

# Workers' Compensation Fraud

Are you, your employees or your vendors unknowingly committing workers' compensation fraud?

Follow Mason, as he navigates a back injury claim.

At 10am Monday morning, Mason was working in his company's warehouse when he strained his back lifting a 50-lb crate.

Although Mason tried, he couldn't finish the job. The pain was too intense. Mason reported the injury to his supervisor at lunchtime and went home.

Most workers' compensation claims are legitimate, like Mason's. Overexertion is the most commonly cited workers' compensation claim.



Unfortunately, Mason's condition didn't improve with rest. A few days later, Mason went to his doctor. Upon examination, Mason's doctor ordered an MRI for further diagnosis, five months of physical therapy, a series of muscle-relaxing treatments at the local back pain clinic and Mason to refrain from working for 30 days.

Mason relayed the orders to his manager, who in turn informed the company's HR department, and filed a worker's compensation claim.



An MRI and physical therapy are necessary to rule out significant damage. However, four months of therapy is excessive for a first-time back strain. Similarly, muscle relaxing treatments are a high-cost, unconventional treatment for non-chronic pain. Upon investigation, the carrier uncovered that Mason's doctor is in fact a partner in the local back pain clinic where he sent Mason for treatment. Mason's doctor is committing **workers' compensation vendor fraud**. Punishable as a criminal act in many states, it is the hardest form to uncover, as its perpetrator is a medical provider suggesting a bogus treatment for a legitimate injury.

**Companies and their insurance providers shell out \$62.3 billion in total workers' compensation benefits annually.**

After Mason's claim was reviewed, the company decided to investigate. The carrier not only found some of the doctor's orders to be unsubstantiated, like extended physical therapy but also uncovered that Mason's company had been under reporting their payroll for the last three years.



Mason's company is guilty of **workers' compensation premium avoidance**, a common form of **workers' compensation employer fraud**. Companies like Mason's underreport employee payroll to avoid the high premium fees that reflect their actual risk.

At the end of the month, Mason's doctor cleared him to return to work in a modified capacity. However, Mason decided not to inform his employer, and malingered another a few weeks at home, resting his back.



Mason is committing **workers' compensation employee, or claimant, fraud**. Employee fraud constitutes 20% of annual paid workers' compensation claims.

As the fastest growing segment of insurance fraud in the nation, workers' compensation fraud costs **\$7.2 billion** annually and currently accounts for **25%** of all insurance fraud. As many as one to two percent of workers' compensation are fraudulent.



## Protect what matters most

We can help you identify workers' compensation fraud and create risk management programs to protect your employees from hazardous situations.

**Contact a HUB advisor today**