases referred to all prosecutors, 224 were classified as automobile, 11 workers' compensation and 15 other (such as medical/health, provider, agent, property, commercial, life and disability).



Individuals Charged

In 2017, 179 individuals were charged with insurance fraud-related violations; 13 indictments were returned and 166 complaints were issued. At the CIFI level, complaints are often taken out by local police assisting the task force or by the IFB investigator at the direction of a prosecutor. Probable cause is established through the clerk's office. Individuals charged in 2017 came from multiple types of insurance fraud investigations. The majority were from automobile investigations, but medical/health, provider, workers' compensation premium evasion and claimant fraud, commercial, and property fraud cases were also investigated with individuals charged.



Some individuals charged include:

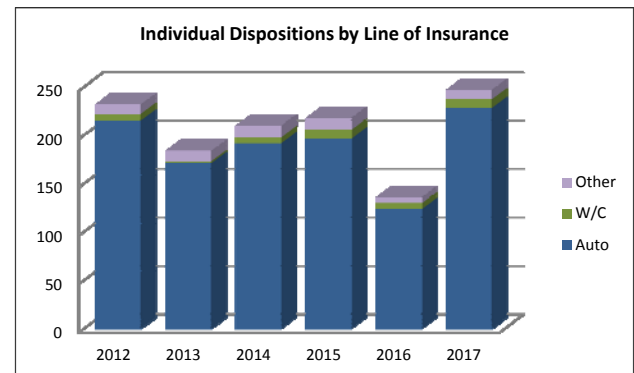
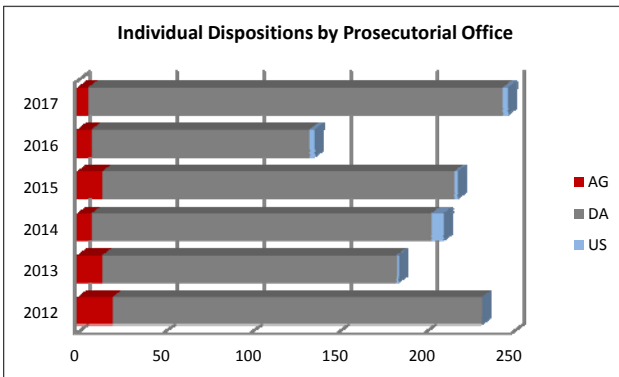
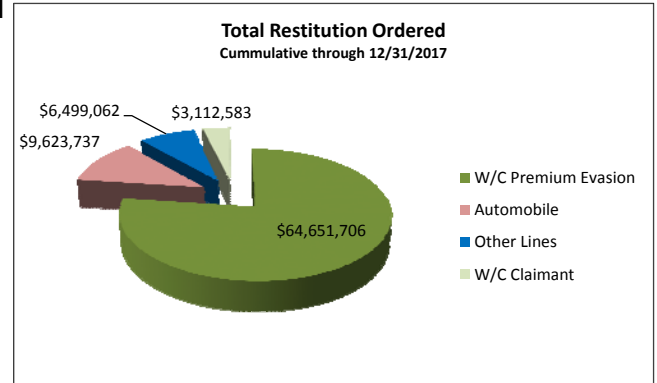
- ◇ An Ashland man, owner of a painting contractor company, who revealed gross sales of approximately \$160,000. However, it was discovered through an audit of another painting contractor for approximately the same timeframe, and coincidentally also insured by the same insurer, that a 1099 was issued to the painting contractor and totaled more than \$370,000. Investigation confirmed that the Ashland contractor allegedly filed a false tax return with the Department of Revenue and potentially evaded premium due its workers' compensation insurer as a result of the false disclosure of income.
- ◇ A Feeding Hills woman who allegedly signed an application for homeowners insurance on behalf of her mother. She then filed a lost property claim for a missing diamond ring in the mother's name. Investigation revealed that the Feeding Hills woman's mother had passed away several months prior to the loss claim. The woman was arraigned on insurance fraud charges.
- ◇ A Chelsea man, arraigned on workers' compensation fraud charges, who allegedly fell while working as a security guard, suffered a wrist and chest injury, and began collecting benefits. Investigation revealed that he had allegedly been working as a security guard for another company throughout the entire period he was collecting benefits.
- ◇ A Buzzards Bay man who reported to police and his insurer the alleged theft of his 2006 Dodge Ram pickup and received approximately \$13,000 for the theft loss. The pickup was recovered at a tow yard where records indicated it had been towed due to a snow emergency declared by the city. Keys for the truck were found inside. The tow company made several attempts to contact the man to retrieve his vehicle but received no response and eventually sent the vehicle to be sold for parts. The tow company later learned that the vehicle had been reported stolen and contacted police.

Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Individual Dispositions

The court process can take months or years to reach a final disposition. This is true especially in state and federal cases because of overall size and complexity of many of the large cases. In 2017, 20 individuals were convicted and another 59 individuals' cases were continued without a finding. An additional 168 individuals reached final disposition, which included pre-trial probation, resolved at a show cause hearing, general continuance, dismissal, acquittal or nolle prosequi.

Individuals may be sentenced to jail time, suspended sentences, probation, restitution, and community service time or a combination of the above. Restitution ordered in 2017 was approximately \$3.1 million.



Some convictions from 2017 include the following:

- ◇ A Swansea woman was sentenced to two years in prison and ordered to pay \$165,299 in restitution. She pleaded guilty to running an off-the-books payroll scheme in which her temporary employment agency evaded workers' compensation insurance premiums and federal employment taxes.
- ◇ The case against a Fall River couple, owners of a contracting company, was continued without a finding and they were ordered to pay \$70,000 in restitution. The couple failed to disclose the true nature of the work their company performed in order to lower workers' compensation premiums.
- ◇ A Bellingham man admitted to sufficient facts on insurance fraud charges. The case was continued without a finding for 18 months and he was ordered to pay \$10,997 in restitution. The man reported that his 1999 Ford Mustang Cobra was stolen and he was paid for the theft claim. However, the insurer subsequently became aware that he had sold the Cobra on Craigslist prior to the alleged theft.
- ◇ A Worcester man pleaded guilty to presenting a false insurance claim and was ordered to pay restitution. The man reported his home was broken into with items stolen; however, it was the same loss he had reported to a previous insurer.

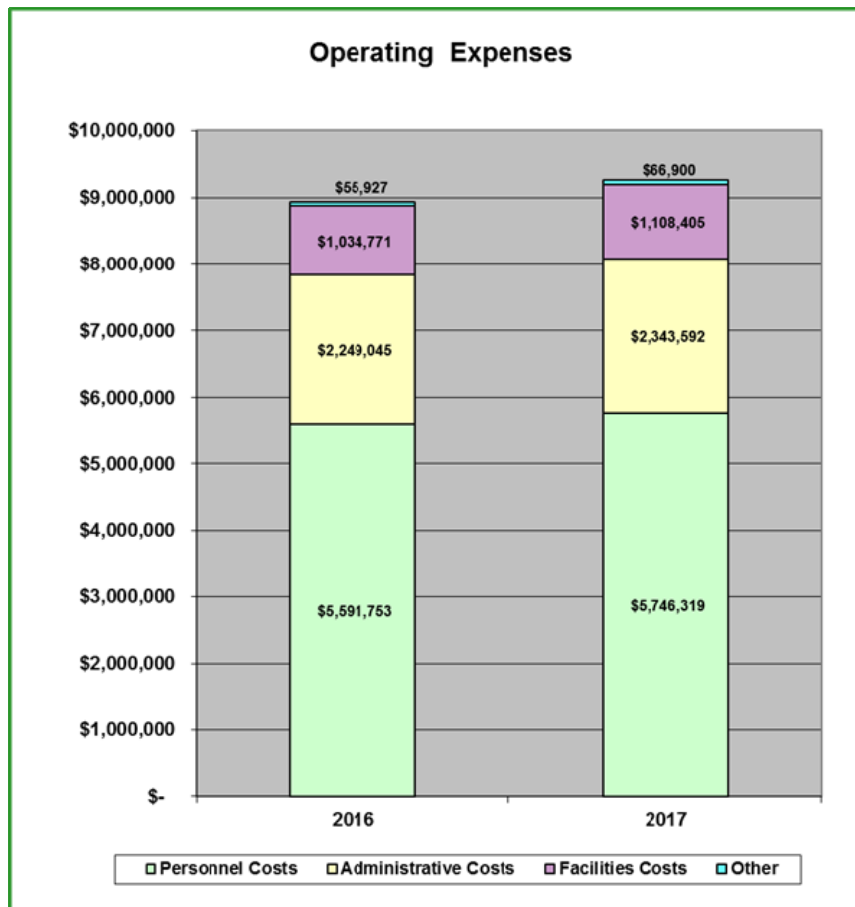
Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Financials

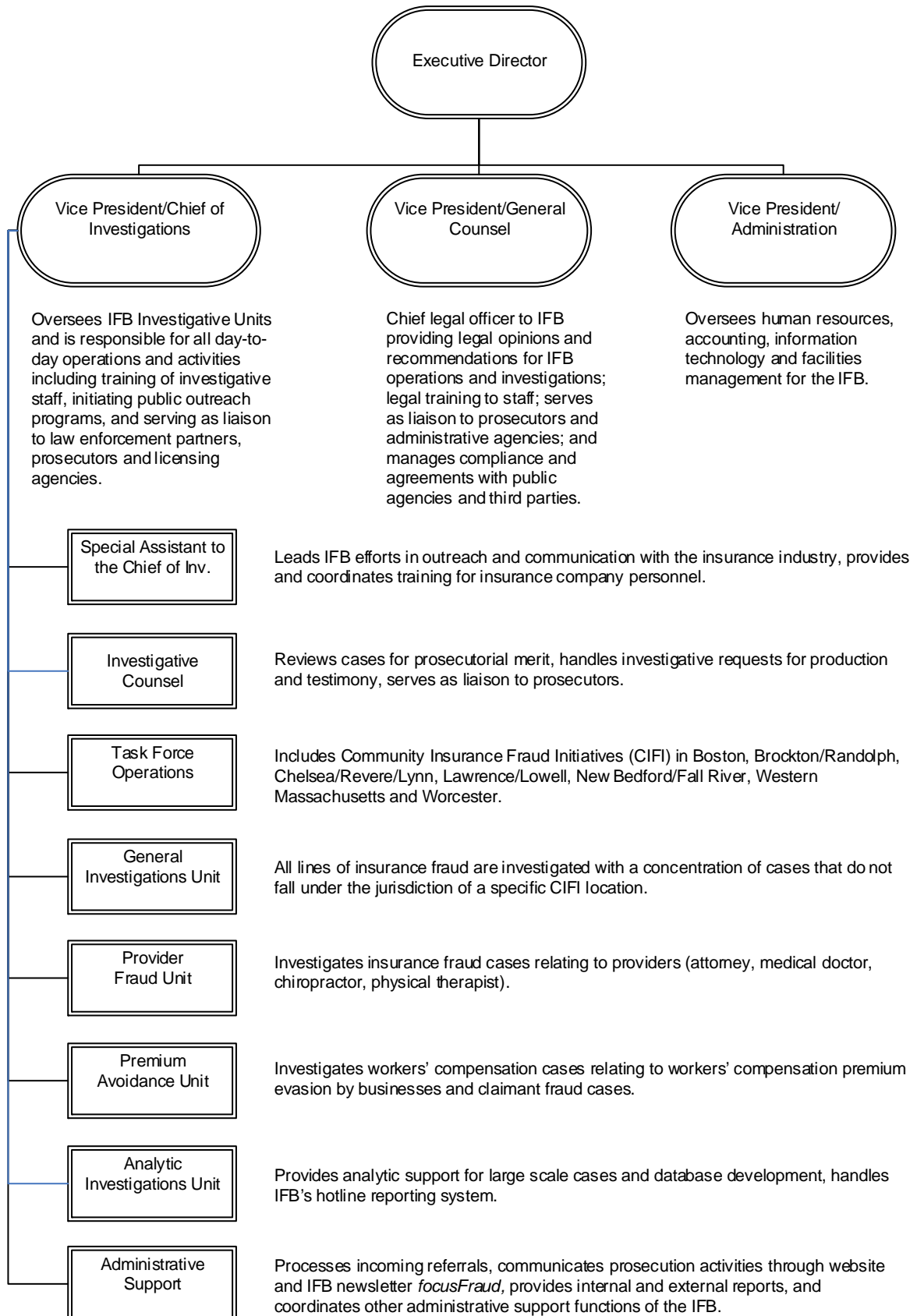
	2016	2017
REVENUES		
Assessments	\$ 9,318,498	\$ 9,545,588
Other Income	<u>575,926</u>	<u>962,302</u>
Total Revenues	\$ 9,894,424	\$ 10,507,890
EXPENSES		
Personnel Costs	\$ 5,591,753	\$ 5,746,319
Facilities Costs	1,034,771	1,108,405
Administrative Costs	2,249,045	2,343,592
Professional Services	<u>55,927</u>	<u>66,900</u>
Total Expenses	\$ 8,931,496	\$ 9,265,216
District Attorneys Funding*	500,000	500,000
Other Reserve Fund Uses	173,610	10,430
Net Addition to Reserve Fund	<u>(97,948)</u>	<u>451,720</u>
SURPLUS FUNDS**	<u>\$ 387,266</u>	<u>\$ 280,524</u>

* As directed by the Commissioner of Insurance

** Amounts returned to the insurance industry in the following calendar year



Insurance Fraud Bureau Organizational Units



Officers and Board of Governors

OFFICERS

Daniel J. Johnston, Executive Director
Anthony M. DiPaolo, Vice President, Investigations
Laura A. Kessler, Vice President, General Counsel
Thomas J. Simon, Vice President, Administration

BOARD OF GOVERNORS

Representing the AIB Governing Committee

Arbella Insurance Group
MAPFRE USA Corp.
Metropolitan Group
Safety Group
The Hanover Insurance Group

Representing the WCRI Board Governing Committee

AFL/CIO
A.I.M. Mutual Insurance Company
Liberty Mutual Insurance Company **
Thomas J. Woods Insurance Agency
The Travelers Insurance Company

Public Members

Commissioner of Department of Industrial Accidents
Commissioner of Insurance
Registrar of Motor Vehicles
Secretary of Labor and Workforce Development
Secretary of Public Safety

** Denotes board chairman

Committees

COMMITTEE	MISSION	MEMBERS
Audit	Provide oversight on the accounting, financial reporting and auditing practices of IFB.	Liberty Mutual Insurance Company** Metropolitan Group The Travelers Insurance Company
Budget	Review and approve prospective budget plans and staff additions	A.I.M. Mutual Insurance Company Commissioner of Insurance Liberty Mutual Insurance Company** MAPFRE USA Corp. Safety Group
Communications Subcommittee	Examine and discuss communications between IFB and insurers	A.I.M. Mutual Insurance Company Arbella Insurance Group Liberty Mutual Insurance Company MAPFRE USA Corp. Metropolitan Group Safety Group** The Hanover Insurance Group The Travelers Insurance Company
Long Range Planning	Guide long-term direction of IFB activities; designate line of business priorities, geographical orientation and IFB legislative initiatives	AFL/CIO Arbella Insurance Group Commissioner of Department of Industrial Accidents Metropolitan Group** The Travelers Insurance Company
Personnel	Approve personnel related plans and programs, including salary structures, job grades and ranges and benefit packages	Liberty Mutual Insurance Company Registrar of Motor Vehicles Secretary of Labor and Workforce Development The Hanover Insurance Group** Thomas J. Woods Insurance Agency
Tip Reward	Review and approve reward payments to informants for tips which lead to the prosecution of insurance fraud perpetrators, as part of the approved IFB Tip Reward Program	Arbella Insurance Group Liberty Mutual Insurance Company ** MAPFRE USA Corp. Safety Group Secretary of Public Safety

** Denotes committee chairman