



KOPKA PINKUS DOLIN & EADS, LLC

WORKER'S COMPENSATION FRAUD: A Series of Articles on Why We Should Care, Tips to Prevent it and New Ways of Investigating it with the use of Social Media and the Internet

WORKER'S COMPENSATION FRAUD: WHY WE SHOULD CARE



This summer a northwest Indiana postal worker was charged with two counts of lying on a federal compensation form. The story unfolds like this: the female postal worker alleged a work-related foot injury. She submitted reimbursement forms for mileage allegedly incurred during medical trips. Sounds like a normal worker's compensation claim right? Well, you see, the injured worker never actually made those trips, meaning she did not have the right to collect reimbursement. Her problems, however, do not end with the alleged false forms for reimbursement. This postal worker decided to run a side business, when she was allegedly not receiving any side income while off for her foot injury. She was, in actuality, self-employed running her own E-Bay site, Chopper's Playhouse, where she sold adult toys. In her plea bargain, the postal worker agreed to pay between \$30,000-\$70,000 in restitution.

While this scenario may cause you to chuckle a little, fraud in the world of worker's compensation has become no joking matter. Recent statistics show that worker's compensation fraud is on the rise with the economic downturn. With the loss of so many manufacturing jobs in particular, Indiana is not exempt from these realities. Every day those individuals who intend to cheat the system are finding new ways to do so. With the media publicizing these types of stories, Hoosiers are becoming more attuned to the fact that fraud is a reality in the worker's compensation world and the penalties are becoming more severe for these actions. Worker's compensation fraud causes premiums to increase, honest businesses to lose money and eventually, employees to lose jobs when an insurance company goes bankrupt.

What is the definition of worker's compensation fraud? In its most basic form, fraud occurs when someone makes a false statement or conceals information in order to receive worker's compensation benefits or prevents someone from receiving benefits to which they might be entitled. Currently, over forty states have active fraud units.

Most of these states passed legislation on worker's compensation fraud directed primarily to the claimant. Claimant fraud is only one type of worker's compensation fraud. Of course, it is the one most individuals read about and hear about but there are two other types of fraud that can be just as costly and damaging - Employer Fraud and Medical Provider Fraud.



With the economy in its current dire straits, the National Insurance Crime Bureau estimates worker's compensation claimant fraud to be the fastest growing insurance scam. In the past, traditionally, less than 1 out of 100, or less than 1% of fraud cases were sent to the prosecutor. Now, cases are more regularly prosecuted and part of state, and frankly, national media attention. Fraud gains public attention and outrage. It evokes passion from both the employer and the employee camp. These statistics are not to say that every person who files a worker's compensation case needs to be subject to strict scrutiny in all facets of the claim. The overwhelming majority of those who file worker's compensation claims are honest and file completely legitimate claims. However, just like lawyers, there are good and bad within every group. We need to be mindful that just because some cheat the system, recall the old saying that goes, "there is good and bad in everything." The majority of Hoosiers who claim these injuries are hardworking, honest men and women who suffered an unfortunate accident and resultant injury in the workplace.

As mentioned, over 40 states have active worker's compensation fraud units. These units are usually a division of either a state's Department of Insurance, Attorney General's Office or oftentimes, a division of the state Worker's Compensation Board or Bureau. In Indiana, we do not have a dedicated worker's compensation fraud unit. The lack of a dedicated unit is not to say that complaints are not accepted and allegations investigated. As it stands now, most complaints of alleged fraud are directed to the Worker's Compensation Board. From there, our Board does its best to conscientiously investigate the situation and if warranted, contact the party or entity that is being harmed. Mind you, the diligent, dedicated workers at our Worker's Compensation Board are performing these duties without additional funding or resources as provided to the states that have dedicated fraud units. Alternatively, another way to report alleged fraud and have it investigated is to contact the National Insurance Crime Bureau via its toll free hotline at (800) 835-6422. This hotline is operated by the insurance industry to investigate possible insurance crimes including worker's compensation fraud.

In summary, worker's compensation fraud is something all of us in the industry must possess a working knowledge about and a firm grasp as to how we can spot it in our everyday world.