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Theft-Proof Your Practice

PEDIATRIC MANAGEMENT INSTITUTE

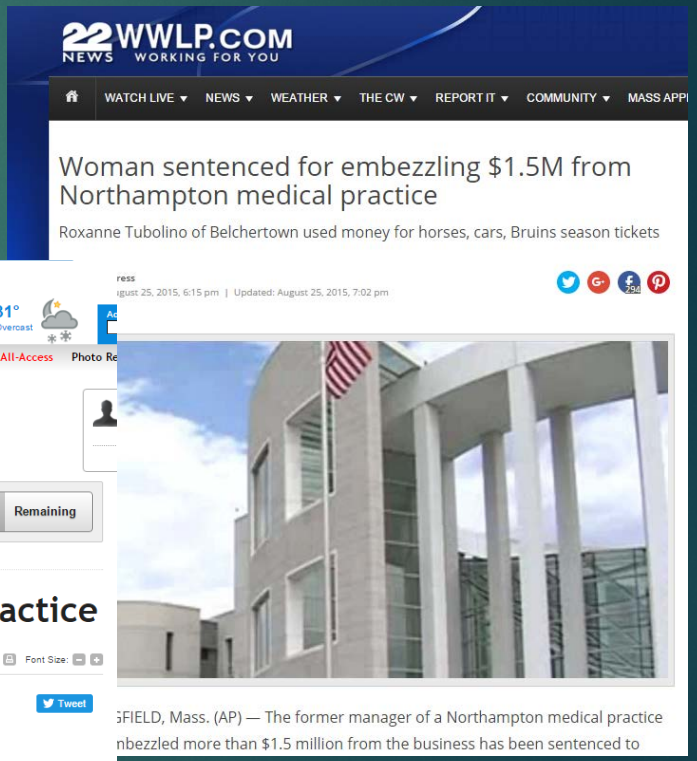
Disclosures

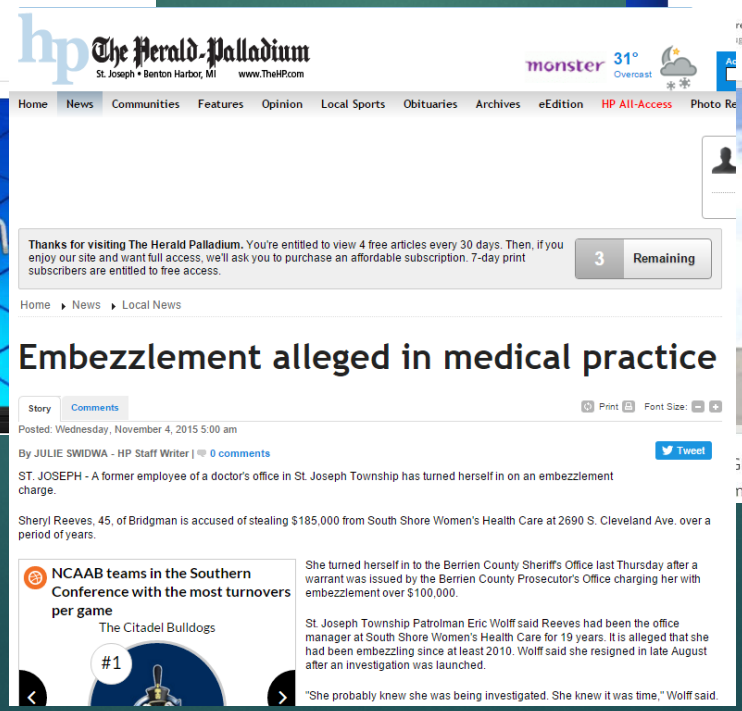
- Pediatric Management Institute
  - Consulting services for Pediatric Practices
- PhysicianIntelligence.com
  - Business Intelligence software development for physician entities
- MyPediatricJob.com
  - Online resource for physician recruitment services
- The Verden Group
  - Consulting Services for Clients
- No Medical Device or Pharmaceutical Relationships
- No other financial disclosures

Objective today is to educate….not to scare you

Very few thefts hit the news….

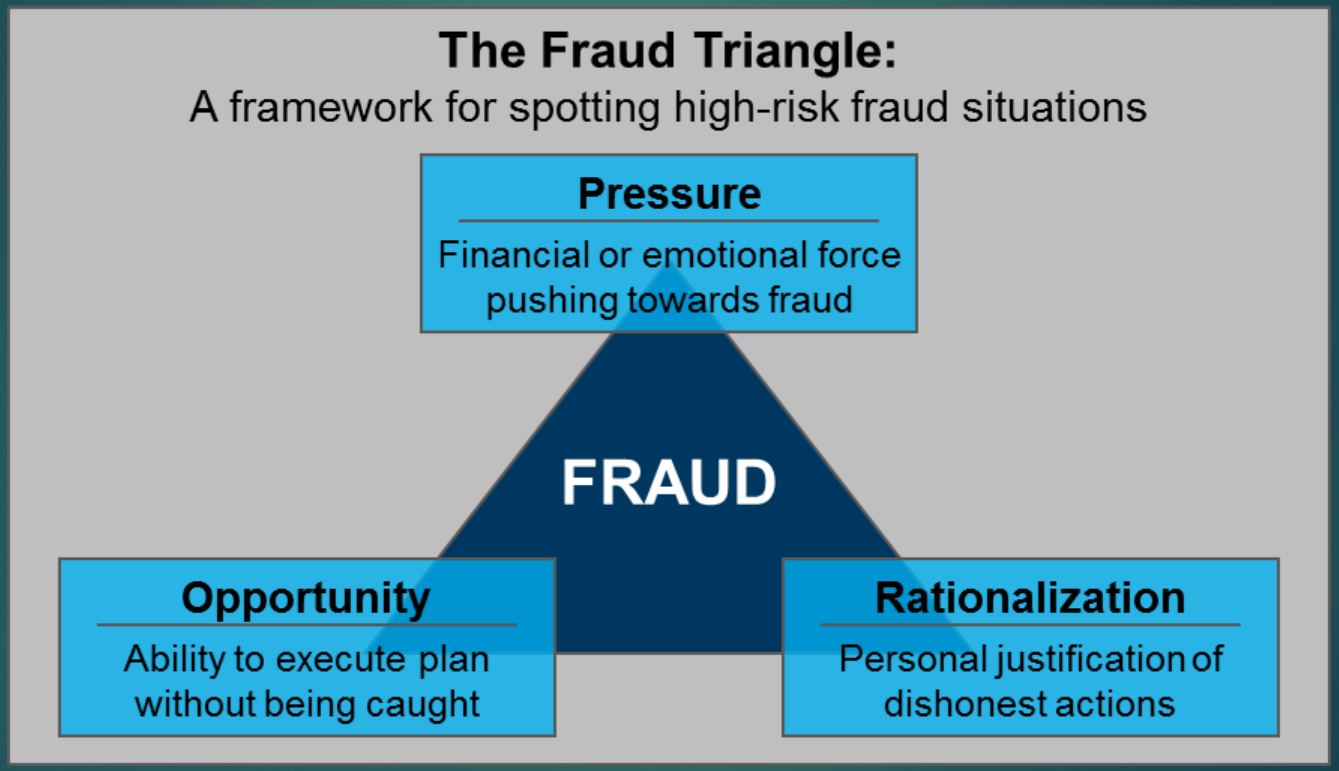
….less than 10%

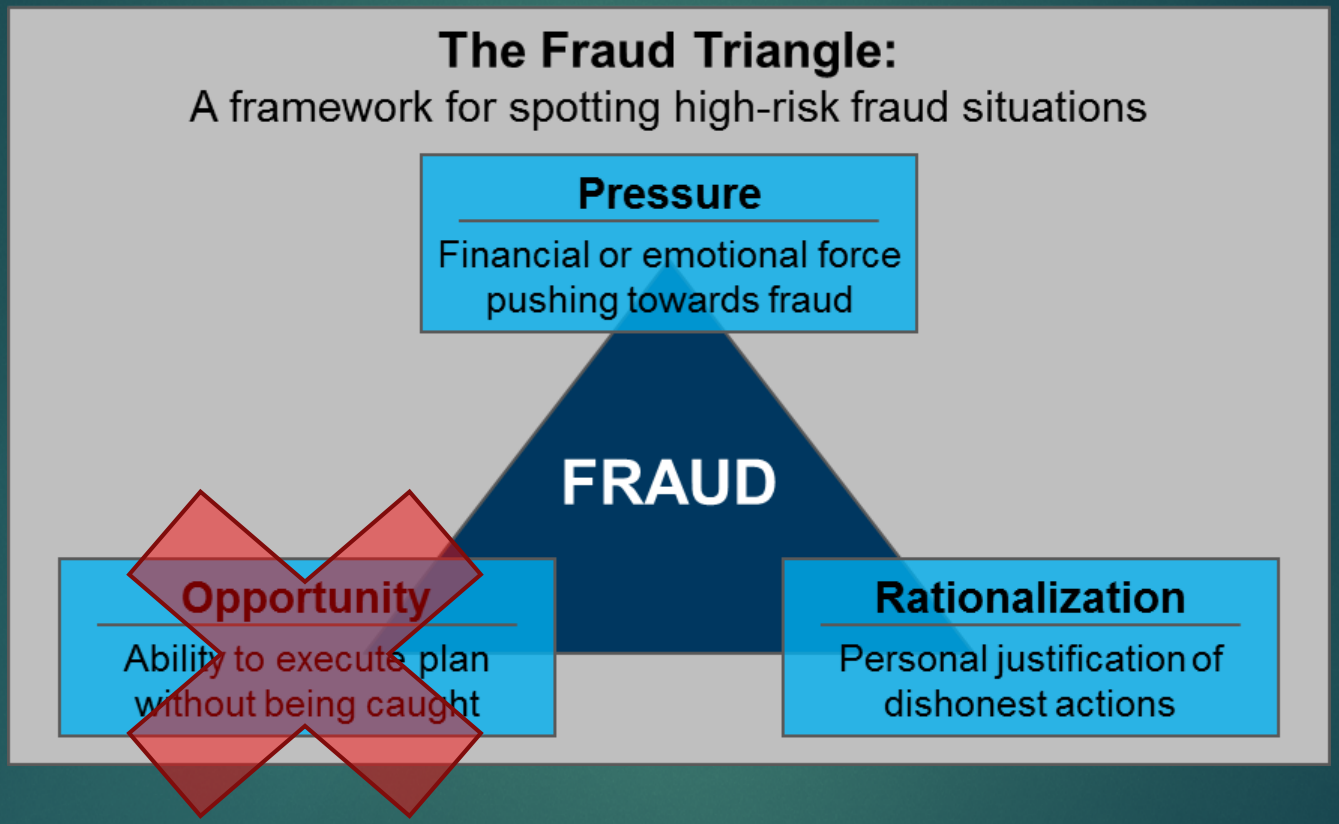




The entire premise of theft...
....is that people do really stupid things...

Why do people steal (or do Stupid things)?




The Fraud Triangle:
A framework for spotting high-risk fraud situations
Pressure
Financial or emotional force pushing towards fraud
FRAUD
Opportunity
Ability to execute plan without being caught
Rationalization
Personal justification of dishonest actions

vic·tim·ol·o·gy

/ˌviktəˈmäləjē/

noun

the study of the victims of crime and the psychological effects on them of their experience.

Medical Practice Employee Theft and Embezzlement Survey

Survey Profile

Have you ever been affiliated with a medical practice that has been the victim of employee theft or embezzlement?		
Yes	782	82.8%
No	135	14.3%
I do not know	28	3.0%

Source: MGMA Medical Practice Employee Theft and Embezzlement Survey

Affects all Organizations…
…Especially Independents

Which of the following options best describes the organization that was the victim of this scheme?		
Independent medical practice	499	76.0%
Hospital or integrated delivery system (IDS) or medical practice owned by hospital or IDS	69	10.5%
Medical school faculty practice plan or academic clinical science department	22	3.3%
Federally Qualified Health Center, Community Health Center or similar practice	16	2.4%
Retail walk-in primary care clinic	7	1.1%
Freestanding ambulatory surgery center (ASC)	7	1.1%
Management Services Organization, Physician Practice Management Company or Independent Practice Association	12	1.8%
Insurance company or health maintenance organization (HMO)	5	0.8%
Other	20	3.0%

Source: MGMA Medical Practice Employee Theft and Embezzlement Survey

How'd they do it?

Which of the following statements best characterize the scheme that you will describe on this questionnaire?		
Cash Receipts (Stealing cash either before or after it is recorded on the Practice's books)	335	44.7%
Cash on Hand (Stealing cash, such as petty cash, kept on hand at the practice's premises)	73	9.7%
Disbursements (Forging a check, submitting false or personal invoices)	134	17.9%
Expense Reimbursements (Submitting fictitious or inflated business expenses)	27	3.6%
Payroll (Creating a fictitious employee, unauthorized bonuses, or inflated pay rate or hours)	46	6.1%
Non-cash (Stealing of cash assets such as supplies, equipment or patient financial information)	56	7.5%
Other	78	10.4%

Source: MGMA Medical Practice Employee Theft and Embezzlement Survey

Background

How many perpetrators were involved in the scheme?		
One	589	83.0%
Two	81	11.4%
More than two	40	5.6%

What was the approximate dollar value of the scheme or the amount stolen?		
Less than $1,000	163	24.0%
$1,000 to $9,999	207	30.5%
$10,000 to $49,999	134	19.7%
$50,000 to $99,999	50	7.4%
$100,000 or more	125	18.4%

About how many months did the scheme last before being discovered?		
6 months or less	316	47.7%
7 to 12 months	124	18.7%
13 to 24 months	114	17.2%
25 to 36 months	45	6.8%
More than 36 months	64	9.7%

Source: MGMA Medical Practice Employee Theft and Embezzlement Survey

Whodunnit?

Position of primary perpetrator category		
Top management	184	26.4%
Billing office	172	24.6%
Front office	187	26.8%
Accountant / bookkeeper	40	5.7%
Cashier	32	4.6%
Other	83	11.9%
Total	698	100.0%

Administrator, Billing Manager, Billing Office Employee & Receptionist
69%

Which of the following options best describes the position of the primary perpetrator when the scheme was discovered?		
CEO	9	1.3%
COO	4	0.6%
Administrator	135	19.3%
Billing manager	65	9.3%
Billing office employee	101	14.5%
Coder	6	0.9%
Receptionist	181	25.9%
Accountant	3	0.4%
Bookkeeper or accounting clerk	35	5.0%
Cashier	32	4.6%
Nurse	13	1.9%
Physician	12	1.7%
Other	36	5.2%
CFO	4	0.6%
Office manager / clinic manager	32	4.6%
Front office	6	0.9%
Controller	2	0.3%
Other clinician	22	3.2%

Source: MGMA Medical Practice Employee Theft and Embezzlement Survey

“Perp” profile

About how many years had the perpetrator been employed by the practice when the scheme was discovered?		
1 year	173	25.1%
2 years	114	16.6%
3 years	99	14.4%
4 years or more	302	43.9%

Was the primary perpetrator's employment terminated?		
Yes	599	86.4%
No	79	11.4%
I do not know.	15	2.2%

Was the primary perpetrator prosecuted?		
Yes	202	29.1%
No	431	62.1%
I do not know.	61	8.8%

Did the practice receive any restitution from the perpetrator(s)?		
Yes	205	29.7%
No	400	57.9%
I do not know.	86	12.4%

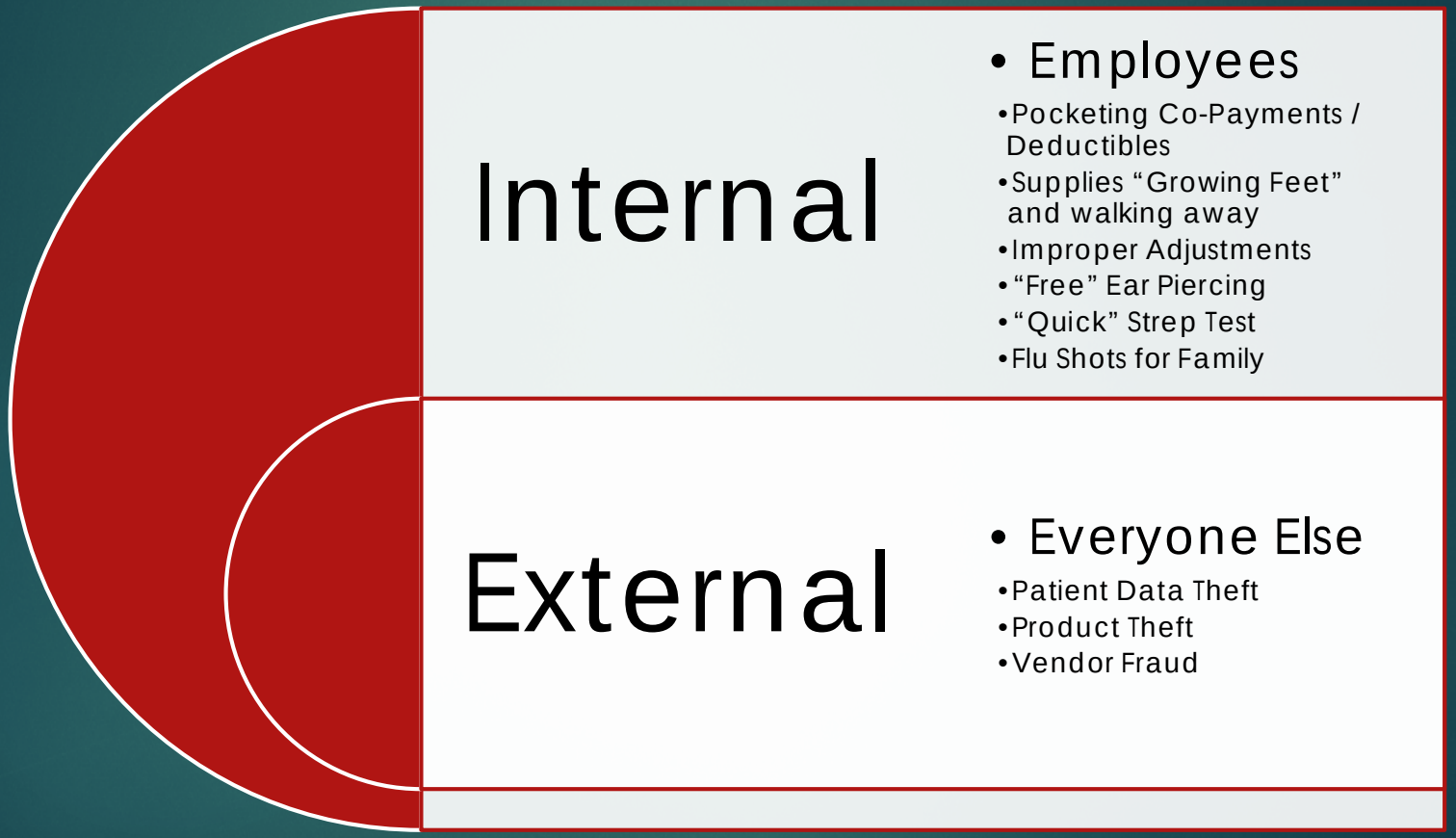
Source: MGMA Medical Practice Employee Theft and Embezzlement Survey

Small problems can add up...

- Expenses
- Revenue
- Efficiency
- Theft

		Days per Week				
		1	2	3	4	5
Amount per Day	$ 10.00	$ 520	$ 1,040	$ 1,560	$ 2,080	$ 2,600
	$ 15.00	$ 780	$ 1,560	$ 2,340	$ 3,120	$ 3,900
	$ 20.00	$ 1,040	$ 2,080	$ 3,120	$ 4,160	$ 5,200
	$ 25.00	$ 1,300	$ 2,600	$ 3,900	$ 5,200	$ 6,500
	$ 30.00	$ 1,560	$ 3,120	$ 4,680	$ 6,240	$ 7,800
	$ 35.00	$ 1,820	$ 3,640	$ 5,460	$ 7,280	$ 9,100
	$ 40.00	$ 2,080	$ 4,160	$ 6,240	$ 8,320	$ 10,400
	$ 45.00	$ 2,340	$ 4,680	$ 7,020	$ 9,360	$ 11,700
	$ 50.00	$ 2,600	$ 5,200	$ 7,800	$ 10,400	$ 13,000
	$ 75.00	$ 3,900	$ 7,800	$ 11,700	$ 15,600	$ 19,500
	$ 100.00	$ 5,200	$ 10,400	$ 15,600	$ 20,800	$ 26,000
	$ 150.00	$ 7,800	$ 15,600	$ 23,400	$ 31,200	$ 39,000
	$ 200.00	$ 10,400	$ 20,800	$ 31,200	$ 41,600	$ 52,000
	$ 250.00	$ 13,000	$ 26,000	$ 39,000	$ 52,000	$ 65,000
	$ 300.00	$ 15,600	$ 31,200	$ 46,800	$ 62,400	$ 78,000

Where does theft come from?



Neat little gadget...

Scary Sight in a Medical Practice....

Dangerous Little Kitty….

- 8 GB Capacity
  - >7,700 Pictures
  - >3,850 PowerPoints
  - >15,400 Word Documents
  - >61,600 Excel Spreadsheets
  - >14 Hours of Video
- 11-Provider practice
  - 7 Years of financial data and patient d
  - Approximately 215MB
  - Kitty can hold at least 32 copies
- $14.99 @ Fry's Electronics
- http://www.frys.com/product/7263613?source=google&gclid=CPPUpN_c_coCFQ6LaQodIqoBtA

Value of Your Data….

	Price
Social Security number	$ 30.00
Date of birth	$ 11.00
Health insurance credentials	$ 20.00
	$ 61.00
Visa or MasterCard credentials	$ 4.00
American Express credentials	$ 7.00
Discover credit credentials	$ 8.00
Credit card with magnetic stripe or chip data	$ 12.00

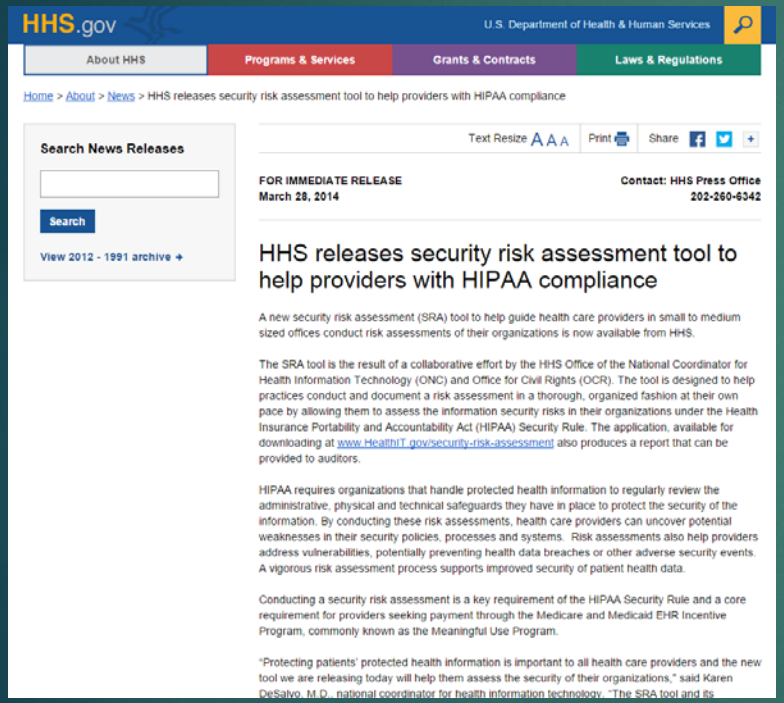
Like Pediatrics, Volume is the Key…
$61 X 4,000 Patients
=
$244,000

http://www.bankrate.com/finance/credit/what-your-identity-is-worth-on-black-market.aspx

It's not just about credit cards anymore....

- Medical identity theft is often not immediately identified by a patient or their provider, giving criminals years to milk such credentials. That makes medical data more valuable than credit cards, which tend to be quickly canceled by banks once fraud is detected.
- Healthcare providers and insurers must publicly disclose data breaches affecting more than 500 people, but there are no laws requiring criminal prosecution. As a result, the total cost of cyber attacks on the healthcare system is difficult to pin down

How To Minimize IT/HIPAA Risks….



The Theft Process....

1. Theft of Item or Service
   - "Sticky Fingers"
   - Removal of Laptop
   - "Borrowing" Cash / Item
2. Converted to Cash, Favor or Goods
   - Deposit Check/Cash
   - eBay
   - Sell to Friends
3. Concealment
   - Keeps Quiet
   - Intimidation
   - Cover Up / Excuses

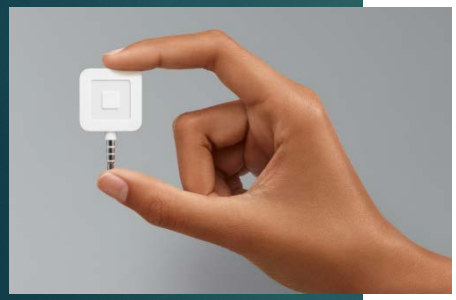
Theft Motivators

1. Financial Hardship
2. Excitement
3. Vindictiveness
4. Convenience
5. Retaliation

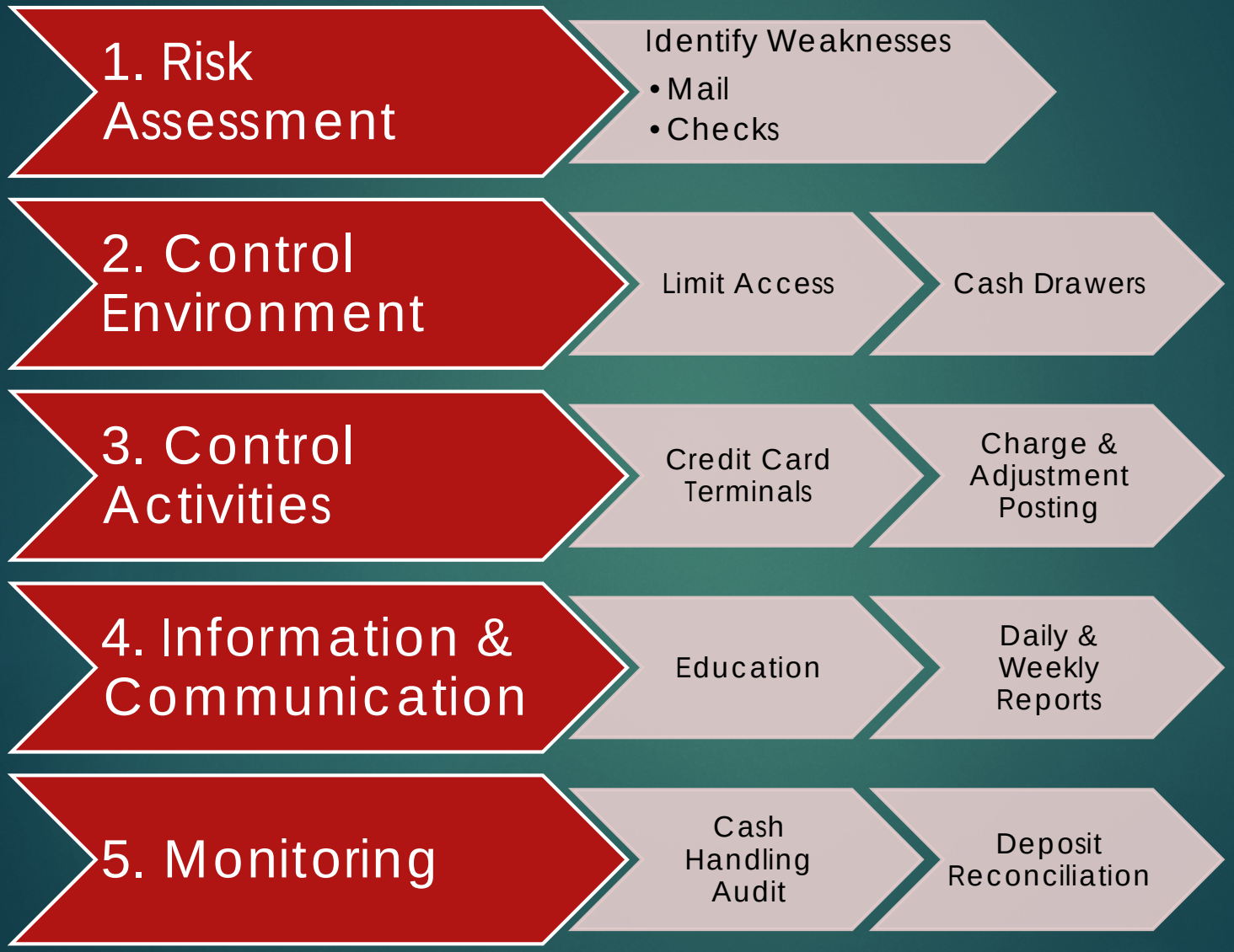
Easier to steal or anonymous organization instead of known individual

- DE synthesized to Human Involvement
- Practical

Convenience
=
Internal Control Nightmare

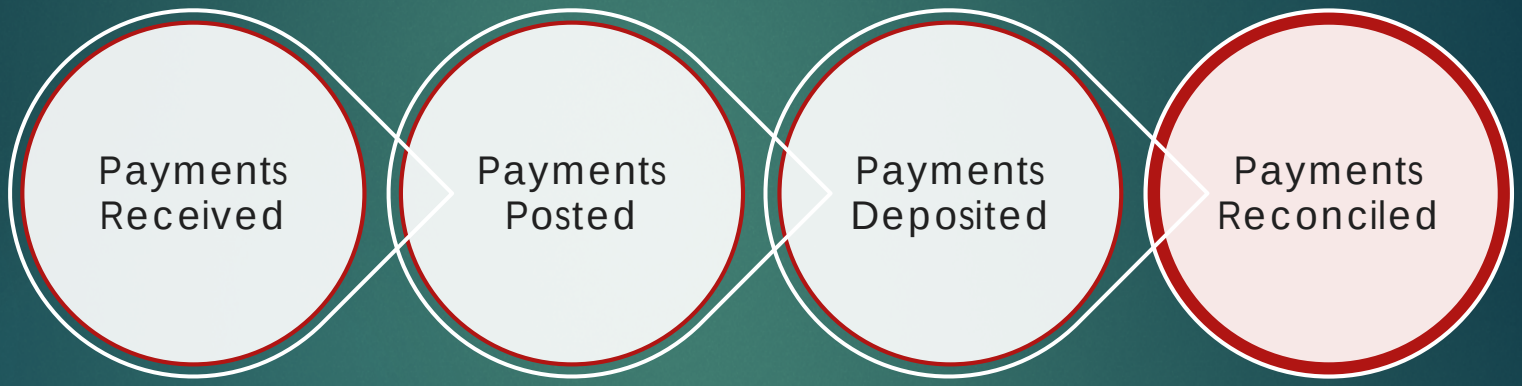


Internal Controls Are Necessary....



Verify Your Cash….

….Everything Should Equal



- Over the Counter
- Mail
- Direct Deposit
- Lockbox

- In Billing System

- Into the Bank

- Verify All Match
  - Internally- Daily
  - Externally- Monthly

Framework

1. Prevention
   - Background Checks
     - Call all references in job history- would they rehire?
     - Credit Checks
     - Criminal Checks
2. Monitoring / Detect
   - Cash handling audits
   - Missed Opportunity Report
   - Review Adjustments / EoB's
3. Mitigate Losses – Insurance / Bond Employees

Where are you vulnerable?

Identify all Collection and Adjudication Points in Your Process

- Scheduling
- Check In
- Clinical Visit
- Check Out
- Revenue Cycle Management
  - Only 2 Ways to Get Rid of Balance
    - Payment
    - Adjustment
    - Rest Sits in Accounts Receivable
  - Post Co-Pays and Deductibles
  - Post Online Payments
  - Post Payments/Adjustments
  - Bank Deposits
  - “Making Change” / Cashing Checks
  - Petty Cash
- After Hours

How to Mitigate Risks

1. Mandatory Receipts
   - $10.00 if we fail to give you a receipt
2. Clear Job Descriptions
3. Hold Employees Accountable (Fairly & Evenly)
4. Minimum of 4 Separate checking accounts
   1. Lockbox
      - Insurance Direct Deposits
      - Patients Mailing Payments
      - Credit Card Deposits
   2. Payroll
   3. Patient / Insurance Refunds
   4. Operating Accounts

How to Mitigate Risks (Continued)

5. Patient Refunds
   - Who prepares them?
   - Who reviews them?
   - When are they done?
   - Why are they done?
   - Can they be minimized?
6. Supplies
   - Medical- Locked
   - Computer System- Tethered & Tagged
7. Online Banking / Deposits
   - View-Only Access for People Who Need It

How to Mitigate Risks (Continued)

8. Vendor Checks
   - Storage
   - Preparation
   - Documentation
   - Signature
   - Reconciliation
9. Expense Reimbursements
10. Time Clock
    - 2 employees with same timestamp
    - Shred punchcards
11. Computer Inventory
    - Is Everything There?

How to Mitigate Risks (Continued)

12. Payroll Clerk Adjusting Pay/Withholdings?
13. Paper Receipts when Computers are Down
    - Sequentially Numbered?
    - Locked?
14. Credit Checks
    - For those in contact with money
15. Segregated Duties
    - Post Payments & Adjustments
    - Post Deposits and Reconciliation

How to Mitigate Risks (Continued)

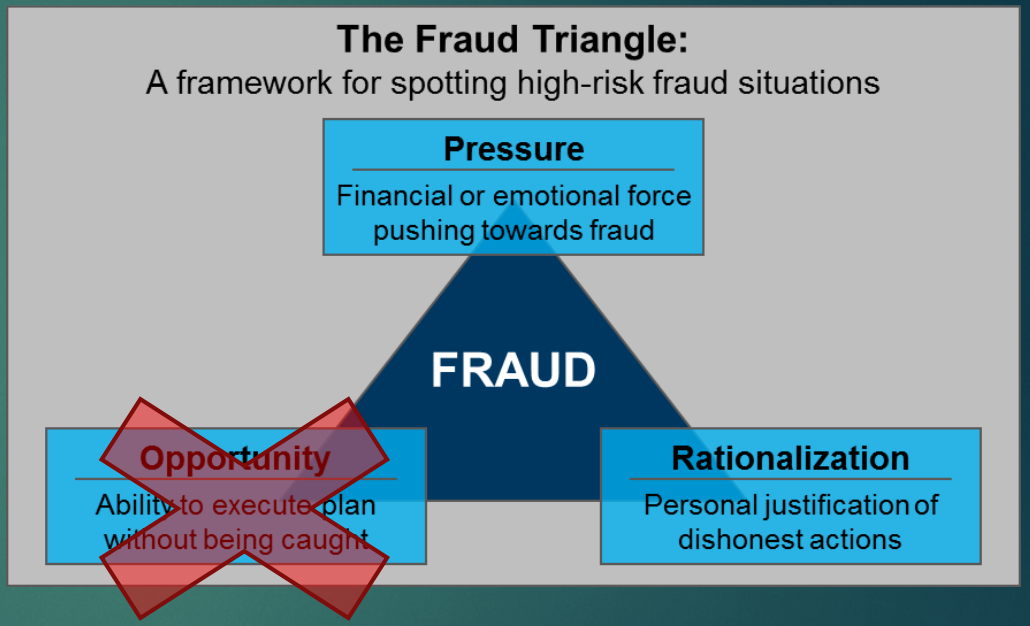
16. Code of Conduct
17. Compliance Plan
18. Mandatory Vacations
19. Avoid Shared Cash Drawers
20. Buddy System
21. Armored Pickup Service

How to Mitigate Risks (Continued)

22. On Demand Reporting by Key Staff
    - Delays indicate a problem
23. Investigate Sudden Departures
24. Cash Pay for Medical Records
25. Avoid the “Check Ambush”
    - Need check signed as you are walking out the door or between patients
26. Retain Employee Files Forever (Scanning)

Review

- Know & Educate Your Employees
  - Set the Culture
  - Set the Expectation
  - Monitor the Situation
  - Enforce the Consequences (Including Jail)
- Evaluate Opportunities
- Eliminate Opportunities
- Outside Review
  - Process
  - Results/Performance
    - Audit
    - Cursory Review



Questions?

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