

Workers' Compensation Fraud

A hand with the index finger pointing upwards towards the word 'FRAUD'. The background is a blue, radiating light effect with a central bright spot. The word 'FRAUD' is written in white, bold, capital letters, centered horizontally and partially enclosed by white brackets on the left and right sides.

F R A U D

Agenda



- Understanding the types of Workers' Compensation Fraud
- Elements of Workers' Compensation Fraud
- Knowing the difference between Workers' Compensation **Abuse** versus **Fraud**
- Fraud Red Flags
- How to report Workers' Compensation Fraud
- Helpful Tips & Fraud Prevention

Workers' Compensation Fraud

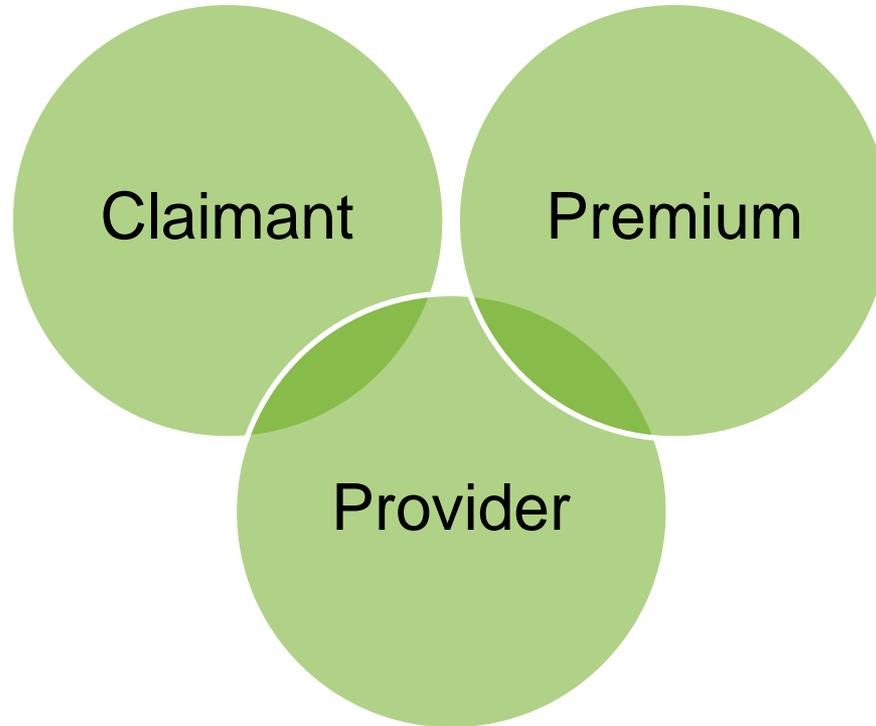
When someone knowingly lies to do any of the following:

obtain workers' compensation benefits that are not due

cause denial of workers' compensation benefits that are due

obtain a workers' compensation policy of insurance at less than the proper rate, cost, or premium

Types of Workers' Compensation Fraud



Claims Fraud



Workers' Compensation Fraud Statute: Insurance Code 1871.4

Unlawful to make, present, or cause to be made or presented, a knowingly false or fraudulent material statement or representation, written or oral, for the purpose of obtaining or denying any compensation.

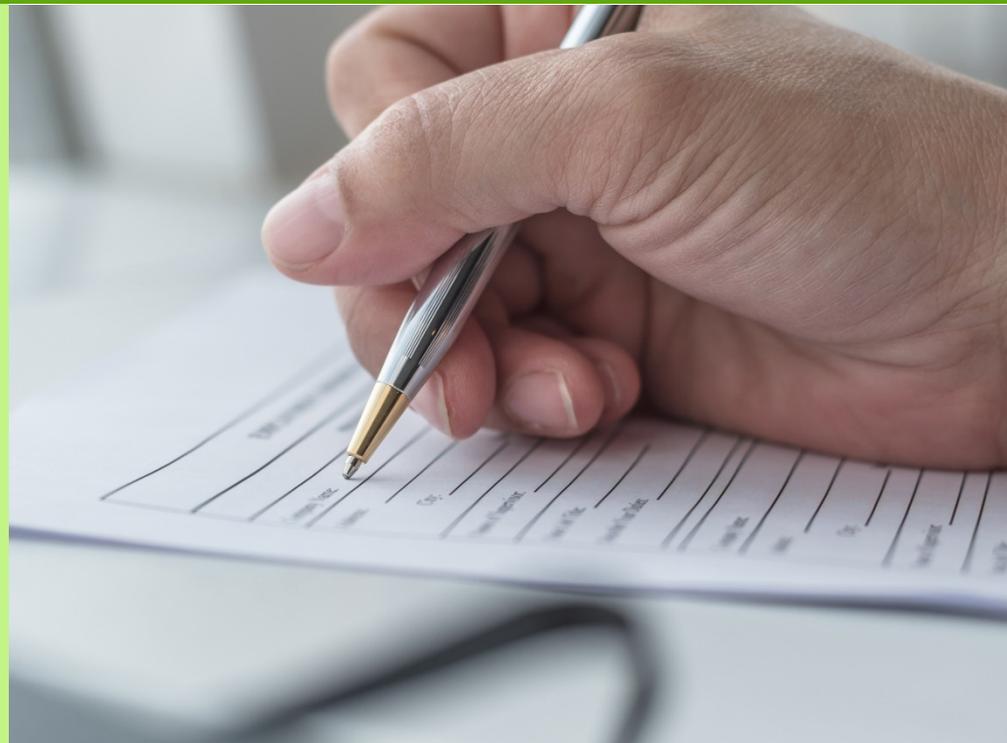
- Must have specific intent to defraud
- Also prohibits false statements intended to discourage injured worker from pursuing a claim.



Premium Fraud

**Premium Fraud Statute:
Insurance Code 11880**
Specific to State Fund

When someone knowingly lies to obtain a workers' compensation policy at less than the proper rate, cost or premium



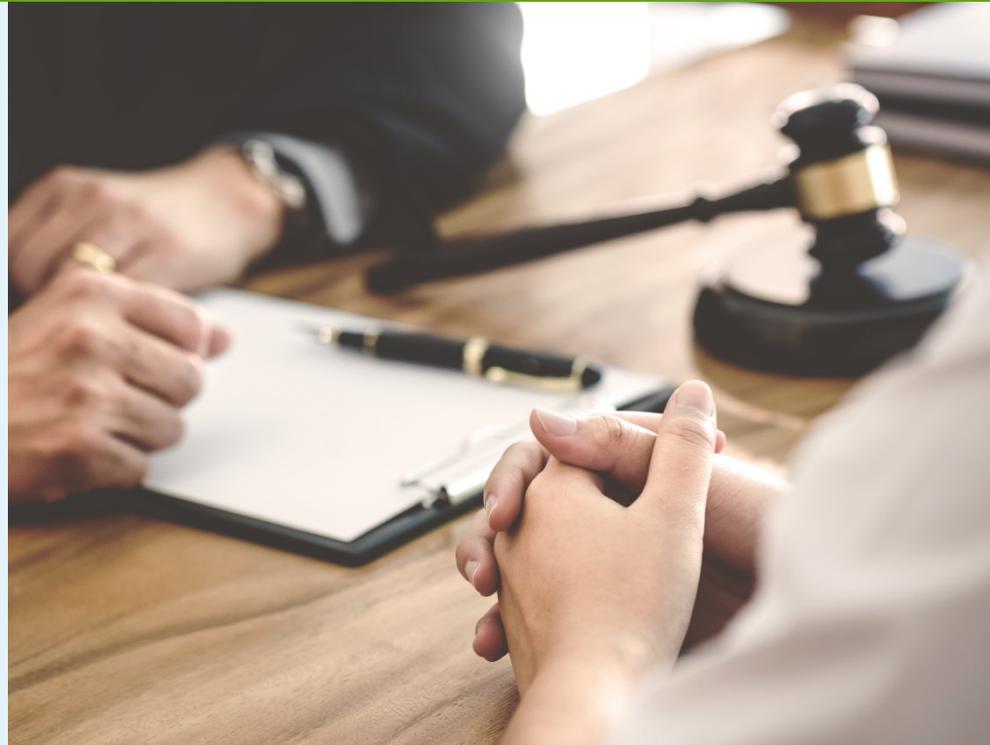
Workers' Compensation Fraud Statute: Insurance Code 1871.4

- Billing for services, procedures and/or supplies that were not provided
- Intentional misrepresentation of services provided
- Prescribing unwarranted or non-medically necessary services for the purpose of financial gain



Elements for Workers' Compensation Fraud Prosecution

- Lie/Misrepresentation
- Knowledge
- Intent
- Materiality



The "Lie"



- Written
- Oral
- Assertive Behavior
- Lie at time it is told
- Unambiguous

“Knowledge”



- Knowledge is obvious (person knew it was a lie when told)
- **Not** inadvertent or unintentional
- Circumstantial Evidence: Past behaviors can help demonstrate knowledge

Example of “Knowledge”



The physician had knowledge that he was billing incorrectly.

“Intent”



The “intent” of the lie must be made for the purpose of obtaining or denying benefits.

Example of “Intent”

The intent of the claimant's lie was not to obtain workers' compensation benefits.



“Materiality”



If the truth were known, would the insurance carrier have done something differently?

Examples of “Materiality”

The claimant’s previous back injury from a motor vehicle accident was material to the claim.



Information about the employer’s business locations was not material to premium calculations.

Any practice that uses the workers' compensation system in a way that is contrary to either the intended purpose of the system or the law.



Fraud vs Abuse

Without misrepresentation or a strong pattern of behavior that can establish intent to defraud, only a simple abuse may exist.



Red Flags



A fact or event that suggests the need for more information or that calls your attention to something that something is just not right.

A **red flag** is:

- A warning sign that fraud may be present
- Additional investigation is needed

The most important **red flag**?

Your experience and common sense

Who Can Commit Workers' Compensation Fraud?

ANYONE involved in the workers' compensation system can commit fraud.



Potential Criminal Penalties

Up to 5 years in the state prison

Up to \$150,000 in fines or double the value of the fraud, which ever is greater

Restitution for the actual dollars lost

OR

Fine, restitution and imprisonment



Report Suspected Fraud

Report Fraud to State Fund

**Call Customer Support at
(888) 782-8338**

7:30 AM - 5:30 PM, Monday - Friday

SIUMailbox@scif.com

[California Department of Insurance](#)



Fraud Prevention



- ✓ Be aware.
- ✓ Maintain a safe work environment.
- ✓ Educate your employees about workers' compensation benefits.
- ✓ Report all work-related injuries
- ✓ Establish procedures for reporting accidents
- ✓ Investigate immediately.
- ✓ Designate preferred medical providers.
- ✓ Pave the way for early return to work.
- ✓ Handle terminated workers with care.

Helpful Tips

- ✓ Take ID photos of all employees and keep them in their personnel files.
- ✓ Keep up-to-date personnel files making sure the home address is always current.
- ✓ Document conversations in personnel files particularly if they are of a corrective or disciplinary nature.
- ✓ Listen for rumors and follow-up on them.
- ✓ Conduct exit interviews of employees.





State Fund's Special Investigation Unit



Our statewide Special Investigation Unit aggressively investigates suspected fraud.

We maintain strong working relationships with law enforcement agencies at local, state and federal levels.

Effectively fighting fraud is an important step to keep insurance costs down and protect California employers and employees.

State Compensation Insurance Fund



- Founded in 1914
- Non-profit, public enterprise fund
- Covering 100,000 employers
- Committed to providing workers' compensation insurance to all California businesses

We **protect** the people who make
California work.

State Fund Services



- Claims Specialization
- Medical Provider Network
- Toll-Free Claims Reporting Center
- Loss Prevention Services
- Online Safety Resource Center
- Automated Billing
- Online Account Access
- Dedicated Operations Support Center
- Anti-Fraud Resources
- Online Policyholder Resources on www.StateFundCA.com

COVID-19 Resources for Employers



COVID-19 Resources to Keep Your Employees Safe

What you need to know about teleworking, home ergonomics, and preventing the spread of coronavirus in the workplace.

LEARN MORE

SafeAtWorkCA.com/coronavirus/

**Thank you for choosing
State Fund to be your
workers' compensation
carrier.**

Visit us at [StateFundCA.com](https://www.StateFundCA.com).

**Operations Support Center:
(888) 782-8338**

