National Conference of State Legislatures  
2012 Legislative Summit – Chicago, IL  
Communications, Financial Services and Interstate Commerce Committee Luncheon

Joe Wehrle, President and CEO

August 7, 2012
Industry estimates that fraud against property and casualty insurers cost Americans $30 billion per year...or in other words:

- $82.2 million a day
- $3.4 million an hour
- $57 thousand a minute
- $951 a second
NICB Key Facts

- 1,100 P&C insurance companies, rental car companies, and self-insureds
- 100-year history of established cooperation with federal, state, and local law enforcement agencies
- Non-profit organization
- Corporate Headquarters – Des Plaines, Illinois
- $42M Revenue – ROI 8:1
NICB Disciplines

- Data Analytics
- Investigations
- Training
- Legislative Advocacy
- Public Awareness
Priorities

- Medical Fraud
- Commercial Fraud
- Vehicle Crime
2011 Medical Related Questionable Claims By Loss State

*Not all Questionable Claims contain sufficient information to be mapped*
NICB / HHS / DOJ Partnership

- Health Care Fraud sophisticated enterprise

- Criminal conspiracies do not discriminate – they’ll take money from both public and private

- Effort led by NICB to share information between P&C, Health Care Industry, Medicare/Medicaid and DOJ

- Result: National Council on Health Care Fraud
National Council on Health Care Fraud

- Initial meeting of all participants – June 19
  - Executive Board
  - Data Analysis & Review Committee
  - Information Sharing Committee
  - NICB represented

- Formal Announcement of Fraud Prevention Partnership by AG Holder & HHS Secretary Sebelius/
  National Council on Health Care Fraud
  July 26 – White House
National Council on Health Care Fraud

- Key Recommendations
  - Create an atmosphere of trust
  - Partnership must be flexible to address future fraud schemes
  - Break down silos
  - Litigation protection vital
  - Metrics to measure success

- Excellent start to address health care fraud and crossover to property/casualty

- Executive Board Meeting, September 2012
Major Medical Fraud Task Force Case
Are these your doctors?
Hints

- Husband and Wife
- Both Medical Doctors near Houston, Texas
- Owners of multiple medical clinics operating under the name of “Allergy, Asthma, Arthritis Pain Center”
- Successful practice…50% of patients came to the clinic through word of mouth…as far away as Tennessee!
- Dr. Arun Sharma and Dr. Kiran Sharma
How Successful?

- 1998: 50-60 patients per day
- 2003: 100 patients per day
- Jan 6, 2005: 279 patients per day!
- Patients would arrive at 6:30 AM and line up to see the Doctor who arrived around 10AM
- So successful that by 2009, they had 99 bank and investment accounts…$43M in assets
Over a 10-Year Period

- Billed Medicare, Medicaid, the Health Care Industry and Property and Casualty over $200M
  - Total Paid: Over $62M
- What did they bill for?
  - The “Houston Cocktail” (Hydrocodone, Soma and Xanax)…over 126,000 prescriptions; 700,000 pills
  - Facet point injections and blocks…actually trigger point injections like Novocain or steroids
Findings

- Who were the patients?
  - “Pain management patients” to include drug dealers, drug users, eBay sellers, etc.
  - Confirmed deaths due to drug overdoses

- Who was billed?
  - Medicare, Medicaid
  - 9 separate health care companies
  - 8 separate Property & Casualty companies

- Who investigated?
  - DOJ, FBI, HHS/OIG, DEA, Texas AG, NICB, SIUs
The Results

- 10-month turnaround from search warrants to trial...normally 2 years
- Trial projected to last 8 weeks
- Drs. Sharma requested a plea deal the night before the trial (Apr 2010):
  - Dr. Arun Sharma: 15 years’ confinement
  - Dr. Karim Sharma: 8 years’ confinement
  - Forfeit $44M in assets
Legislative Advocacy
Legislative Advocacy

- State Issues
  - Medical Fraud
  - Dedicated Prosecutors
  - Immunity
  - Runner/Capper Statutes
  - Roofers/Contractors
  - Fraud Advisory Groups
  - Funding Sources
  - Fraud Reporting
# 2012 State Anti-Fraud Legislative/Regulatory Actions

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<td>NJ</td>
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<td>NY</td>
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## 2012 State Anti-Fraud Legislative/Regulatory Actions

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<td>CO, OK</td>
<td>Expanded fraud reporting</td>
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<td>47 states</td>
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Insurance Fraud Summits

- Minnesota Insurance Fraud Summit, October 16, 2012
- Convene experts to discuss state-specific, anti-fraud issues
- Sets an agenda for the state to tackle fraud
- Workable legislative/regulatory recommendations
- Previous Summits: AZ, IL, MI, NV, NY, TX, DC/MD/VA
In Closing

WE HAVE A SHARED RESPONSIBILITY TO WIN THIS CONFLICT

NICB, member companies, law enforcement, and anti-fraud organizations must present a **united** front to protect the American people and insurer investment.
Questions?