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Expert Guide



## Why Medical Professionals Should Care About Fraud

By Olivia G. Robinson

**Medical fraud is epidemic.** But for most medical professionals, fraud is far down the list of practice concerns.

The first priority, of course, is quality patient care, and when it comes to business, the tendency is to focus on areas such as practice management, expansion and marketing—they're where the money is.

But fraud—a subject so sensitive that it's practically taboo—is one of the most significant money drains in business. In the PricewaterhouseCoopers 2014 Global Economic Crime Survey of more than 5,000 companies, *37 percent* reported being victims of economic fraud.

It's a sobering statistic. More than *one in three* of those companies reported suffering significant economic impact from a white collar crime.

As investigators called in after the fact to help assess and repair the damage, we see daily how widespread, complex and underreported these crimes are in the medical field.

The good news is that it's possible to short-circuit a vast majority of them with a routine business investigation of any potential business partners, financiers, major suppliers and consultants.

Yet most doctors fail to protect themselves by professionally vetting significant business transactions, partners and investments. As a result, my investigative team has been contacted by physicians who have invested millions to participate in new medical groups that promised to be state-of-the-art, and turned out to be shams.

We've seen sophisticated set-ups that had doctors sending hundreds of thousands of dollars toward equipment that didn't exist. We've traced business partners who promised to create systems to help doctors streamline operations and build a financial cushion, but wound up draining the physicians' finances, placing them in personal and professional jeopardy.

These are crimes that should be front-page news in the professional press. But doctors, like most victims, don't often report the fraud they face. The personal and business losses that flow from those preventable crimes remain hidden.

If you haven't heard your peers talking about these crimes, it's not because they've been unscathed. It's largely because of the embarrassment and humiliation that go with having one's trust violated and falling victim to fraud.

### **Elements that grease the wheels for fraud**

Doctors tend to assume that a business introduction made by a trusted friend or colleague is trustworthy – the professional bond and mutual respect seem to guarantee it. Further screening can seem unnecessary, even impolite, as though to question the recommendation is to question the person making it. But it's not uncommon for recommendations to be made by people who have, themselves, been duped. Or, unfortunately, for referrals to be made by individuals who have knowingly or unknowingly become part of a scam.

We've seen elaborate shell businesses that use banks and suppliers with names similar to real ones and appear to be real – until equipment fails to arrive, bills are not paid, and doctors' investments are long gone.

In some scenarios, a fraudster may offer one of your peers high compensation to attract patient referrals or bring colleagues into a practice set up to funnel money to criminals, and the doctor may gladly accept the easy money without asking many, or any, questions.

Fraudulent set-ups can easily look legitimate, and offer enticing returns. *But you don't know the truth about a deal, partnership or arrangement unless you have it checked independently.*

### **The high cost of the fears that keep fraud from being reported**

When a business deal, and significant investments, have evaporated into fraud, the victims frequently adopt the attitude, "It's best to cut our losses and move on." They're embarrassed. They were "bad judges of character." They "should have known better," "should have trusted their gut." They don't want to look vulnerable.

They may also fear financial backlash, scandal, and negative publicity, including accusations that corporate executive oversight was lacking or internal controls were inadequate. And then there is the natural anxiety that competitors will want to take advantage of the negative publicity.

With these forces in play, it's not surprising that the United States Department of Justice estimates that only 15 percent of fraud victims nationwide report their crimes to law enforcement.

As a result, medical professionals tend to feel safe, not realizing the extent of the fraud that's occurring around them every day. When they don't share information about being duped, they allow their peers to fall for identical scams. We frequently see the same criminals move from medical group to medical group, using the same tactics, personnel and sham set-ups to draw in ever more victims.

**Fraud is far easier (and more economical) to *prevent* than to recover from – if you recover**

The truth is that we see far more doctors asking us to chase down criminals who have victimized them than to look into the backgrounds of the individuals and institutions they plan to do business with. That's unfortunate, because the costs of fraud are extremely high.

\* **Time:** To calculate this cost, factor in time spent in securing medical and financial records, computers and other proprietary data in the targeted office or facility, contacting the appropriate authorities, filing reports, identifying the appropriate legal counsel and investigative team, identifying the perpetrators, documenting the extent of the fraud, and filing legal actions or packaging the investigative findings for a criminal referral.

Even with a team of seasoned legal and investigative experts, the process may take years and the outcome is unknowable.

\* **Money:** It may be possible to recoup financial losses and see that the perpetrators are punished if victims pursue an appropriate investigative strategy, starting from the time that the fraud is discovered. This will take not only time, but money to pay for investigators and lawyers, resources not previously earmarked for this purpose. Business insurance may cover a portion of these costs, but it's important to weigh the pros and cons of filing a claim.

Financial loss also comes in the form of business disruption. How many doctors and staff will take time away from the daily activities of the practice to focus on documenting the fraud, communicating about the fraud, exploring options and alternatives, and coordinating with legal experts and law enforcement? That cost can be staggering.

Finally, many doctors we've seen have mortgaged homes or invested their own savings in scams that promised to deliver a welcome cushion in later years, only to find not only their medical practice but their personal finances devastated. A scam can wipe out a career's worth of personal savings and security.

**You talk about the power of prevention in your practice.  
Practice it in your business.**

Wearing disposable gloves in medicine isn't a sign of "lack of trust" or "lack of friendliness." It's a common-sense step that promotes health and acknowledges the reality and power of contamination.

Given what we know about the pervasiveness of fraud, the smart doctor and practice should set up simple guidelines that offer common-sense protection.

- Make it a policy to check the backgrounds of everyone you plan to do business with, *regardless of who introduced them to you.*
- Find out whether they have been involved in extensive litigation, including prior criminal prosecution.
- Determine whether they have filed bankruptcy or have a long list of unpaid tax liens, which is an indication of financial distress.
- Examine other businesses they're involved in or have historically been involved in, including any partnerships that resemble the type that you're contemplating. See how those worked out.
- If you don't feel qualified to do this yourself, work with a professional.

**And if you do fall victim to fraud:**

- Report the incident to the police, appropriate law enforcement or regulatory agency.
- Secure the office or facility where the incident occurred, including computers, cell phones, medical and financial records, confidential and proprietary documents.
- Get a reputable attorney involved, someone knowledgeable about fraud, white collar crime, business or financial litigation.
- Review The Fraud Recovery Checklist (<http://backgroundintelligence.com/fraud-recovery-checklist>)

You don't have to be a fraudster's next victim. In business, as in medicine, your most powerful tool is prevention.

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