Monitoring health insurance exchange broker communities for identity-based fraud

EXECUTIVE SUMMARY

LexisNexis® RISK SOLUTIONS

Health Care

OVERVIEW

THE AFFORDABLE CARE ACT (ACA) HAS LED TO A PROLIFERATION OF HEALTH INSURANCE EXCHANGES DESIGNED TO HELP CONSUMERS FIND AND PURCHASE MEDICAL INSURANCE.

While the vast majority of brokers who operate exchanges fulfill their obligations to payers and patients, the influx of new entrants into the market has increased the potential for levels of fraud and abuse to grow. In a recent webinar, LexisNexis® explored the risks payers are exposed to via exchange marketplaces and identified ways to find and minimize exposure to this growing risk.

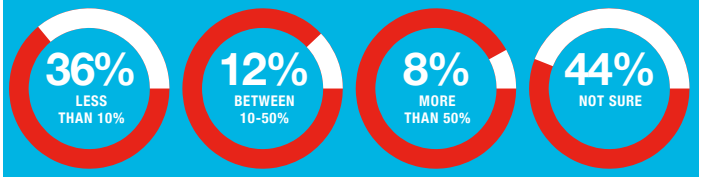
Challenges with Exchanges and Brokers

In 2014, Bloomberg ranked the state and federal health insurance exchanges third on its list of Top Ten health care fraud areas. The anonymity with which exchanges can operate has allowed incidents of fraud and abuse to increase dramatically since the ACA became law. When undetected, fraud and abuse can cost payers tens of millions of dollars a year in fraudulent claims and federal fines.

In particular, the exchanges have led to new types of fraud, including:

- Brokers enrolling ineligible, deceased, minors and fictitious individuals
- Member insurance cards "shared" with other persons to obtain controlled substances
- Lying about income to get premium tax credit they otherwise would not be entitled to
- Fake exchange websites

WEBINAR POLL QUESTION 1: What percentage of your company's enrollees come through an exchange?



October 15, 2015 | Total Responses: 25 of 48 (52%)

A Troubled Verification System

All agents and brokers who work in the federally funded marketplace must be registered and complete an online training course. In fact, brokers and agents are the ones who first verify an applicant's citizenship, household, age and income. Yet these measures have proved unsuccessful as a first-line defense against fraud and abuse.

A 2014 investigation from the Government Accountability Office discovered that the marketplace approved subsidized coverage for 11 of 12 fictitious applicants. The approved applicants received $30,000 in annual advance premium tax credits, plus eligibility for lower costs due at time of service.

A Systematic Approach to Thwart Abuse

LexisNexis, a leader in identity and fraud analytics helped representatives from health plans understand the importance of implementing a systematic approach to address this new source of fraud and abuse. Such an approach would have three critical stages:

1. The organization should deploy a system to automatically detect aberrations in applications, such as a suspicious address and unknown names. The detection system should also look at the brokers themselves, and whether individual brokers show a spike in enrollees or a spike in commissions. These are red flags that the broker is enrolling fictitious or potentially ineligible applicants.
2. After the detection stage, a systematic approach would perform checks to immediately notify other stakeholders of possible fraud and abuse.
3. The final stage of a systematic approach would include devoting resources to analyze and investigate the output from that automated system. These resources would come in the form of data analysts, investigators and compliance auditors.

"With the changing landscape of health care, and the relative anonymity of the exchanges, the few bad apples can now become more fruitful."

—**MARK ISBITTS,** Director of Health Care Market Planning, LexisNexis, Payment Protection

WEBINAR POLL QUESTION 2:
Who in your organization would you say is most responsible for validating and verifying enrollees and brokers from a marketplace exchange?

October 15, 2015 | Total Responses: 29 of 48 (60%)

"You need to create a culture of accountability across the organization, because fraud slices across a lot of different layers."

—**KATHY BARDEEN,** Director of Market Planning — Identity, LexisNexis

Benefits of a Systematic Approach

By far the largest benefit of a systematic approach to fraud and abuse is avoiding several million dollars in broker commissions and federal fines. But this is only the beginning. Organizations can also gain valuable insight into enrollees beyond simple verification, using data analytics to uncover other suspect activity from applicants and brokers.

Getting Started

Organizations that want to implement a systematic approach to fraud and abuse should follow these four basic steps:

1. Organizations will need the member files and an exchange indicator option to begin building a verification database.
2. Organizations should begin leveraging an Identity Referential Database to help authenticate the data and identity of applicants.
3. Organizations should implement a system to review the results from the verification process and segment the population into approved and suspicious groups.
4. Finally, organizations will be able to leverage a Verified Member File, which will help them streamline future member engagements.

Ultimately, with the influx of new entrants in the market from the health care exchanges there is an increased potential for fraud and abuse. However, with a systematic approach to verify these new identities, health plans can combat this activity and ultimately save millions of dollars as well as minimize any reputation risk.

The LexisNexis Difference

LexisNexis combines decades of experience understanding, analyzing and minimizing risks associated with identity fraud across industries. Our data sources and data aggregation capabilities are unmatched in the industry. We maintain more than 2 petabytes of data, including 500 million unique consumer identities – 40 million more than traditional credit bureaus – and more than 8.9 billion unique name/address combinations and 1 billion unique business contacts. Our advanced analytics and record-matching capabilities enable us to process, analyze and find links and associations in high volumes of complex data, transforming disparate data into meaningful insights.

POLL QUESTION 3:
What is your biggest challenge moving forward to prevent fraud in the marketplace exchanges?

*numbers don't equal 100% due to rounding

October 15, 2015 | Total Responses: 29 of 48 (60%)

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For more information:

Call 866.396.7703 or visit

www.lexisnexis.com/risk/healthcare

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LexisNexis Risk Solutions (www.lexisnexis.com/risk) is a leader in providing essential information that helps customers across all industries and government assess, predict and manage risk.

Combining cutting-edge technology, unique data and advanced analytics, LexisNexis Risk Solutions provides products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of RELX Group plc, a world-leading provider of information solutions for professional customers across industries.

Our health care solutions combine proprietary analytics, science and technology with the industry's leading sources of provider, member, claims and public records information to improve cost savings, health outcomes, data quality, compliance and exposure to fraud, waste and abuse.

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