

Insurance Fraud Bureau of Massachusetts

2018 Annual Report





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Executive Summary

In 2018, the Insurance Fraud Bureau of Massachusetts (IFB) celebrated its 28th year of operation and continues as the only fraud bureau in the country that was organized and is funded by automobile and workers' compensation insurers, as required by the IFB enabling statute.

A combination of IFB personnel, which includes experienced investigators, investigator trainees, attorneys, investigative analysts and administrative staff, were responsible for another record year of cases referred to prosecution. The Massachusetts Attorney General, the Offices of the Massachusetts District Attorneys participating in the Community-based Insurance Fraud Initiative (CIFI) Program and the Office of the United States Attorney form the prosecuting community that addresses cases referred by the IFB.

The focus of investigative and prosecutorial resources has resulted in a positive business climate in which fraudulent claims are detected, investigated and prosecuted. Continued investigation and prosecution has resulted in general deterrence on many of the staged accident claims of the recent past.

The majority of cases handled by the IFB this year have involved individual attempts to commit insurance fraud. The fact that organized fraud matters have not dominated the scene should be viewed as positive progress. The IFB CIFI units and our general, provider fraud and workers' compensation units are committed to keeping the heat on those who would defraud insurers. As a consequence, the public benefits from the solid investigation and successful prosecution that a strong partnership can bring.

I would like to thank key contributors to this effort, especially the insurers and public officials who serve on the IFB Board of Governors, for their service and commitment and guidance of the IFB over the years.

I am proud of the many accomplishments of the IFB to date and envision continued efforts and success in future years.

Daniel J. Johnston
Executive Director

Highlights of 2018

Milestones reached in 2018:

- ◇ In 2018, 256 cases, the highest yearly total to date, were recommended for prosecution to the offices of the United States Attorney, Attorney General and District Attorneys. During the year, 171 individuals were charged including 10 indictments returned and 161 complaints issued. Of cases concluded, 203 individuals reached a final disposition (including 14 convictions and 46 continued without a finding).
- ◇ From inception of the IFB, more than 77,620 referrals from insurers, law enforcement, regulators, professionals and the public have been received. Since inception, 4,001 individuals have been charged, either through indictment or complaint, on insurance fraud and related charges. Of those charged, 991 convictions have resulted with 1,192 other cases continued without a finding.

A consolidation of Community Insurance Fraud Initiatives (CIFI) locations took place in 2018 to represent Southeast, Northern and Western Massachusetts regions, reducing the number of physical CIFI locations from eight to four and allowing for more efficient management of satellite offices.

2018 was an election year for all Massachusetts District Attorneys and results saw District Attorneys change in Berkshire and Suffolk Counties. The IFB has since met and re-introduced the Community Insurance Fraud Initiatives program to each of the new District Attorneys and they have fully agreed to continue the partnership with the IFB in these important counties.

In a joint collaboration between 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 thirteenth annual New England Training Seminar and Fraud Expo. The seminar included topics on automobile, workers' compensation, property, identity and health care fraud; updates on databases used in fraud detection; overview of criminal and civil law; accident reconstruction methods; and social media. This two-day training program was attended by over 200 people.

Outreach and communication efforts to insurance company personnel were expanded to include in-house training of Special Investigation Units and claims personnel on insurance fraud issues.

IFB management personnel are sought as speakers at various industry conferences. In 2018 IFB presented at the New England Association of Insurance Fraud Investigators (NEAIFI) annual conference, National Association of Insurance Commissioners (NAIC) Summer National Meeting, Premium Audit Advisory Service (PAAS), New England Auditors Association, Boston Chapter CFE and NEAIFI training workshops, and local police new recruit and roll call training. In addition, IFB staff attend seminars and workshops to aid in the understanding of new and trending fraud schemes and to afford an avenue to network with fellow fraud investigators.

Referral Summary

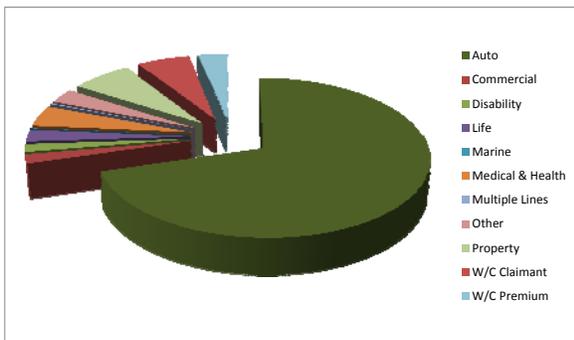
The IFB received 3,283 referrals in 2018. The principal source of referrals is from insurance carriers with 2,870 referrals received through submission by the insurance carrier directly to IFB or forwarded through the websites of the National Insurance Crime Bureau and the National Association of Insurance 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 and paper referrals are received through mail.

Strong relationships with local police departments has resulted in reports of suspected insurance fraud. 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 from 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.

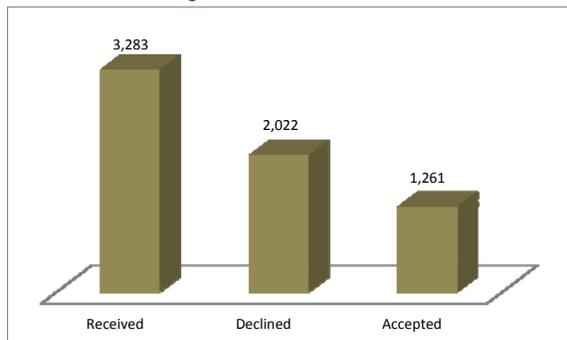
Since the inception of the IFB, more than 77,620 referrals have been received. Automobile claims continue to comprise the majority of referrals. Workers' compensation and provider referrals typically involve higher dollar impact cases.

Referrals Received in 2018

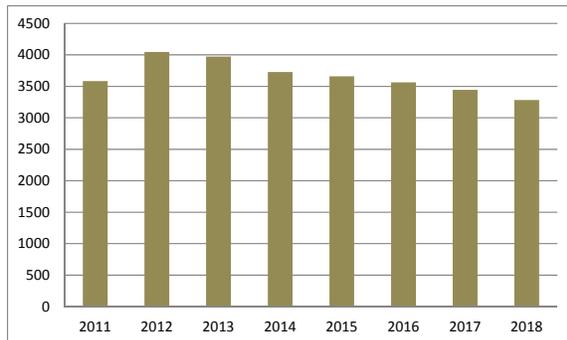


Auto	2,311
W/C Clmt	193
W/C Prem	107
Other	672
Total	3,283

Referral Activity in 2018



Referrals Received by Year



Case Summary

There were 1,358 cases under investigation in 2018 with 256 cases recommended for prosecution. Cases that did not meet the required burden of proof were closed without prosecution.

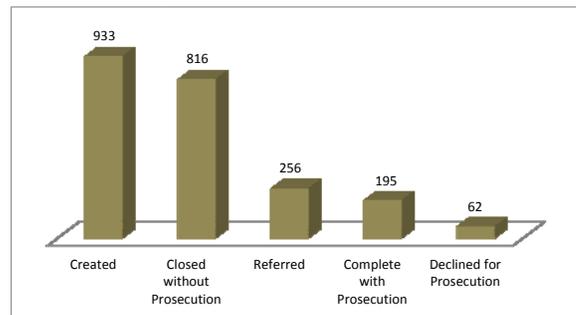
Investigative caseloads include cases under active investigation as well as cases referred to prosecution. Working with the prosecutor may involve location of witnesses, witness interviews,

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 2018, the number of cases in inventory waiting to be assigned to an investigator and cases that are actively being worked.

Case Activity in 2018



Case Status by Unit/Task Force as of December 31, 2018

Unit/Task Force	Cases in Wait	Cases Assigned	Cases at a Prosecutor's Office	Total Active Cases
General Unit	125	57	30	87
Provider Fraud Unit	28	33	28	61
W/C Claimant Unit	6	7	4	11
W/C Premium Evasion Unit	24	34	26	60
Boston CIFI	221	34	77	111
Brockton CIFI	24	9	24	33
Chelsea/Revere CIFIs	14	3	8	11
Lawrence/Lowell CIFIs	109	22	37	59
Lynn CIFI	31	2	5	7
New Bedford/Fall River CIFI	28	19	39	58
Randolph CIFI	9	7	22	29
Western Massachusetts CIFI	143	41	42	83
Worcester CIFI	78	14	14	28
Total	840	282	356	638

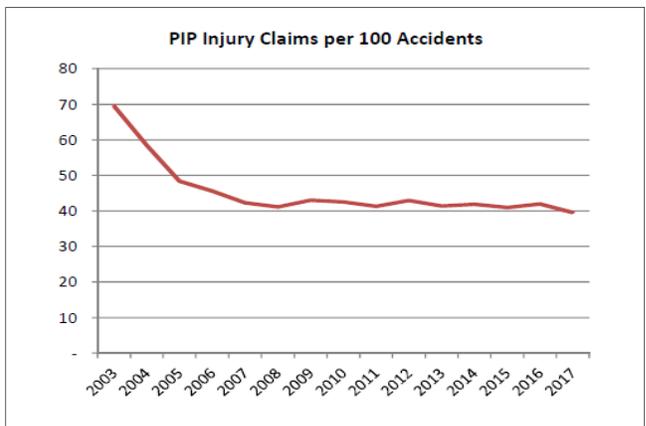
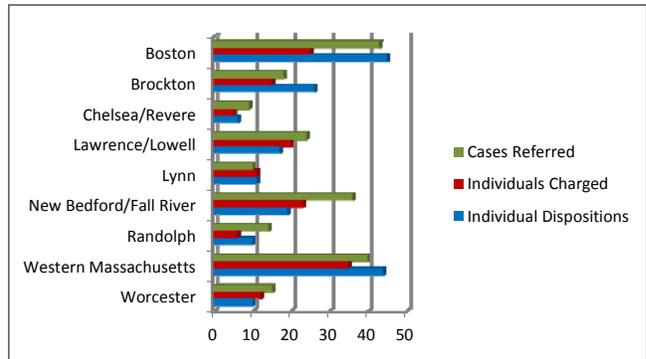
Community Insurance Fraud Initiatives

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 all CIFIs have expanded into surrounding towns. 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, caused by piling a greater than average number of people into staged accident cars, with all claiming injury. As IFB task forces identified fraud and brought charges, each city saw a reduction in the "injuries per 100 accidents" ratio, a measurement that highlighted the success of the program. The graph above shows the effect of this program in all CIFI communities combined, since the statewide number of 70 injury claims has dropped to 40; 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 \$5.7 billion premium savings for the total industry.

2018 Case and Prosecution Activity by CIFI



CIFI Communities Estimated Policy Premium Savings Since CIFI Introduction (Through 2017)		
CIFI Community	Year CIFI Introduced	Cumulative Premium Savings
Boston	2004	\$460,248,061
Brockton	2004	25,143,657
Chelsea/Revere	2005	17,420,988
Fall River/New Bedford	2006	84,696,258
Holyoke/Springfield	2004	134,195,299
Lawrence	2003	121,339,978
Lowell	2004	104,841,966
Lynn	2004	70,643,049
Quincy/Randolph	2005	111,556,951
Worcester	2006	184,379,953
Total CIFI		1,314,466,160
Industry ex-CIFI	2004	4,409,323,622
TOTAL Industry	2004	5,723,789,782

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

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. In addition, the over-treating and over-prescribing of narcotics and opioid drugs continues to be an increasing problem throughout the Commonwealth. The IFB plays a role in the investigation of cases involving medical providers, nurses and medical personnel who abuse narcotics and opioids or, in their various capacities, over-prescribe drugs.

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

- ◇ A pain management physician was convicted of making false statements and conspiracy in connection with billing the Medicare program and other health care insurers for services he did not provide to patients. [In February 2019 he was sentenced to 75 months in prison and ordered to pay \$1.8 million in restitution. A co-defendant was sentenced earlier in 2018 to eight years in prison and ordered to pay \$8.7 million in restitution.]
- ◇ A Quincy dentist was indicted in connection with an alleged scheme to fraudulently bill MassHealth under another dentist's name. In 2015, the dentist had agreed to a \$300,000 settlement and was terminated from participating in MassHealth when it was discovered she was not meeting the program's standards of compliance. Despite her termination from MassHealth, she allegedly continued to treat MassHealth patients and billed those services under the name and identification number of another dentist, without his knowledge or authorization.
- ◇ A Northampton social worker pleaded guilty to making false statements in applications for payments of health care benefits and larceny over \$250. She fraudulently billed for therapy sessions that she never provided. She was sentenced to three years probation and ordered to surrender her social worker license.
- ◇ A West Newbury mother was arraigned on a total of 40 charges for allegedly submitting fraudulent claims for Personal Care Assistance (PCA) hours that she claimed had been provided for her disabled daughter.
- ◇ A Worcester chiropractor was indicted for allegedly billing insurance companies for services not rendered and for items not provided to patients.
- ◇ A Springfield man was indicted in connection with allegedly submitting more than 50 fraudulent electronic claims for mental health treatment. He sought reimbursement for 322 separate days of psychotherapy and/or psychological diagnostic testing that he allegedly never had.
- ◇ A Rhode Island woman admitted to sufficient facts on multiple counts of uttering a false prescription, obtaining a drug by fraud and false health care claim. The case was continued without a finding for 18 months. The woman, a registered nurse, unlawfully procured and forged false prescriptions to obtain oxycodone.

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

Prosecution Summary

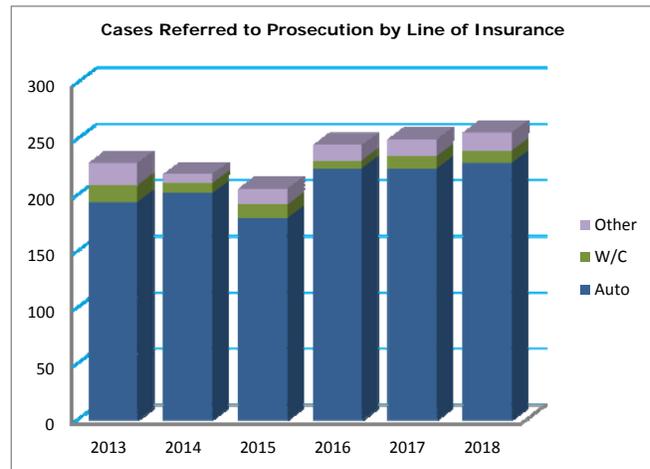
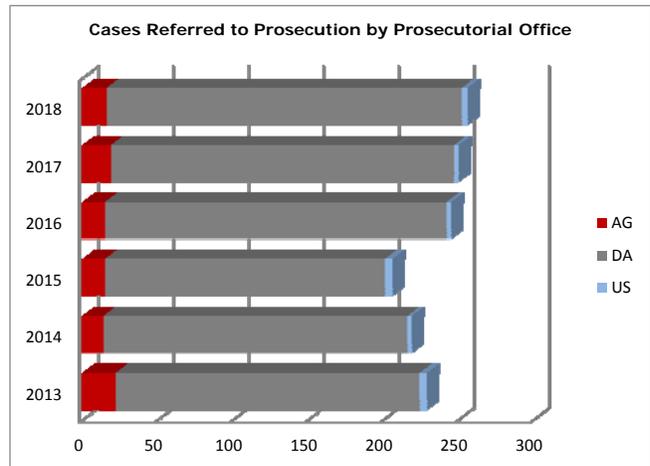
After an IFB case investigation is complete and a determination is made that sufficient evidence has been gathered for possible criminal prosecution, a recommendation is made to a prosecutorial office. Depending on the type, complexity and prosecutorial jurisdiction of the case, a decision is made to 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 reach final disposition.

Cases Referred to Prosecution

In 2018, IFB referred 256 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.

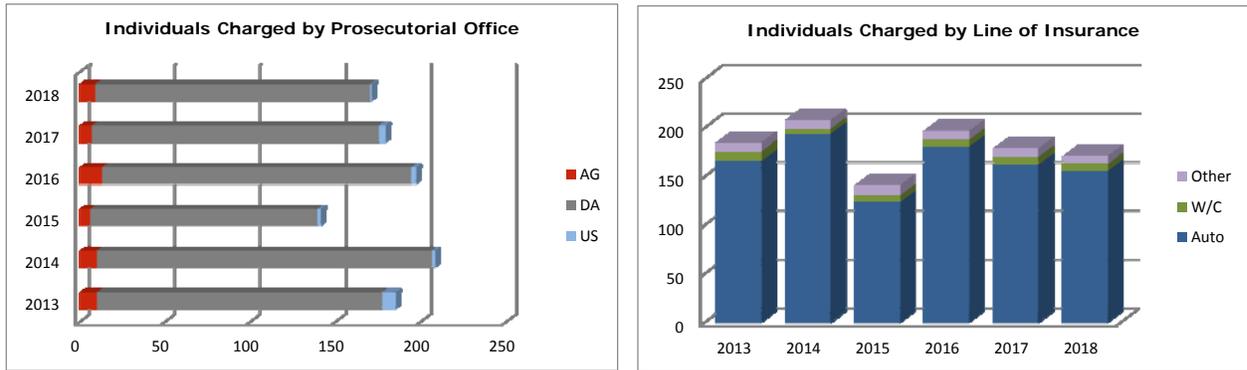
In 2018, there were 236 cases referred to offices of District Attorneys. Four cases were referred to the United States Attorney’s office and 16 to the Massachusetts Attorney General’s office.

Of the 256 cases referred to all prosecutors, 229 were classified as automobile, 11 workers’ compensation and 16 other (such as medical/health, provider, agent, property, commercial, life and disability).



Individuals Charged

In 2018, 171 individuals were charged with insurance fraud-related violations; 10 indictments were returned and 161 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 2018 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:

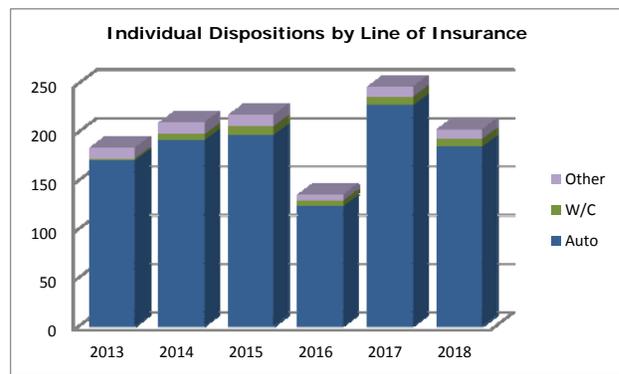
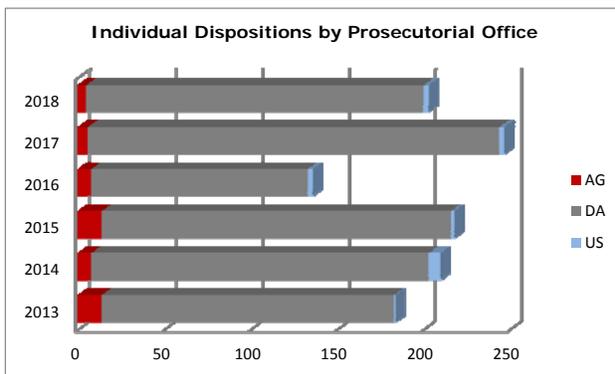
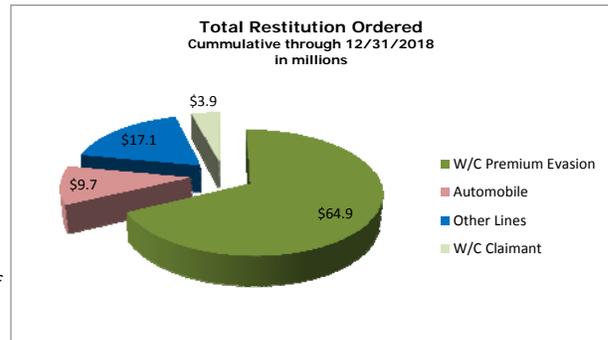
- ◇ The owners of a Malden-based cleaning company arraigned in connection with an alleged insurance fraud scheme in which the company misclassified its workers. They allegedly concealed more than \$2.8 million in payroll, thus evading approximately \$74,000 in workers’ compensation insurance premiums.
- ◇ The owner/operator of numerous Massachusetts businesses arrested on charges that he allegedly manipulated his payroll to avoid paying taxes.
- ◇ An Auburn man arraigned on multiple counts of insurance fraud and identify theft. He allegedly submitted a false business loss claim for screen printing equipment that he said had been damaged during a power outage. He allegedly endorsed the claim reimbursement check in the name of the co-owner of the business who was unaware of the loss report. He also allegedly established a credit account using the name of the business co-owner and purchased items without her knowledge or consent. Finally, he allegedly submitted falsified invoices on a vandalism and theft claim that he filed with both his automobile and homeowner insurers.
- ◇ An Attleboro man arraigned on charges after alleging he hit a pothole causing damage to the right front tire, rim and undercarriage of his Ford. Police incident reports were filed on a loss occurring at an auto dealership where four vehicles sustained heavy front end collision damage. Surveillance video from the dealership showed the Attleboro man's Ford turning into the dealership, striking the four parked vehicles and fleeing the scene. He denied it was his vehicle and maintained all damages to the Ford were a result of hitting the pothole.

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 2018, 14 individuals were convicted and another 46 individuals' cases were continued without a finding. An additional 143 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 2018 was approximately \$3 million.



Some convictions from 2018 include the following:

- ◇ A Boston man pleaded guilty to failing to disclose that he was performing work activity and receiving earned income while collecting disability benefits. He was placed on probation and ordered to pay \$53,670 in restitution.
- ◇ A Connecticut man pleaded guilty to workers' compensation and unemployment fraud. He was placed on probation for three years and ordered to pay \$100,907 in restitution. Investigation revealed he was operating his own business while collecting benefits.
- ◇ An Avon man was placed on pre-trial probation and ordered to pay \$38,805 in restitution. He made misleading statements during audits of his workers' compensation policies and failed to disclose the true size of his company payrolls.
- ◇ A Feeding Hills woman admitted to sufficient facts to presenting a false insurance claim and larceny. She was ordered to pay \$1,372 in restitution. She signed an application for homeowners insurance on behalf of her mother and then filed a lost property claim for a missing diamond ring in the mother's name. The mother had passed away prior to the loss claim.

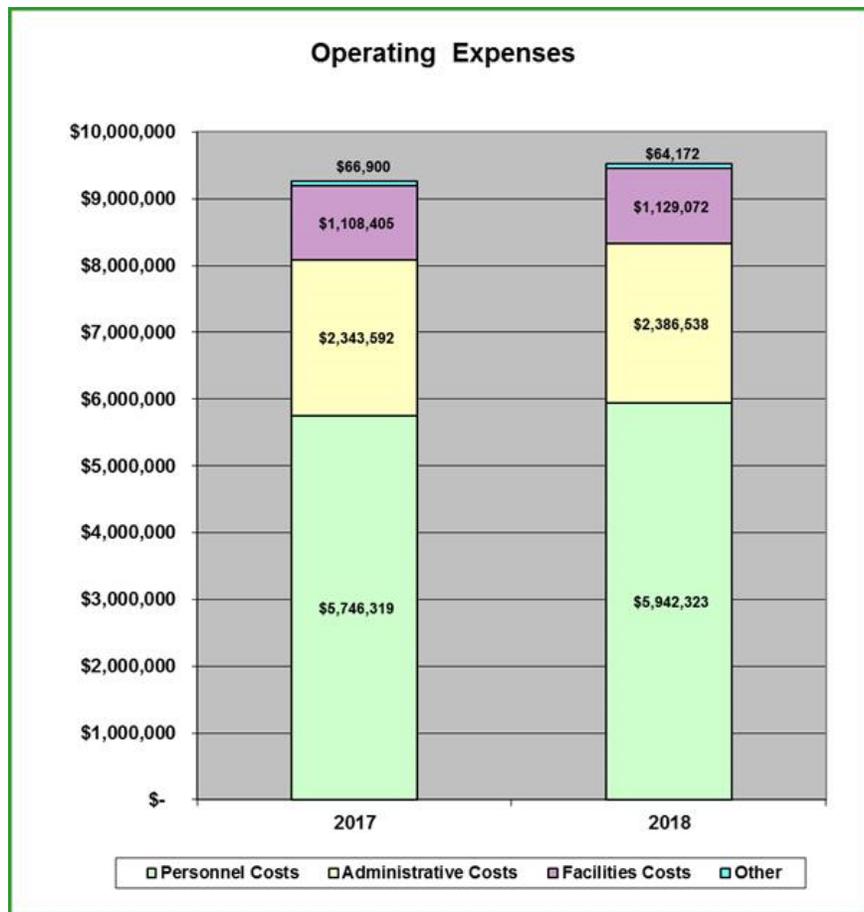
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Financials

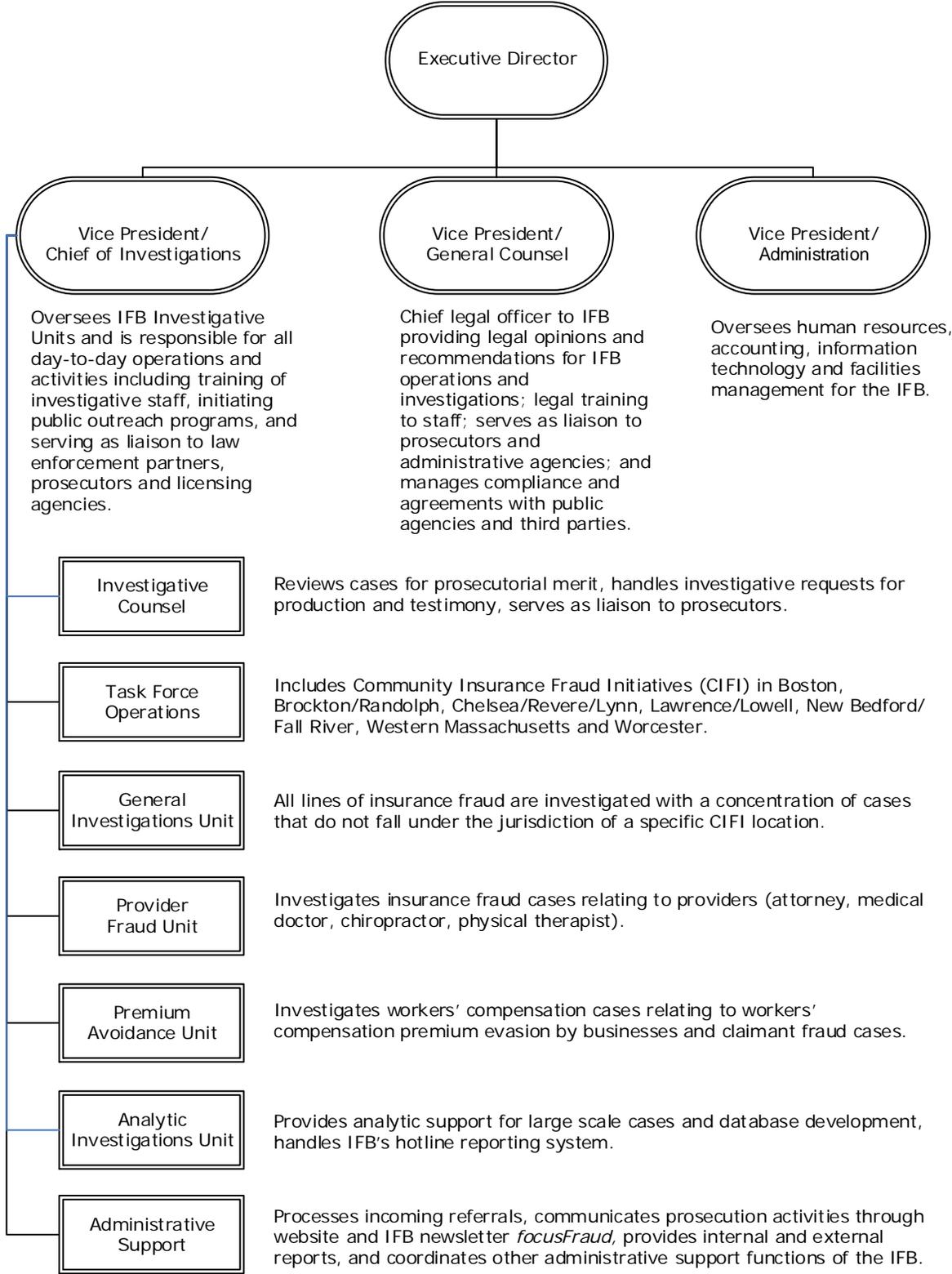
	2017	2018
Revenues		
Assessments	\$ 9,545,588	\$ 9,706,666
Other Income	<u>962,302</u>	<u>1,043,963</u>
Total Revenues	\$ 10,507,890	\$ 10,750,629
Expenses		
Personnel Costs	\$ 5,746,319	\$ 5,942,323
Facilities Costs	1,108,405	1,129,072
Administrative Costs	2,343,592	2,386,538
Professional Services	<u>66,900</u>	<u>64,172</u>
Total Expenses	\$ 9,265,216	\$ 9,522,105
District Attorneys Funding*	500,000	500,000
Other Reserve Fund Uses	10,430	8,187
Net Addition to Reserve Fund	<u>451,720</u>	<u>511,923</u>
Surplus Funds**	<u>\$ 280,524</u>	<u>\$ 208,414</u>

* As directed by the Commissioner of Insurance

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



Insurance Fraud Bureau Organizational Units



Insurance Fraud Bureau Offices



Northern Region (Lawrence & Lowell);
Lynn/Chelsea/Revere CIFIs remain located
in the Lynn Police Department



Boston Office (management; support functions; General,
Provider, Workers' Compensation Units; Boston CIFI)



Western Region (Holyoke/Springfield &
Worcester CIFIs)



Southeast Region (Brockton, Randolph
& New Bedford/Fall River CIFIs)

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 WCRIB 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