

Who Wants to be a Millionaire?

No-Fault Auto Insurance Fraud in New York

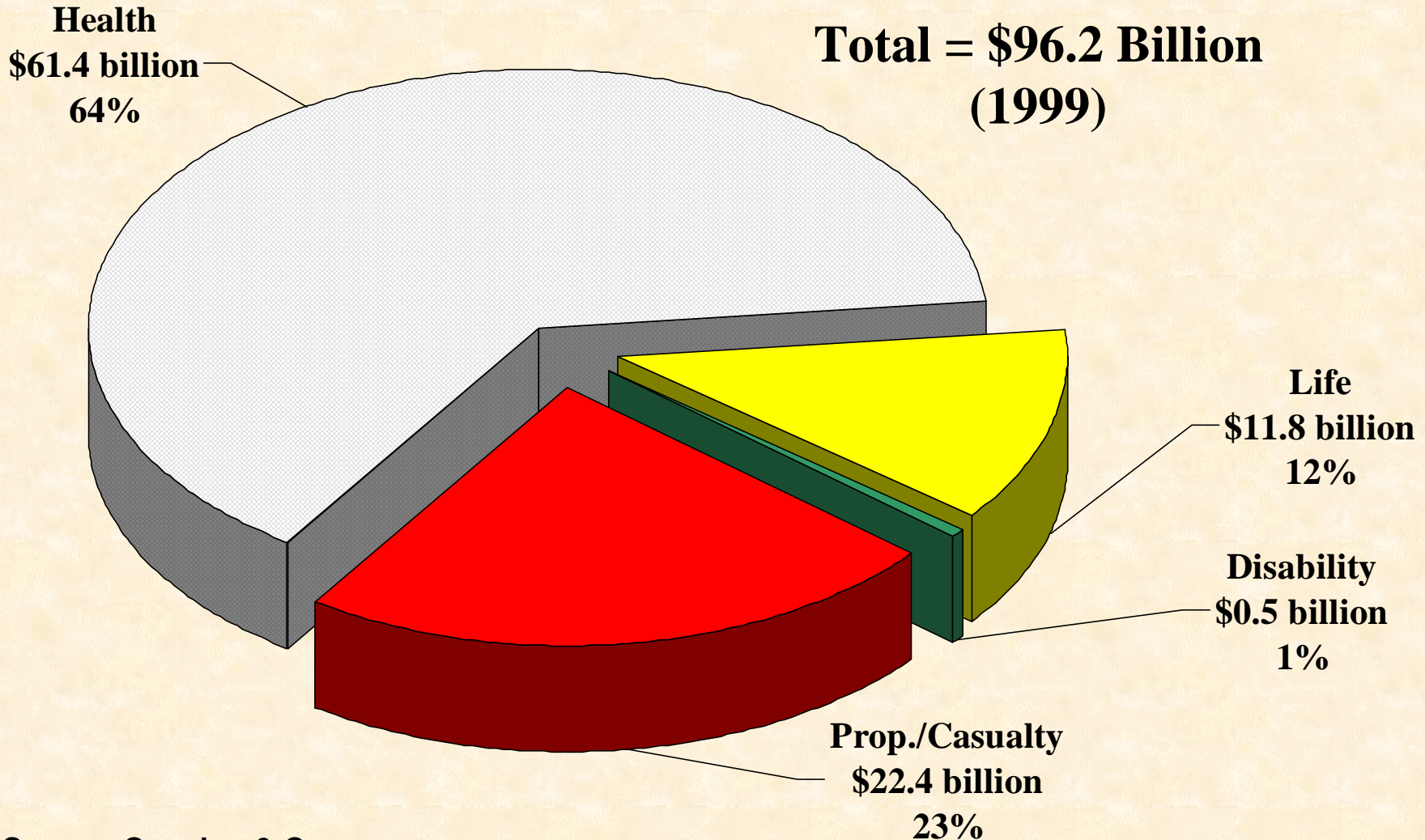
March 2002



Robert P. Hartwig, Ph.D., Senior Vice President & Chief Economist
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038
Tel: (212) 346-5520 ♦ Fax: (212) 732-1916 ♦ bobh@iii.org ♦ www.iii.org



Insurance Fraud in the U.S. Costs Billions!



Source: Conning & Co.

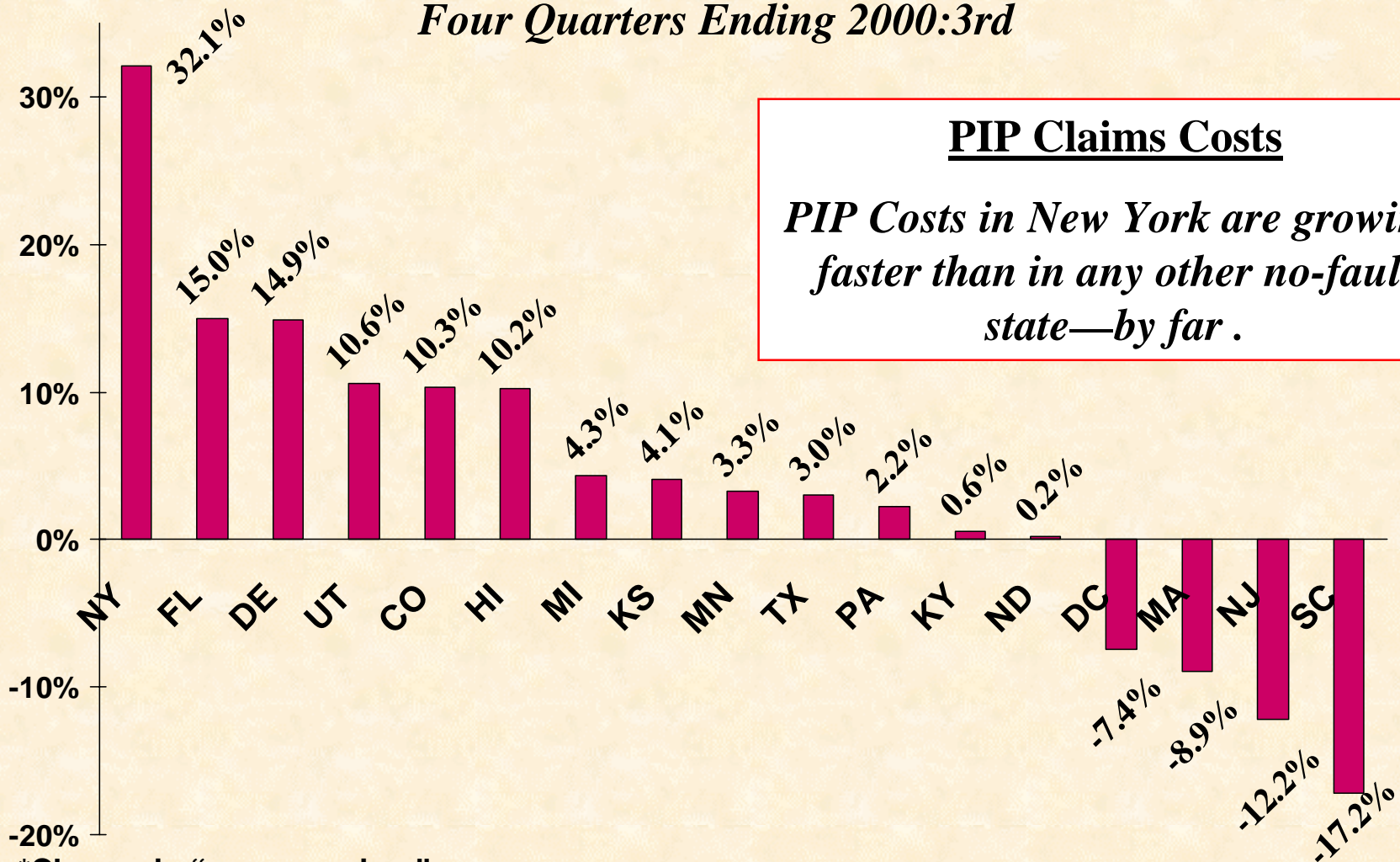
*Comparative Statistics:
PIP Claims Costs*





Growth in Total PIP Claims Costs*

Four Quarters Ending 2000:3rd



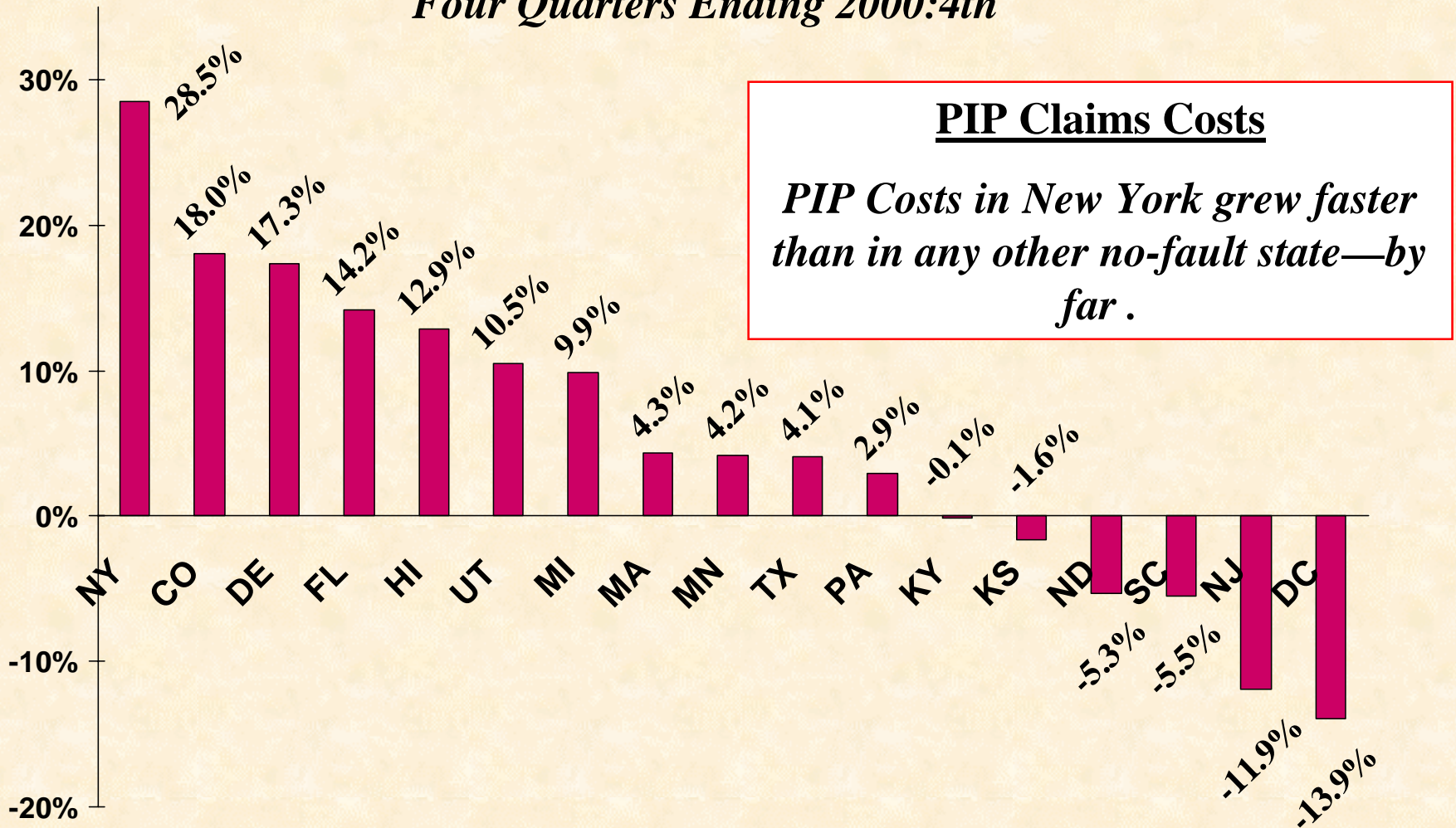
*Change in "pure premium"

Source: Insurance Information Institute from ISO Fast Track Data



Growth in Total PIP Claims Costs*

Four Quarters Ending 2000:4th



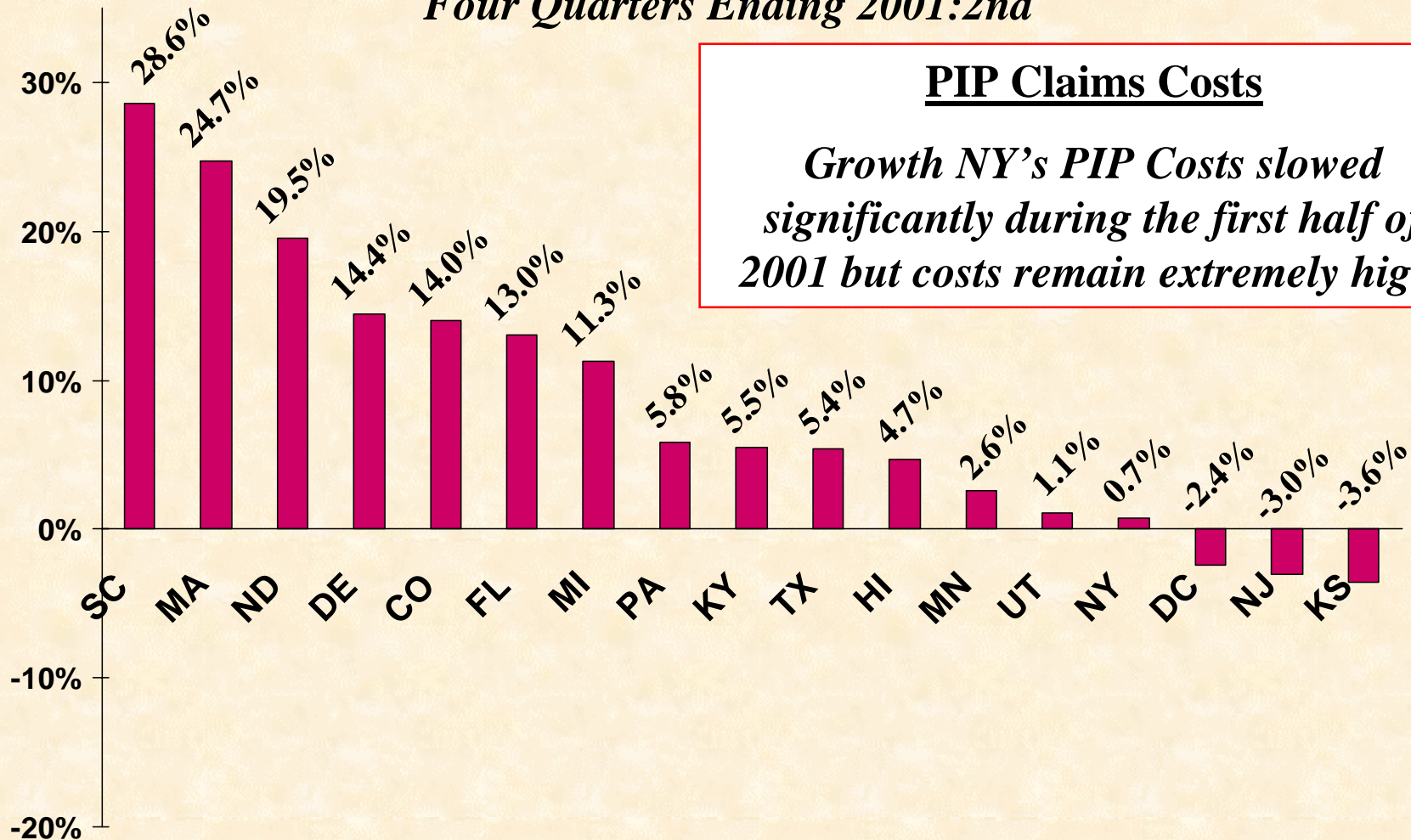
*Change in "pure premium"

Source: Insurance Information Institute from ISO Fast Track Data



Growth in Total PIP Claims Costs*

Four Quarters Ending 2001:2nd



PIP Claims Costs

Growth NY's PIP Costs slowed significantly during the first half of 2001 but costs remain extremely high.

*Change in "pure premium"

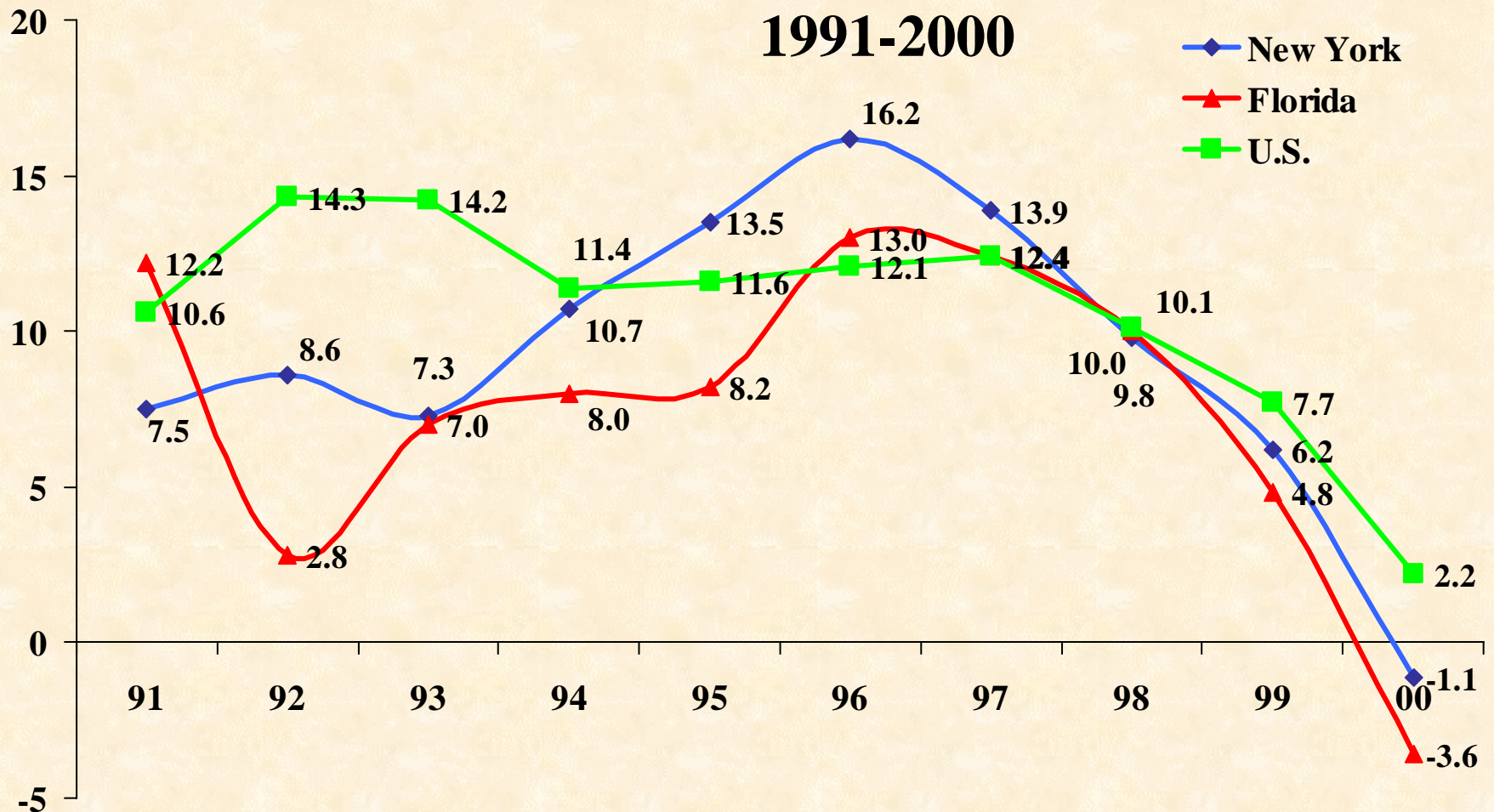
Source: Insurance Information Institute from ISO Fast Track Data

Comparative Statistics: Profitability



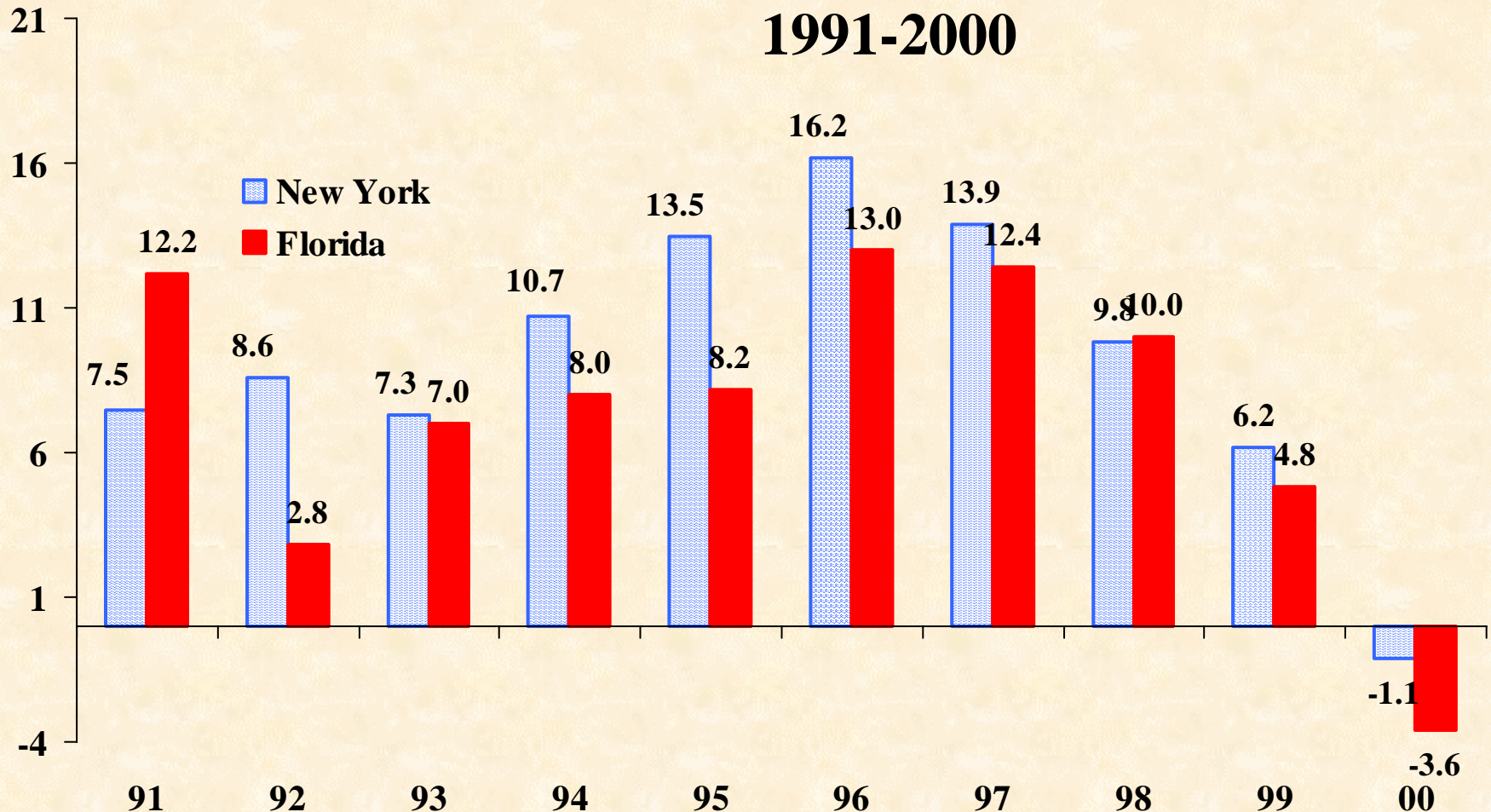


Return on Net Worth Private Passenger Auto (%),



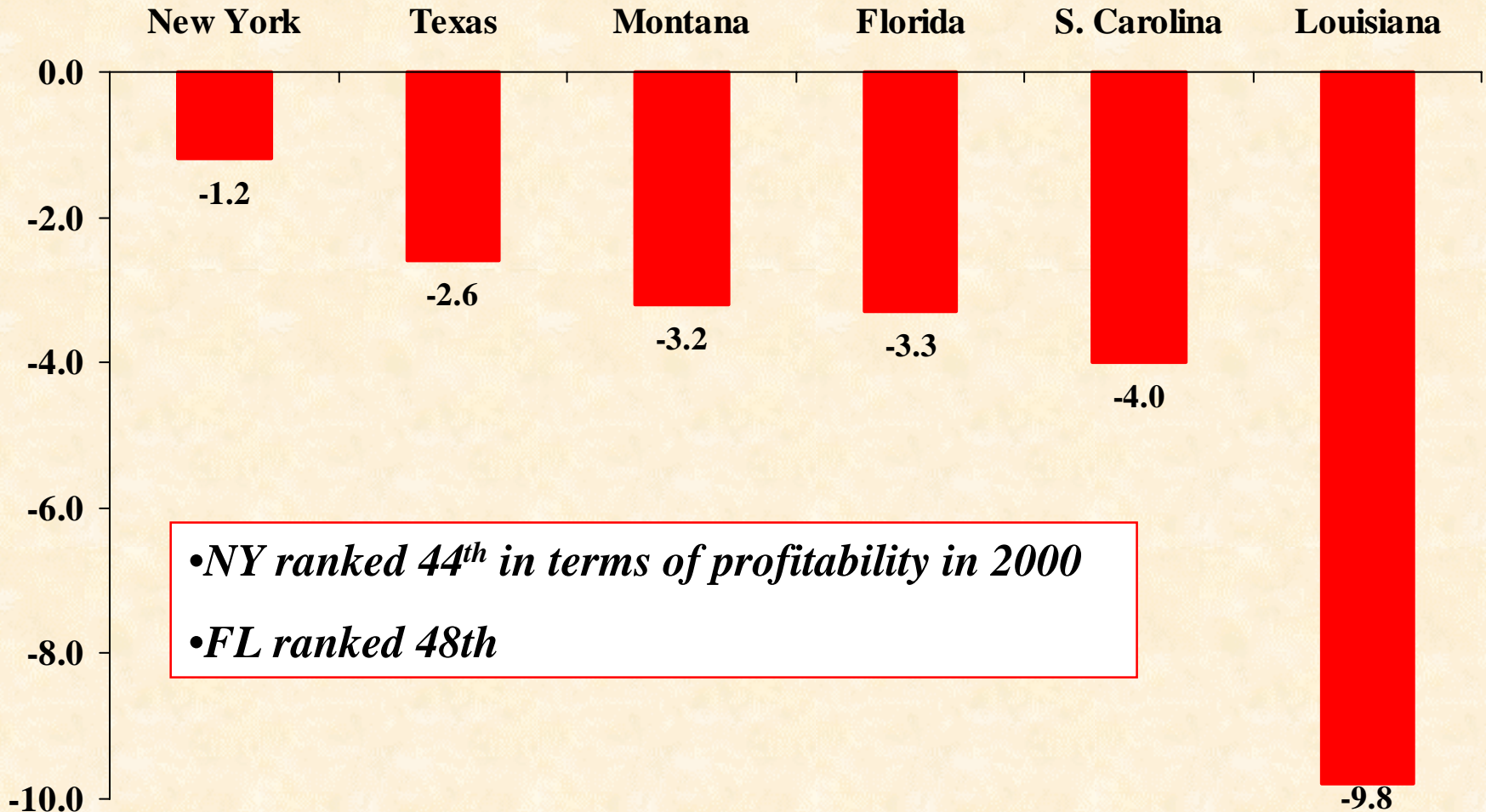


Return on Net Worth Private Passenger Auto (%),



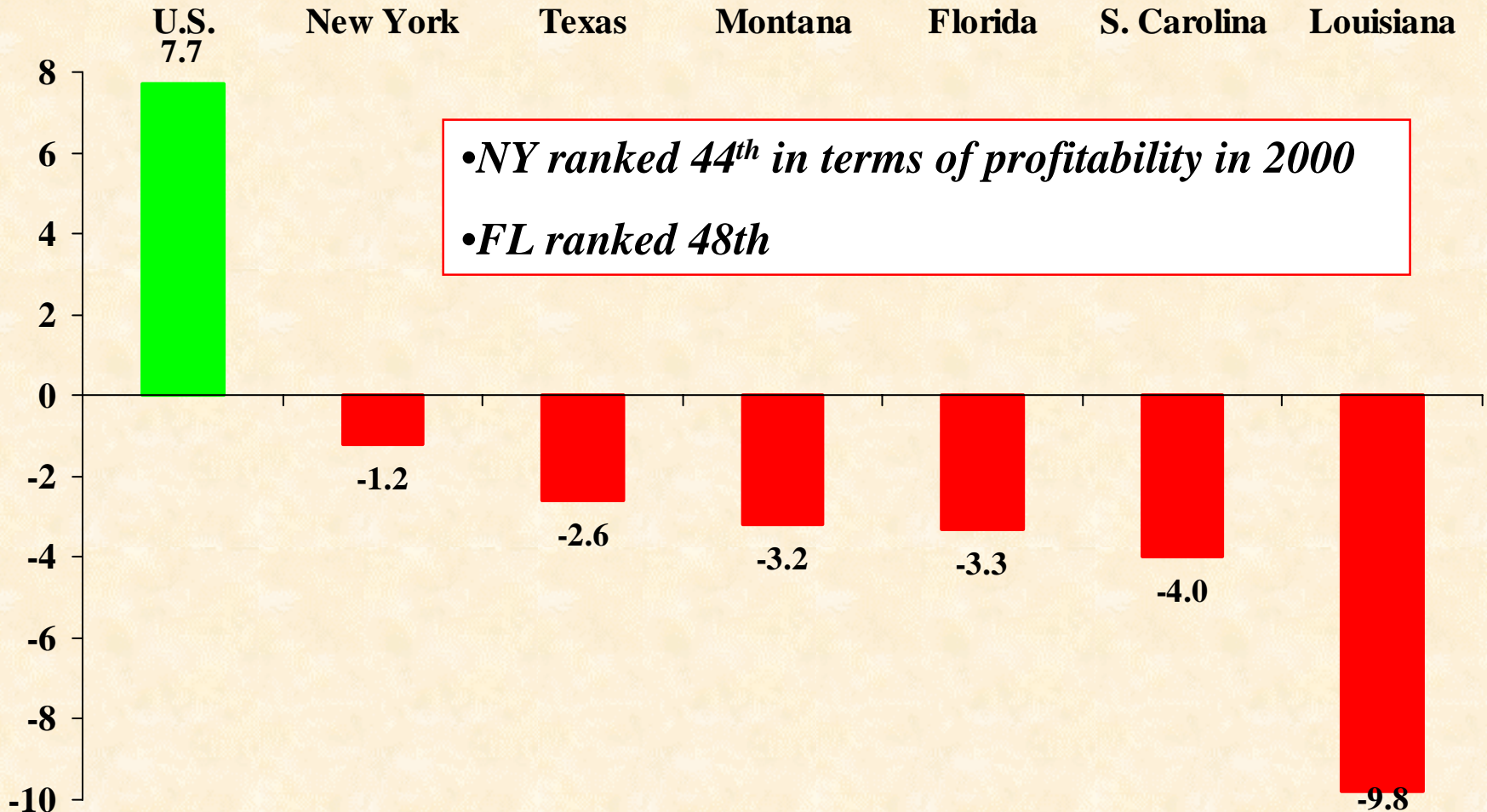


Private Passenger Auto: 6 Least Profitable States, 2000 (Profit as a % of Direct Premium Earned)

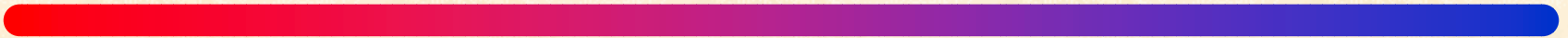




Private Passenger Auto: 6 Least Profitable States, 2000 (Profit as a % of Direct Premium Earned)

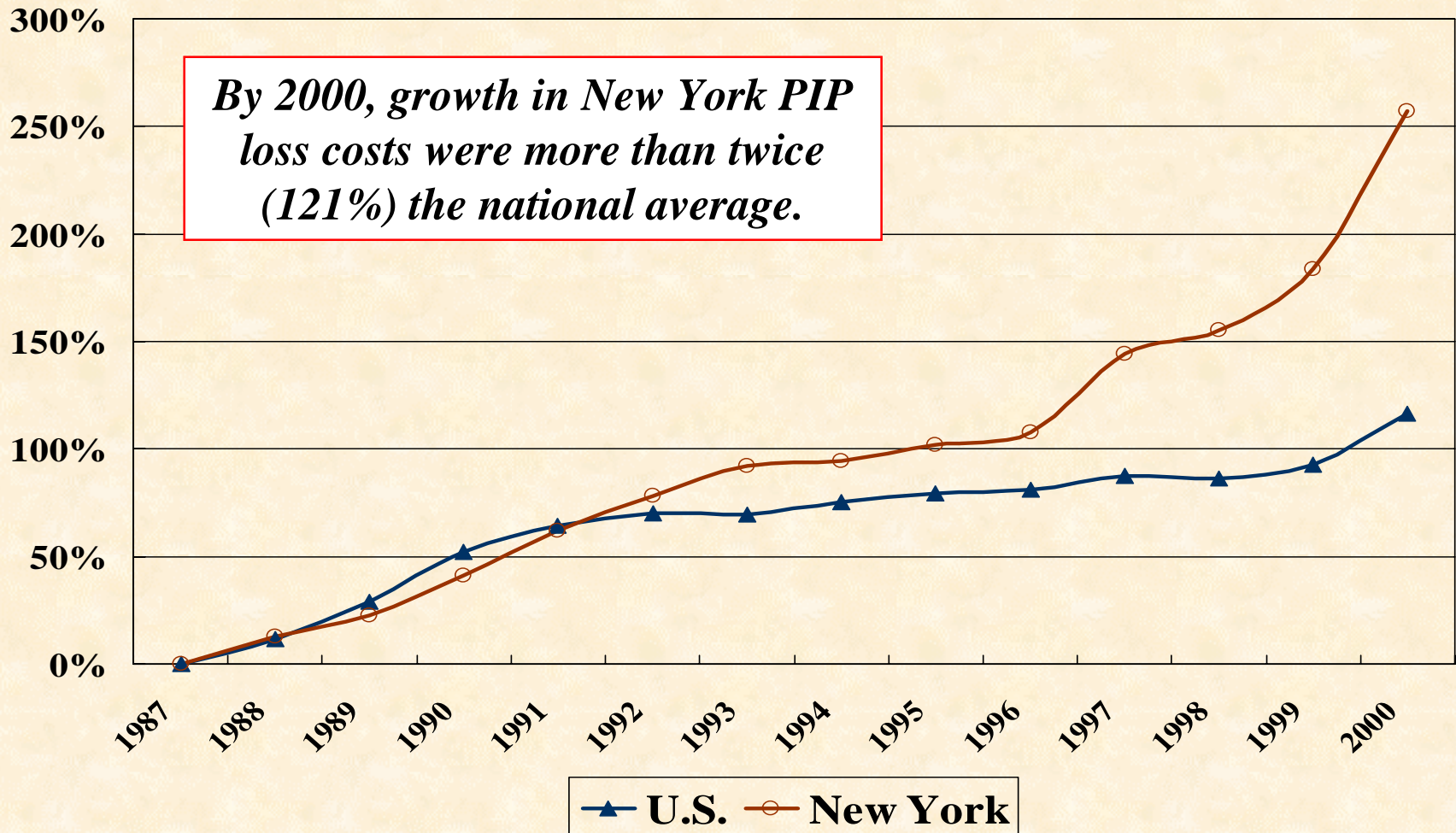


*PIP Fraud and Abuse in
New York State*





Change in PIP Loss Costs: New York vs. US: 1987-2000*

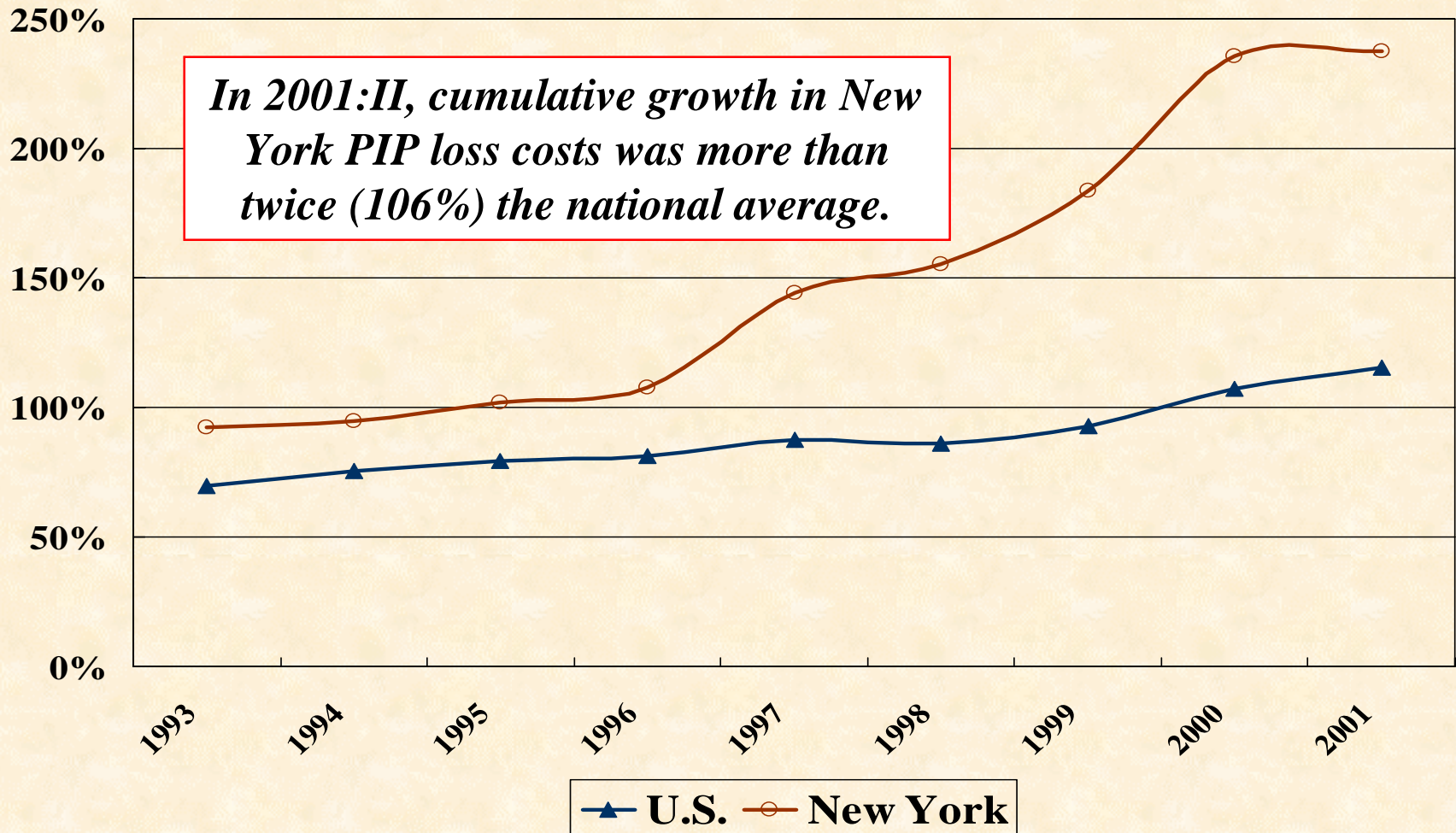


*Through 4 quarters ending 2000:3rd.

Source: American Insurance Association/ISO FastTrack: Insurance Information Institute



Change in PIP Loss Costs: New York vs. US: 1993-2001*

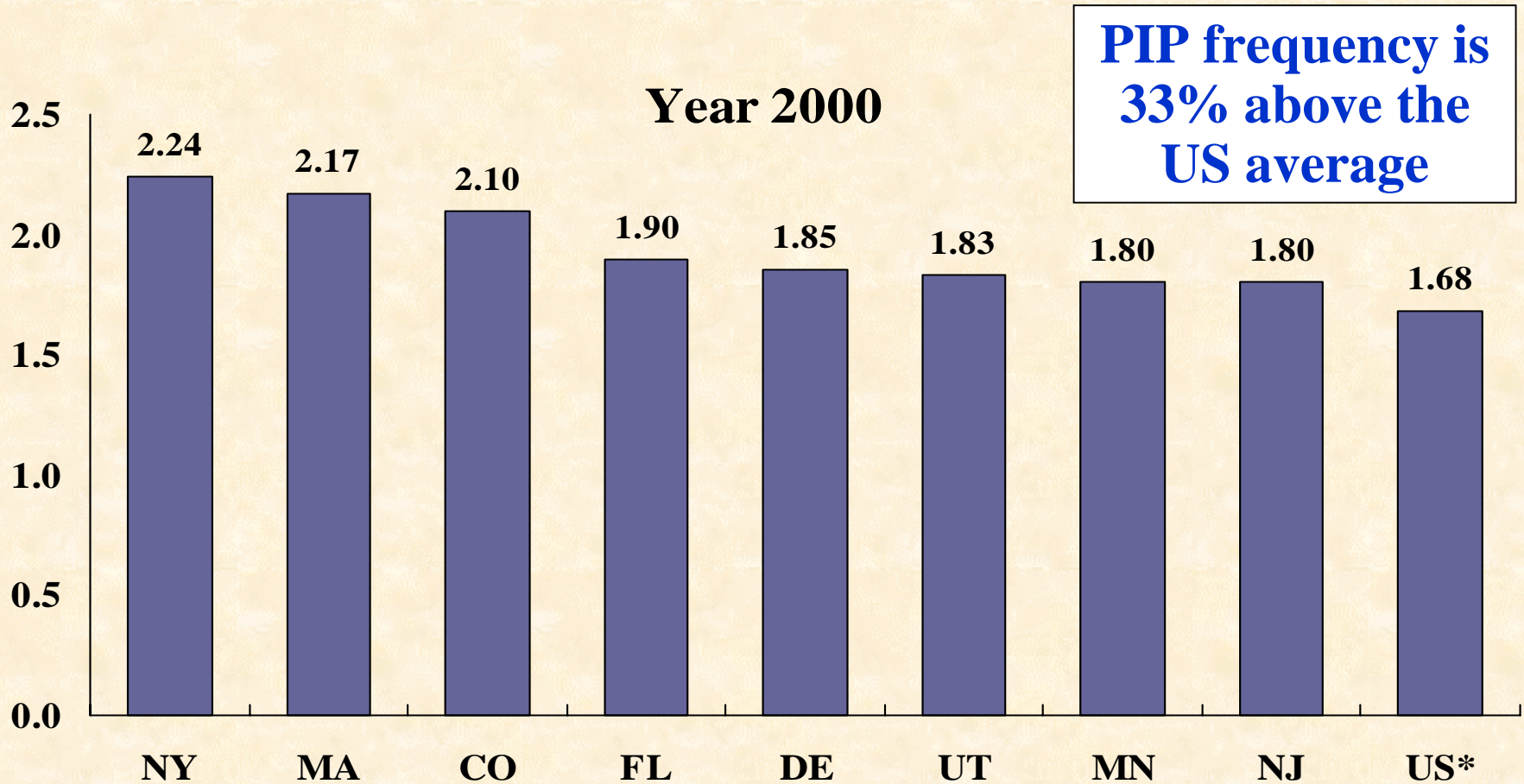


*Through 4 quarters ending 2001:2nd.

Source: American Insurance Association/ISO FastTrack: Insurance Information Institute



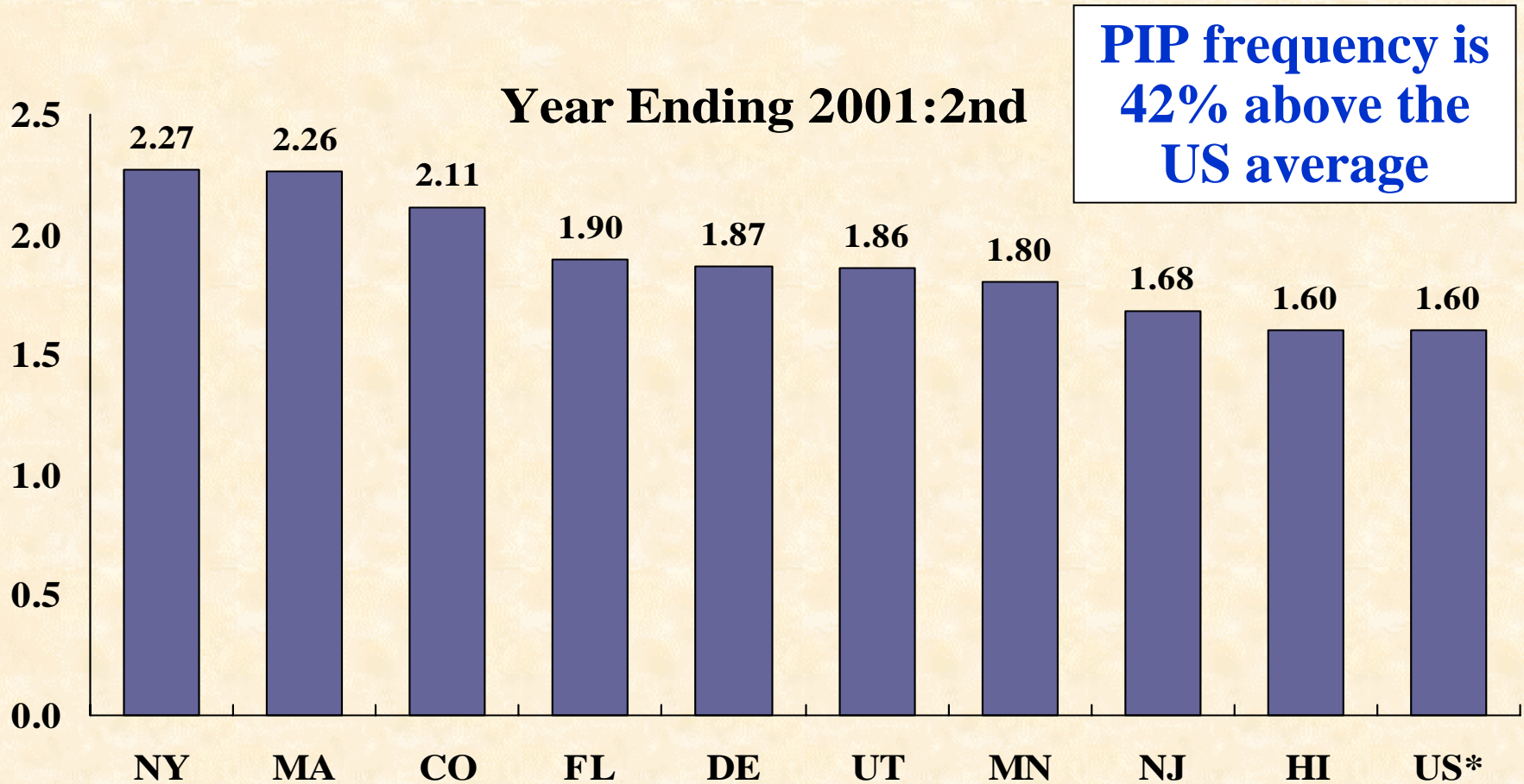
Personal Injury Protection Paid Claim Frequency



*US excludes New York



Personal Injury Protection Paid Claim Frequency



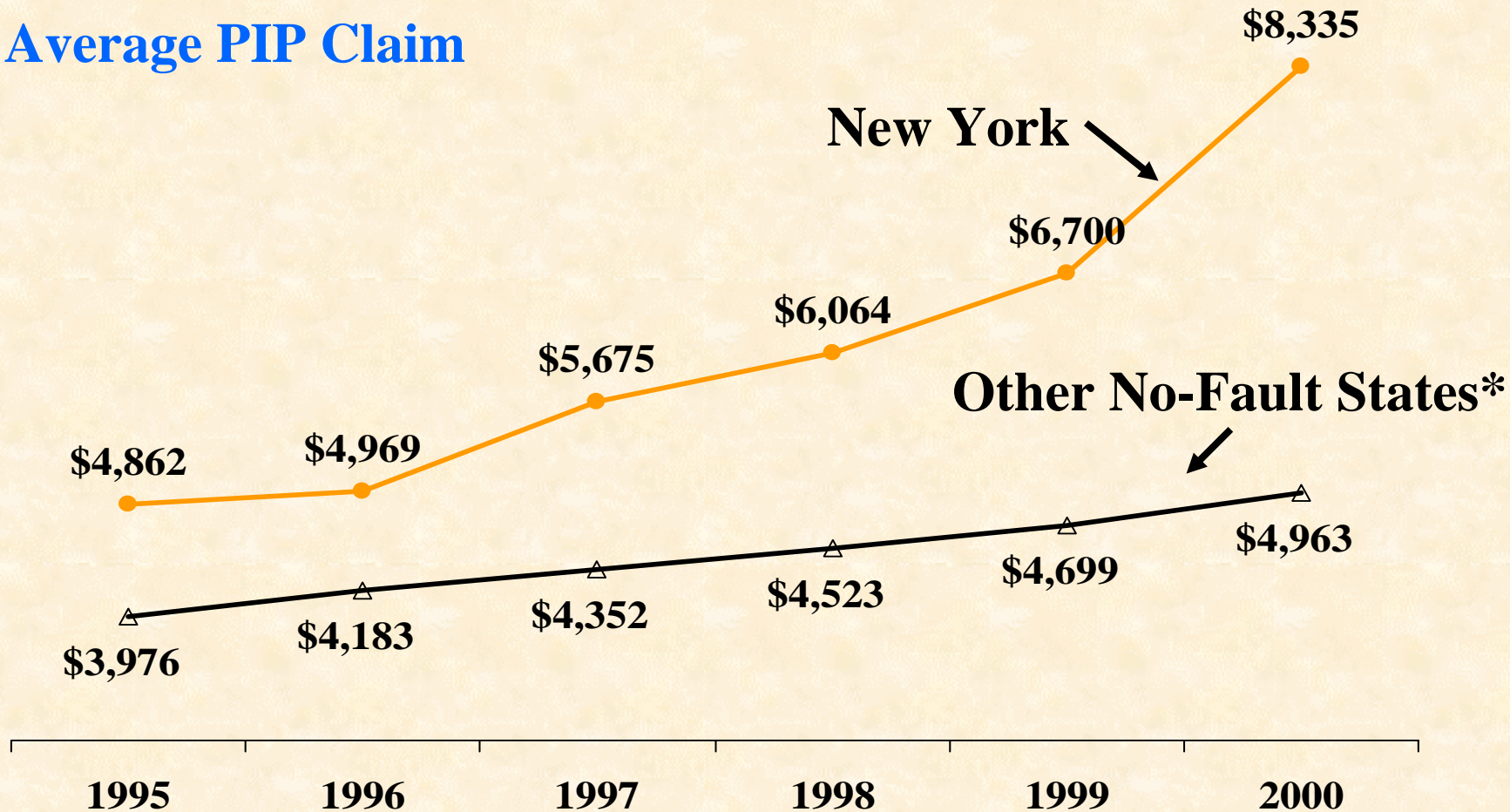
*US excludes New York and Florida

Source: Insurance Information Institute and Insurance Services Office.



PIP Claim Severity 1995-2000: New York vs. United States

Average PIP Claim



Source: Fast Track Monitoring System, Fourth Quarter 2000 Report

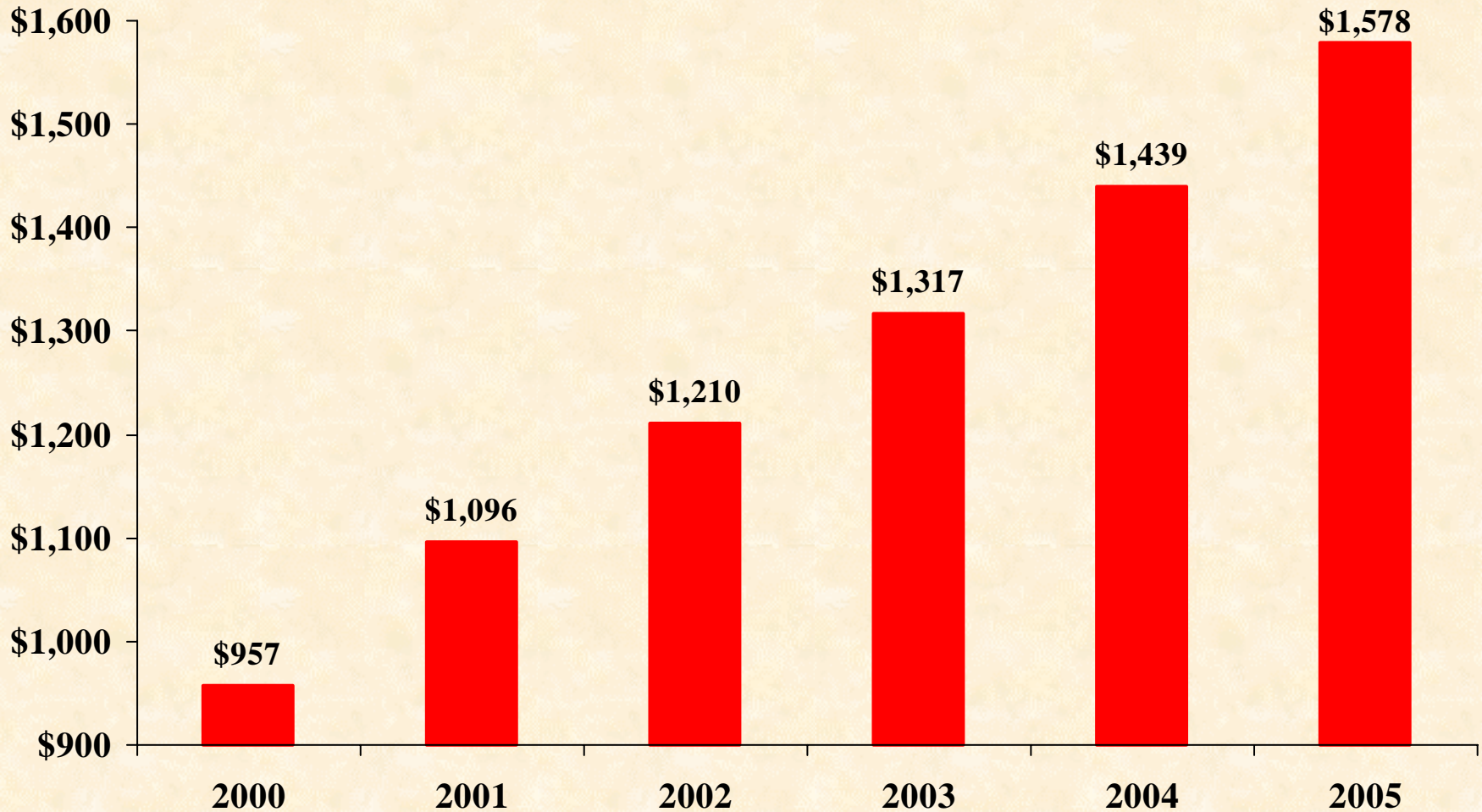
* Excluding Michigan

Impact on Cost of Auto Insurance in New York State





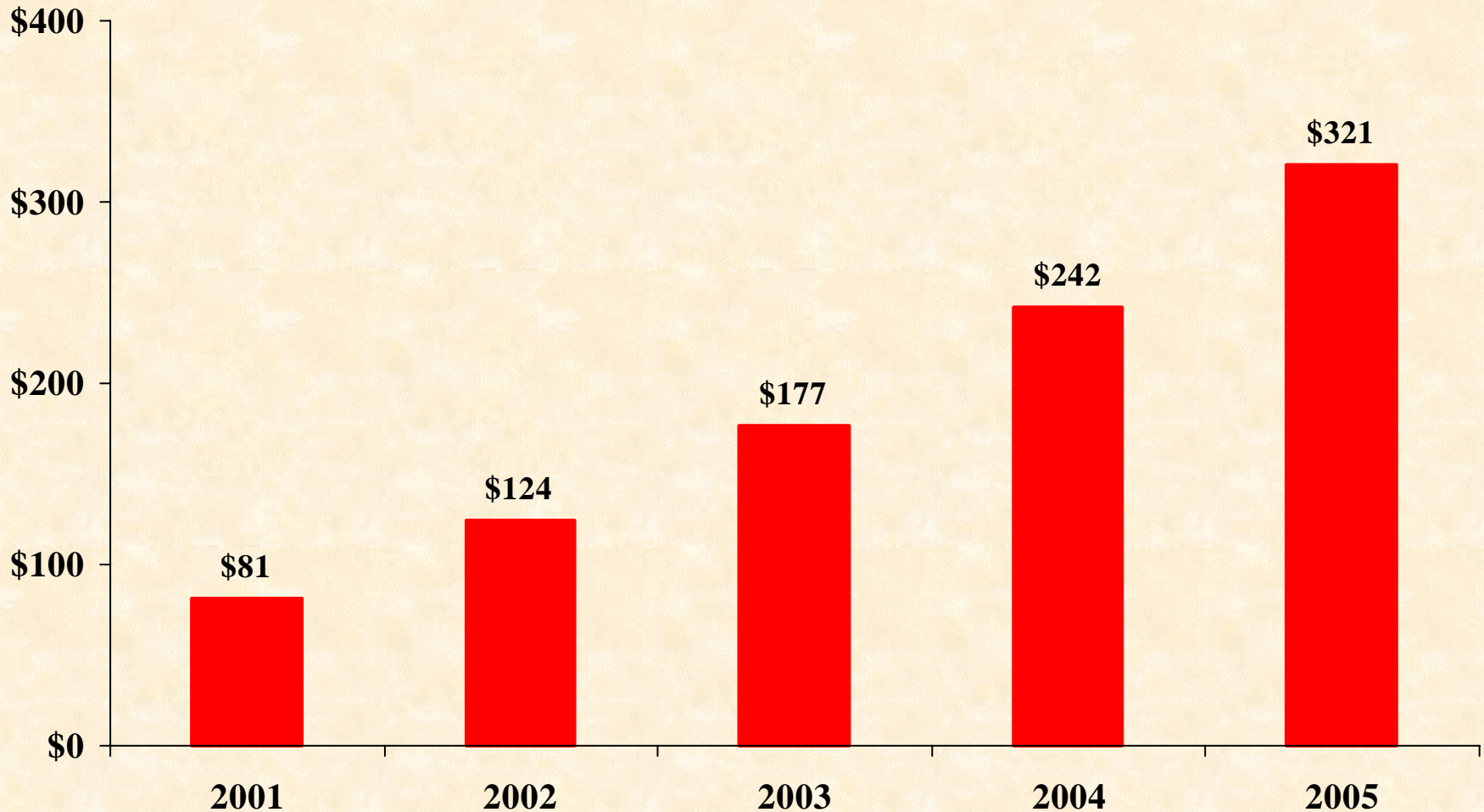
Projected Average Auto Insurance Expenditure in NY State Assuming No Meaningful Reform



Source: Insurance Information Institute

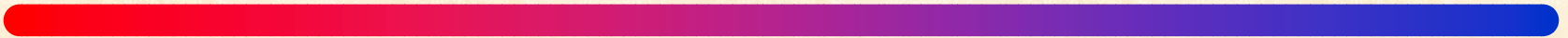


Projected Average Cost of No-Fault Auto Insurance Fraud in NY State Assuming No Meaningful Reform



Source: Insurance Information Institute

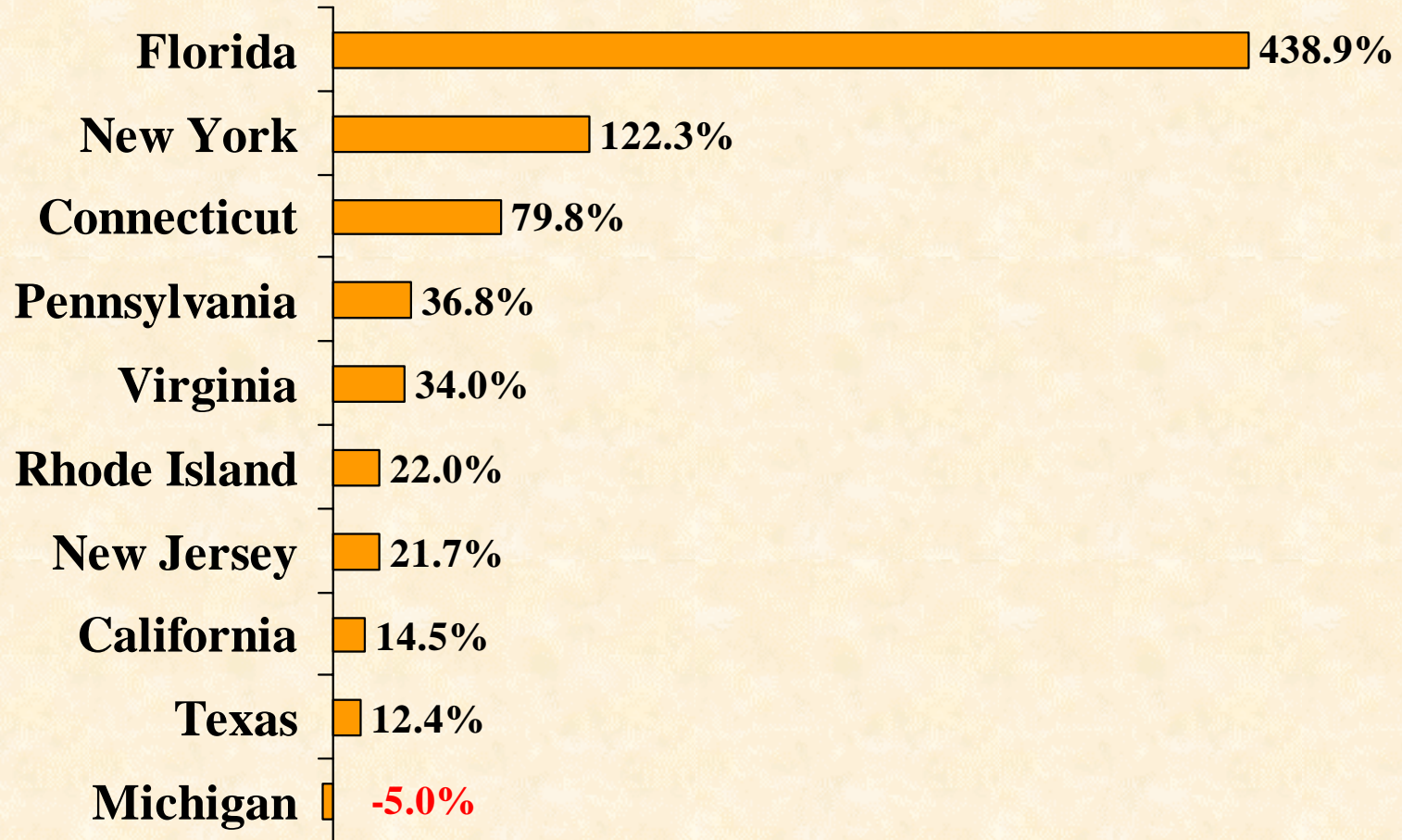
*Impact on New Auto Plan
(Residual Market)*





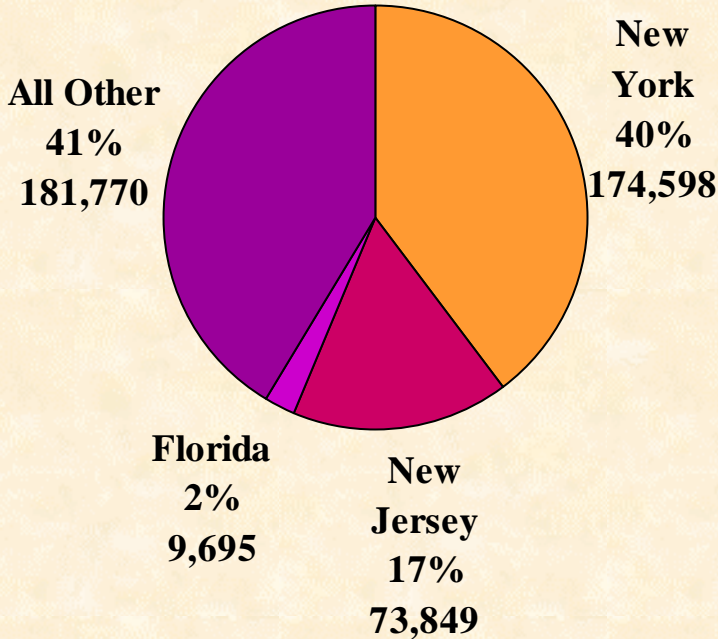
New Residual Market PPA Applications

Growth 09/30/00 – 09/30/01

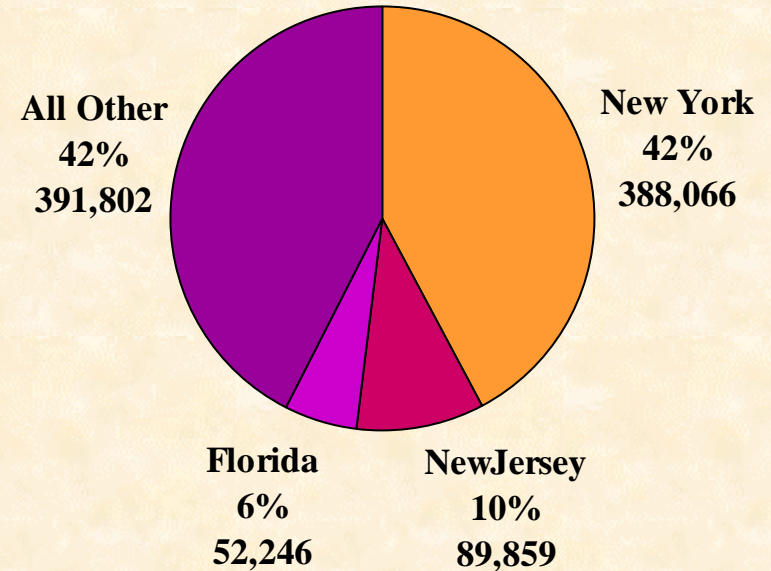




New Residual Market PPA Applications

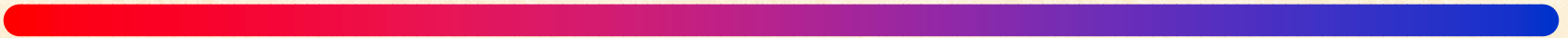


09/30/2000 – Total of 439,912 Applications



09/30/2001 – Total of 741,973 Applications

*How Do We Know It's
Fraud & Abuse?*



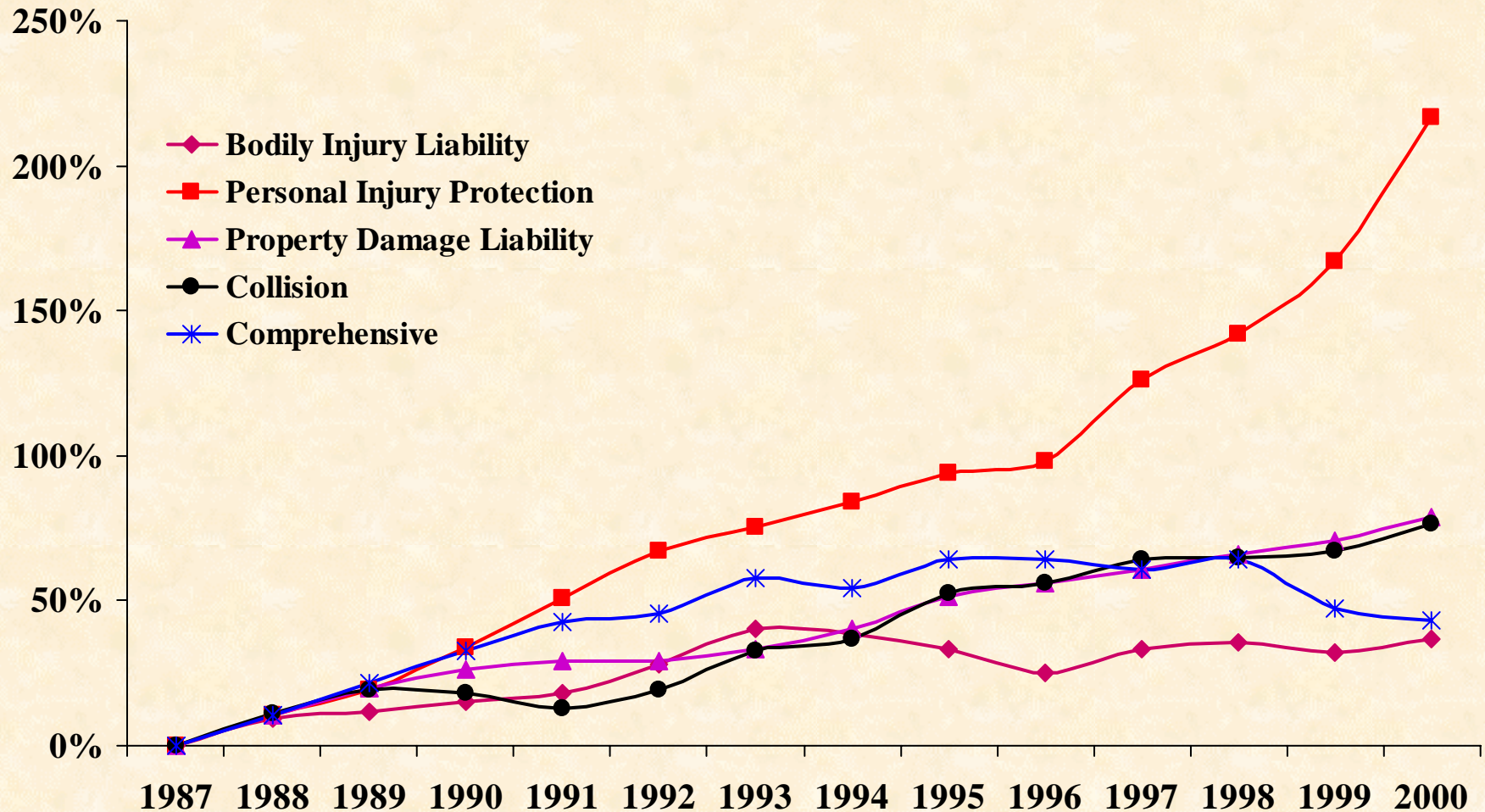


How Do We Know It's Fraud?

- **NY PIP: Definitely Issue of Fraud**
 - **Not medical inflation (+4.6% in 2001)**
 - **Not “surge” in accidents (e.g., weather, road rage, etc.)**
 - No corresponding increase in claiming in other auto coverages
 - **PIP Fraud Reports up sharply (up 246%, 1995-2001)**
 - PIP is leading type of fraud reported to NY Insurance Dept.
 - Increase in PIP fraud masking overall decline in NY fraud
 - Excluding PIP, fraud reports in NY fell 32% from 1995-2001



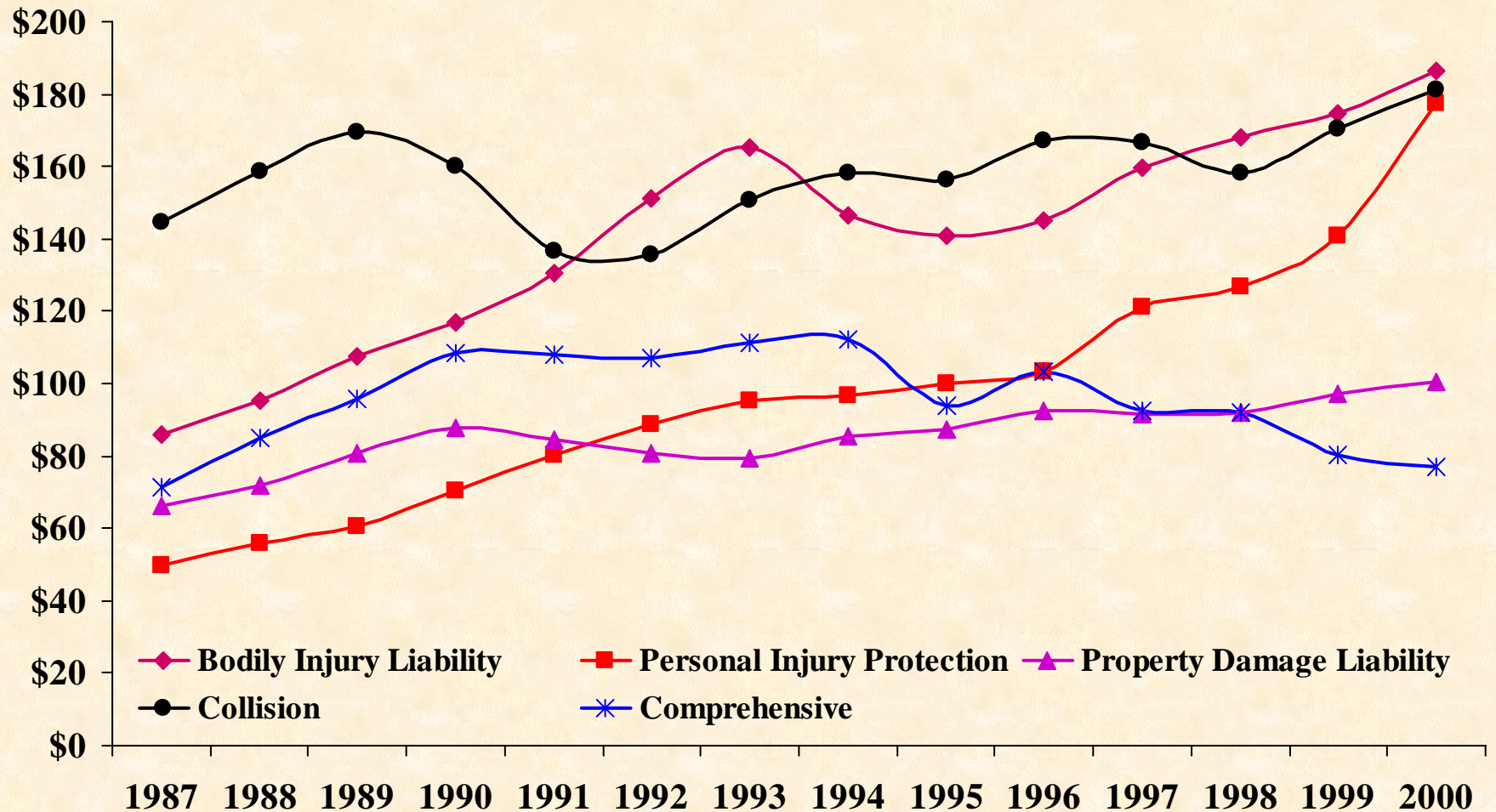
Percentage Change in New York Paid Claim Severities from 1987



Source: Fastrack (ISO, NAI), American Insurance Association Analysis.



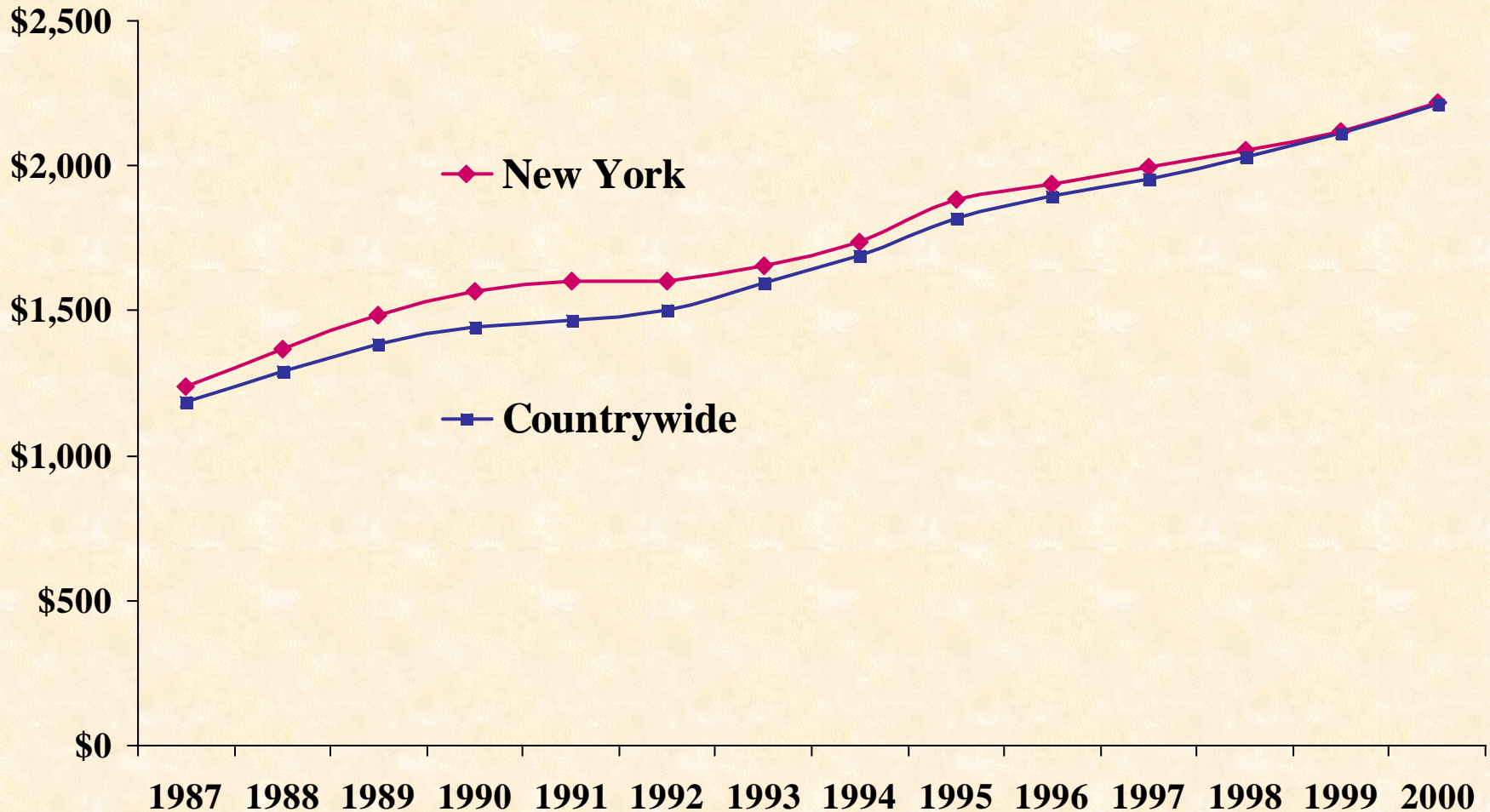
New York Average Loss Costs



Source: Fastrack (ISO, NAI), American Insurance Association Analysis.



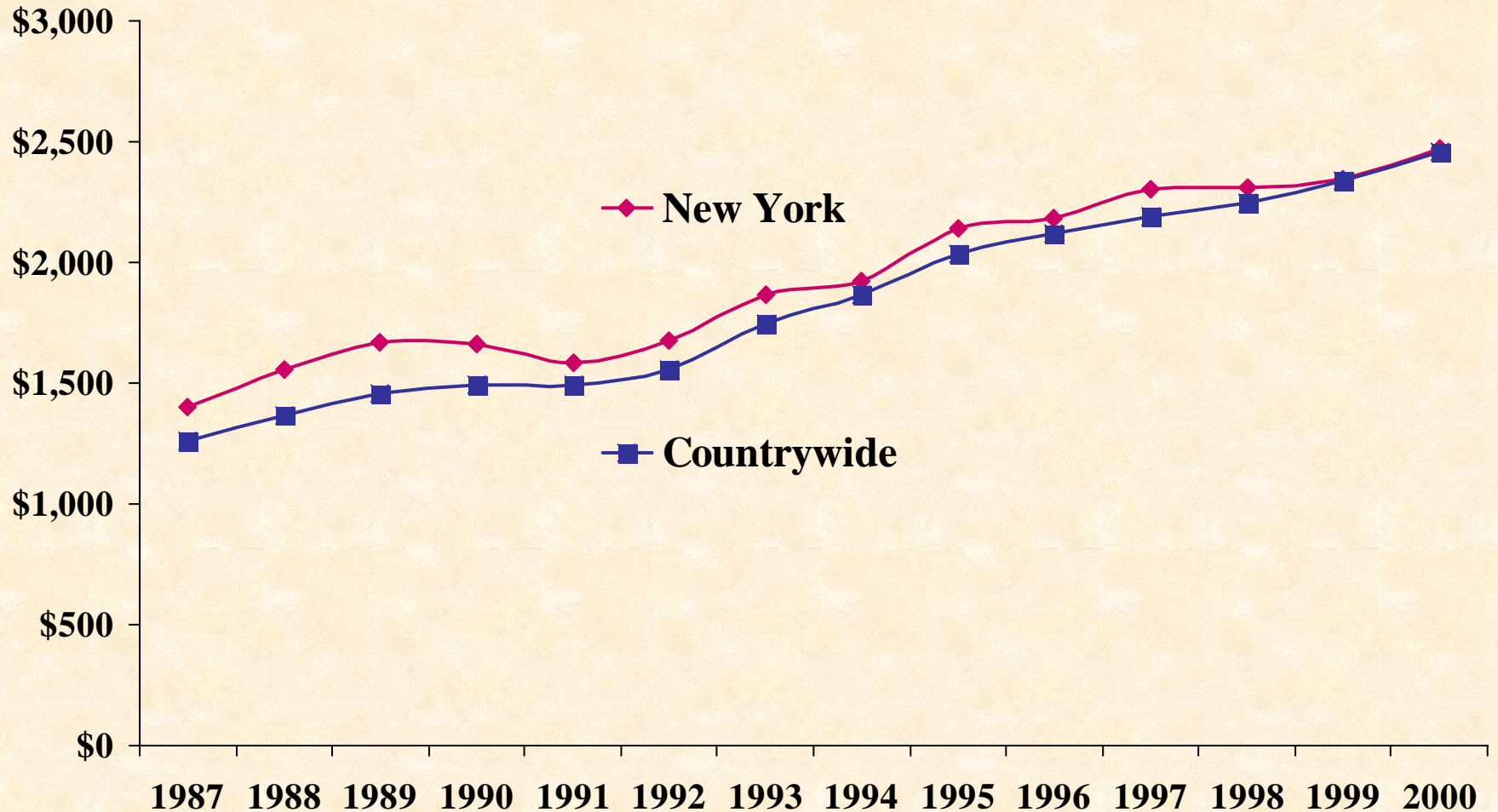
Paid Claim Severity: Property Damage Liability Coverage



Source: Private Passenger Auto – Fast Track Data



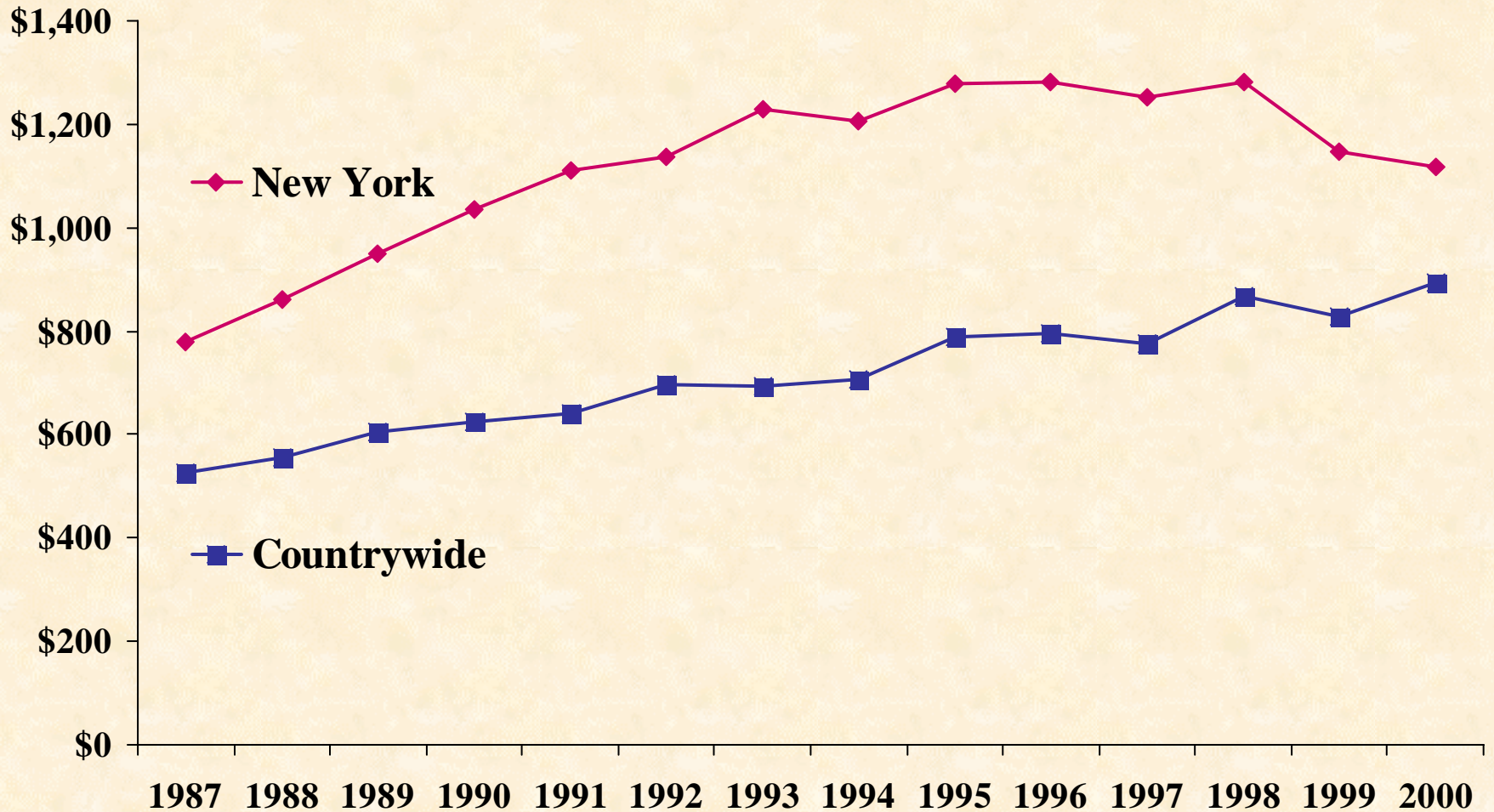
Paid Claim Severity: Collision Coverage



Source: Private Passenger Auto – Fast Track Data



Paid Claim Severity: Comprehensive Coverage



Source: Private Passenger Auto – Fast Track Data

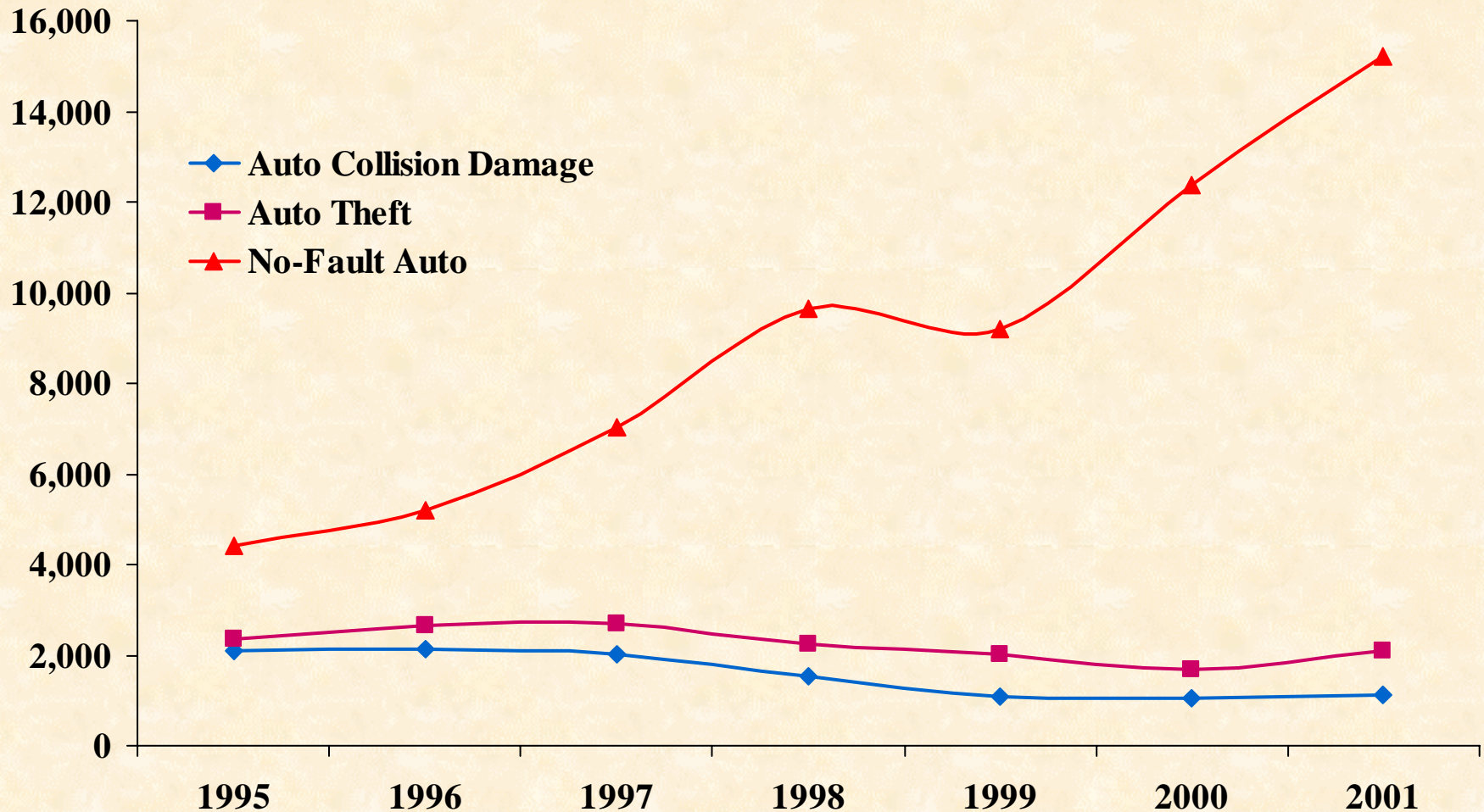


Types of Fraud Committed?

- **The Many Faces of PIP Fraud in NY**
 - **Provider Billing Practices**
 - **Durable Medical Supplies**
 - **Transportation Services**
 - **Lost Wages**
 - **Household Help**
 - **Exotic/Dubious Treatments**
 - **Excessive Frequency**
 - **Identity Theft**
 - **Bounced Checks**
 - **Forgery**



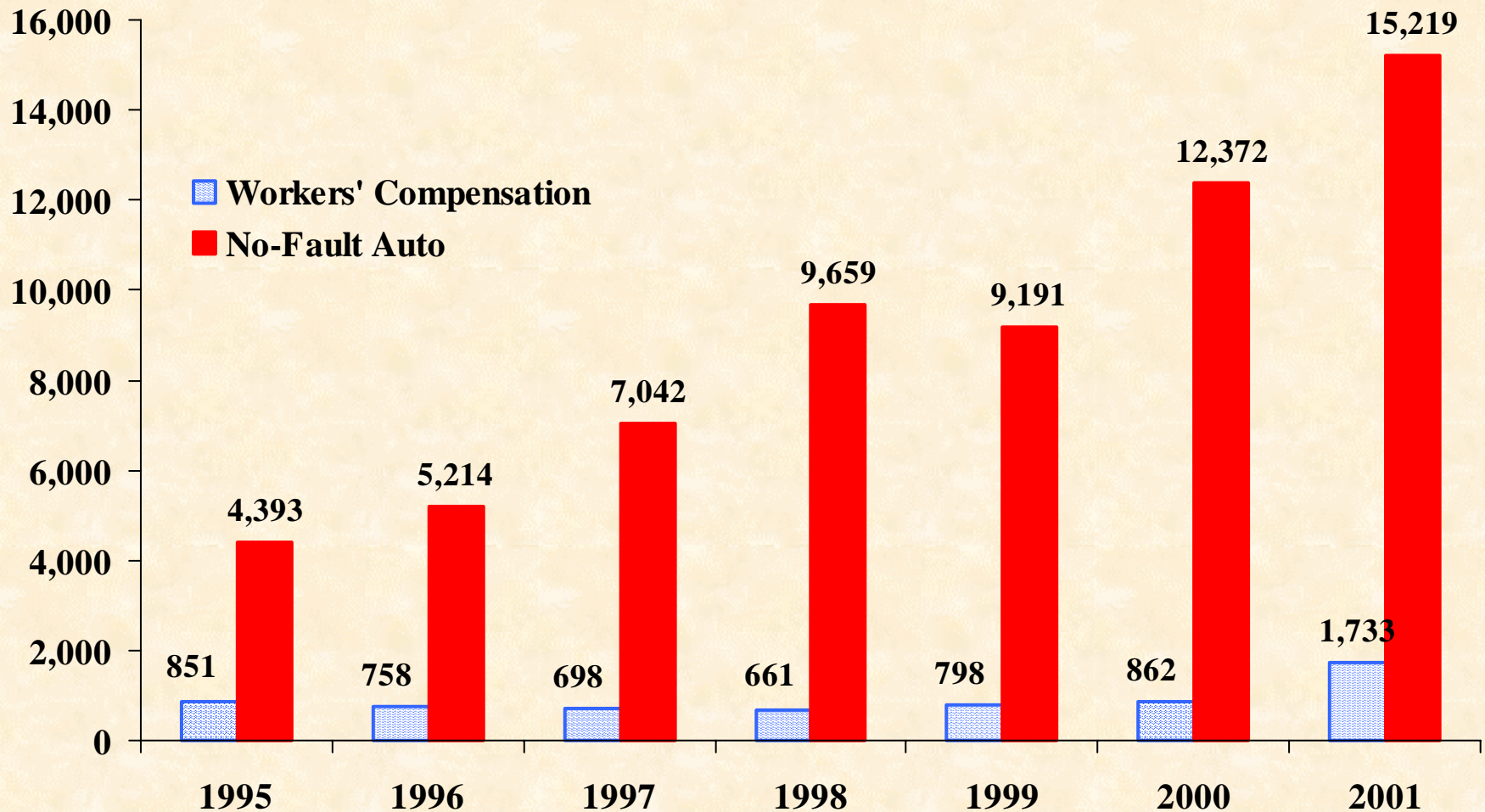
New York Insurance Fraud Reports, 1995 - 2001



Source: New York Department of Insurance; Insurance Information Institute.



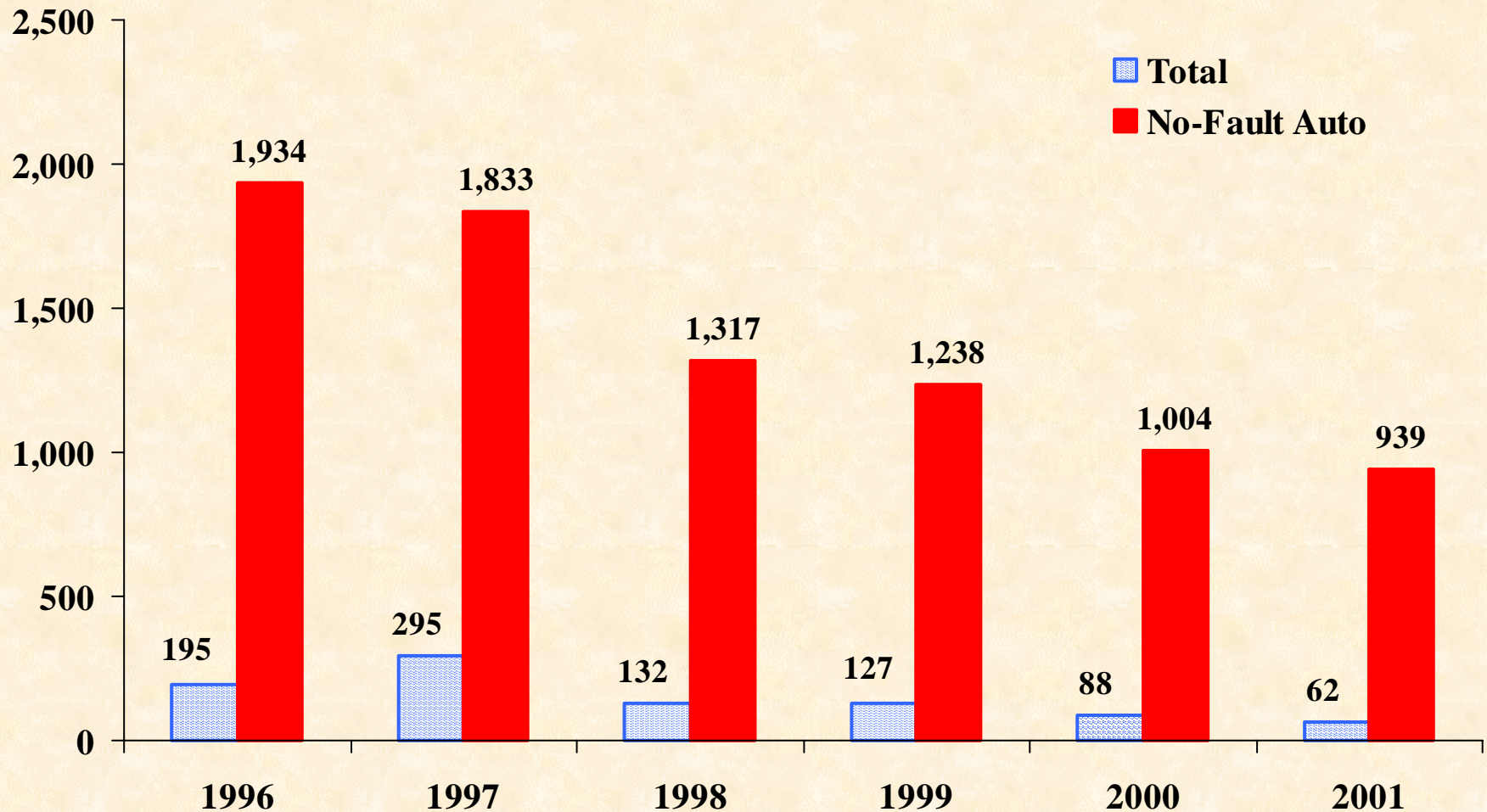
New York Insurance Fraud Reports, 1995 - 2001



Source: New York Department of Insurance; Insurance Information Institute.



NY Insurance Fraud Bureau Investigations Opened, 1996 - 2001



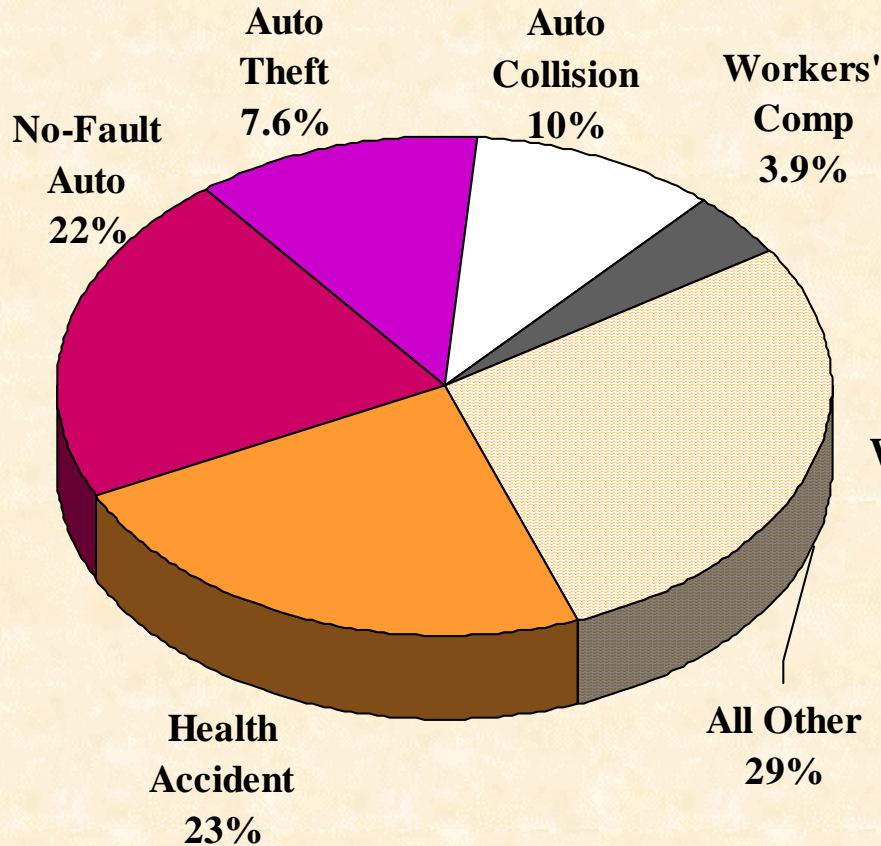
Source: New York Department of Insurance; Insurance Information Institute.



Composition of Fraud Reports, 1995 vs. 2001

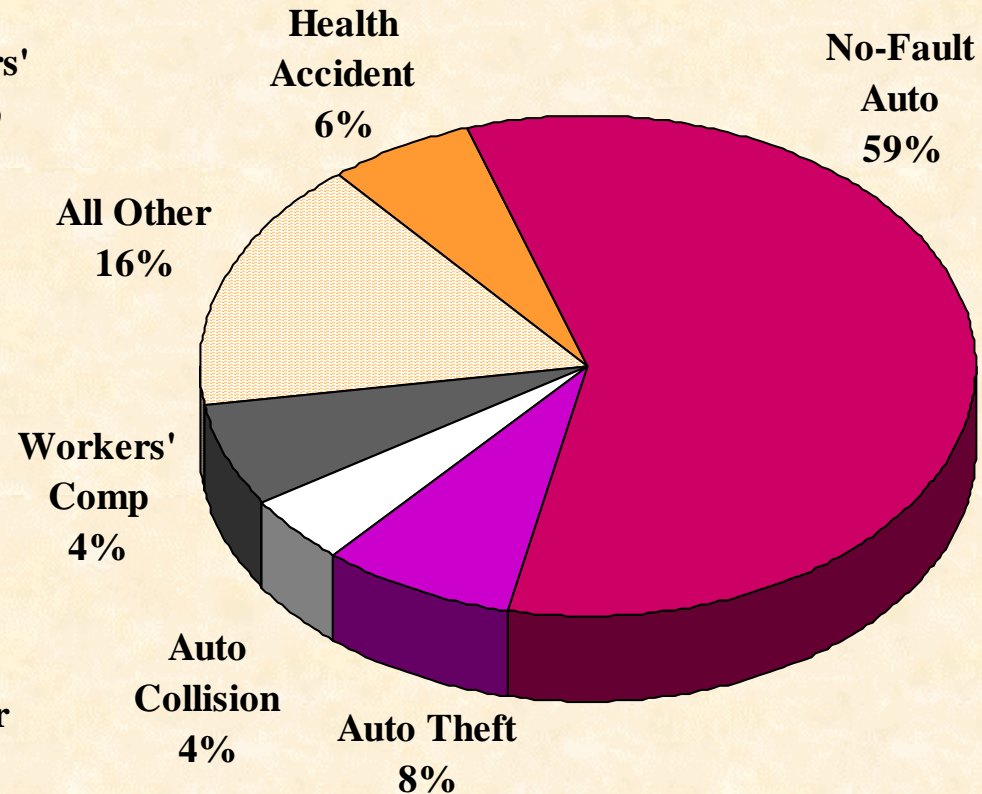
1995

Total Reports = 20,205



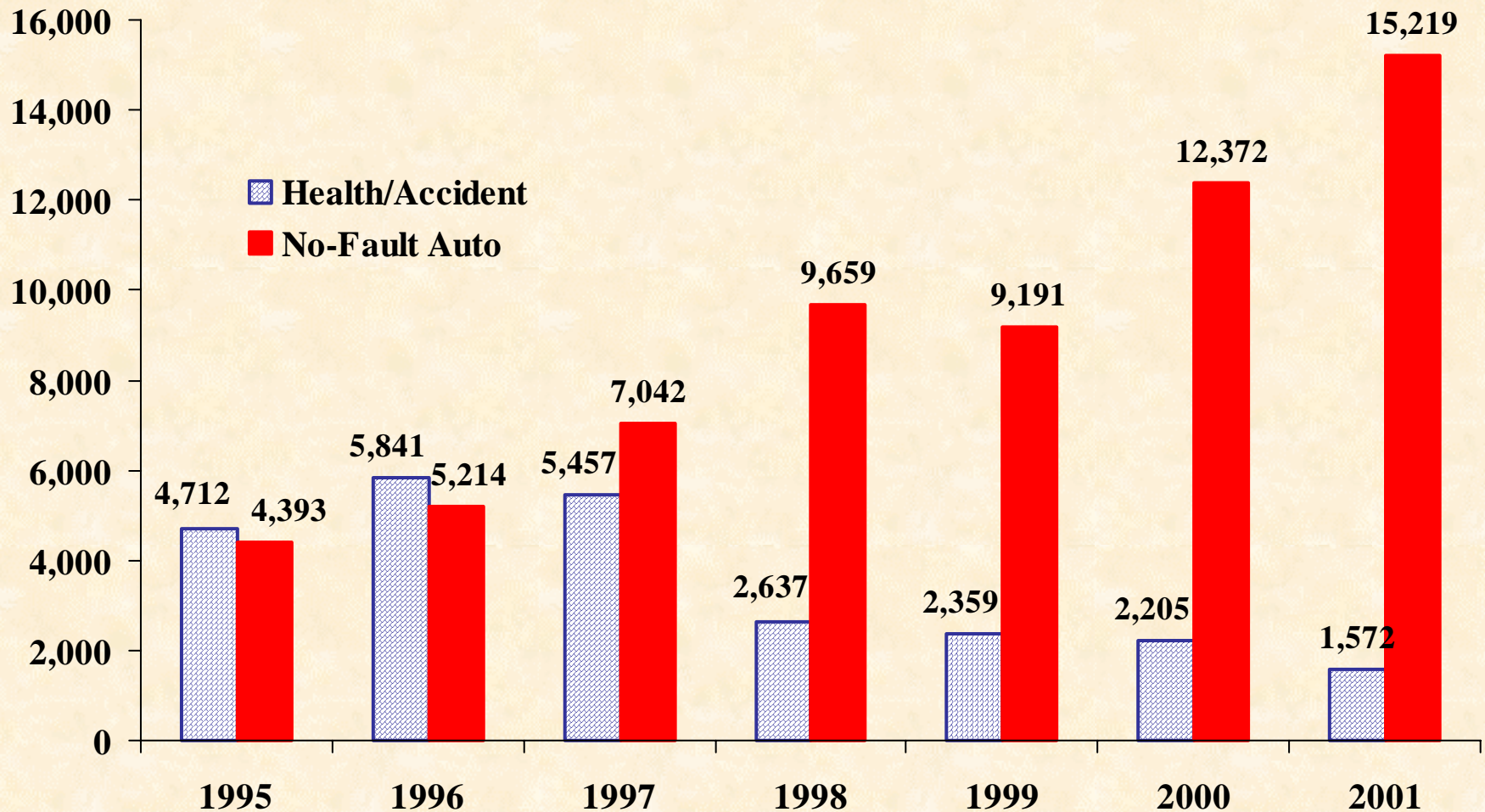
2001

Total Reports = 26,028





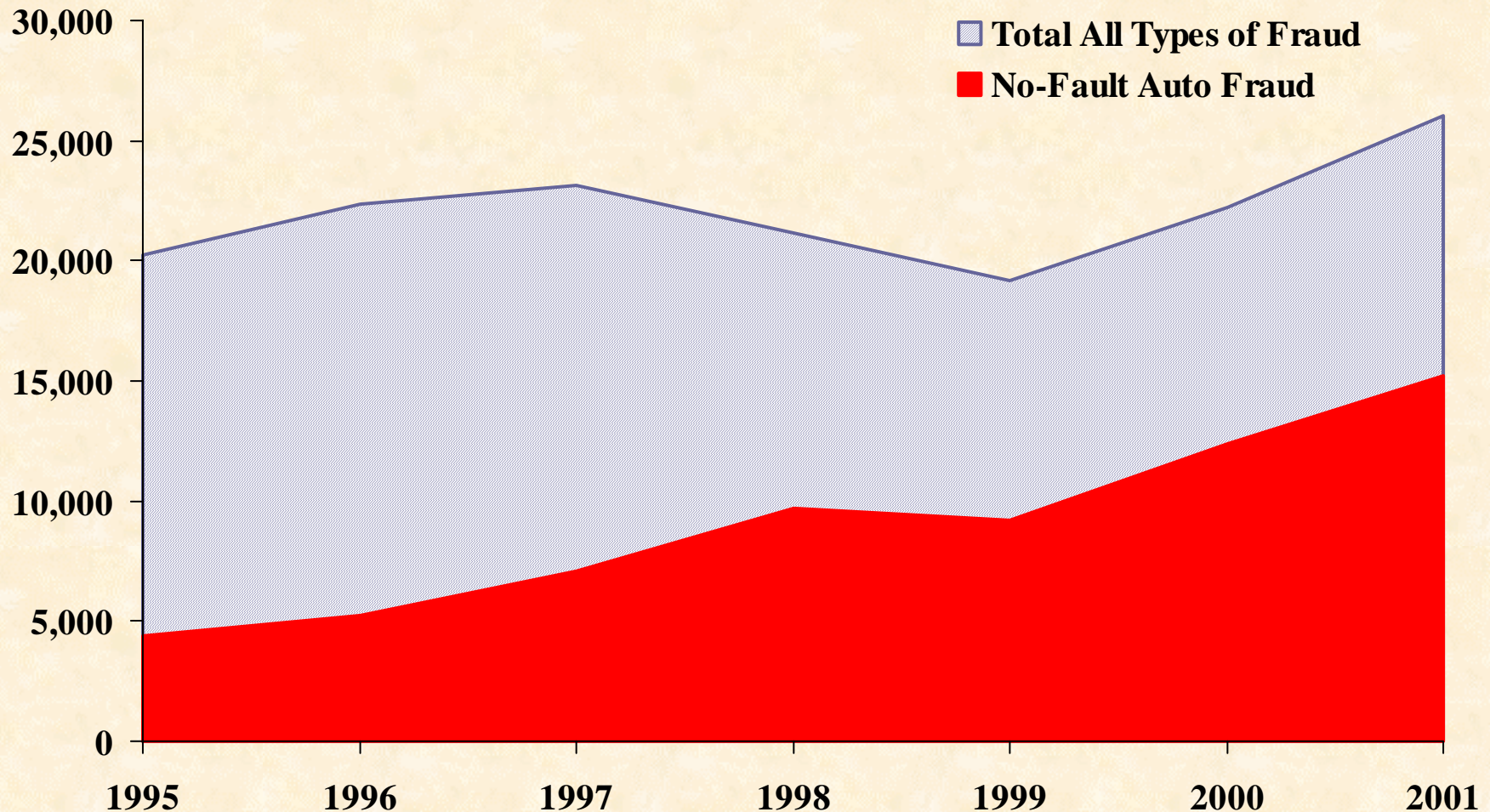
New York Insurance Fraud Reports, 1995 - 2001



Source: New York Department of Insurance; Insurance Information Institute.



No-Fault Fraud: A Growing Problem



Source: New York Department of Insurance; Insurance Information Institute.



Abuses of the Legal System

- **Abuse of the Legal System**

- **Suits are Exploding**

- **100% - 200% increase at most companies**
- **Small number of law firms generate majority of suits**
- **Complaints to insurance department mostly generated by providers and attorneys**

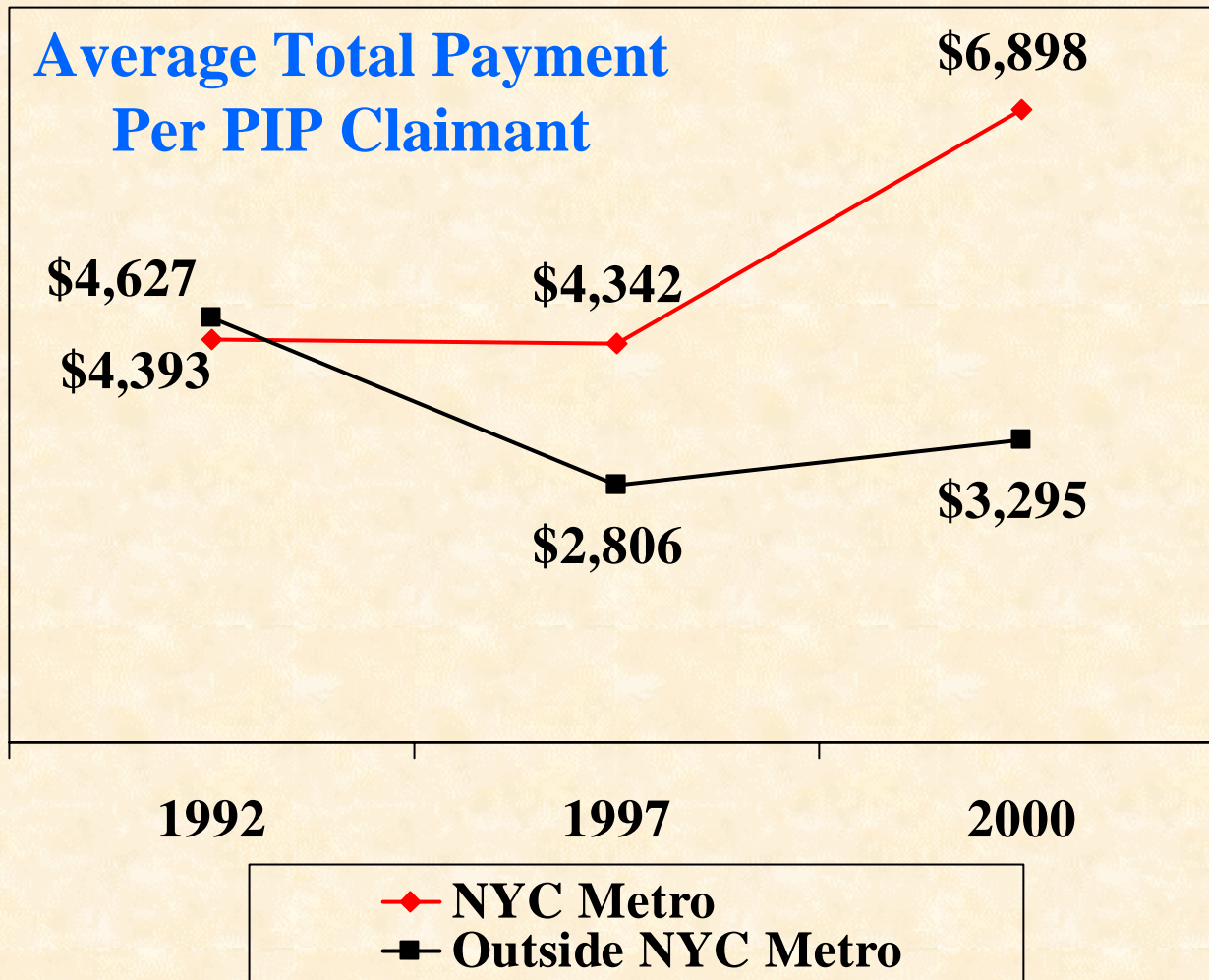
- **Inequities in the Arbitration Process**

Differences in Claiming Behavior in New York State



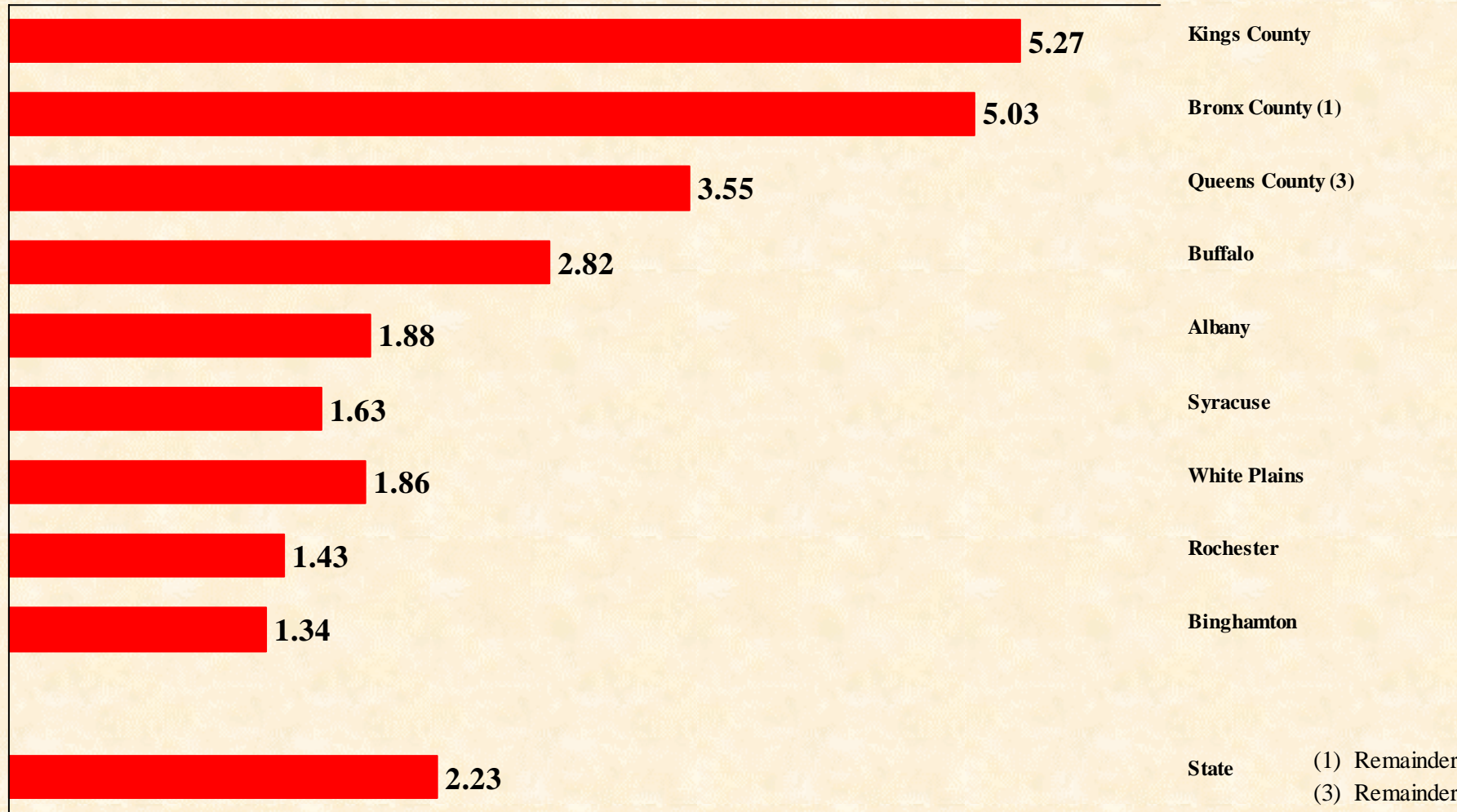


Average PIP Payments in Metro NYC versus Rest of State





PIP Claim Frequencies, Selected Territories

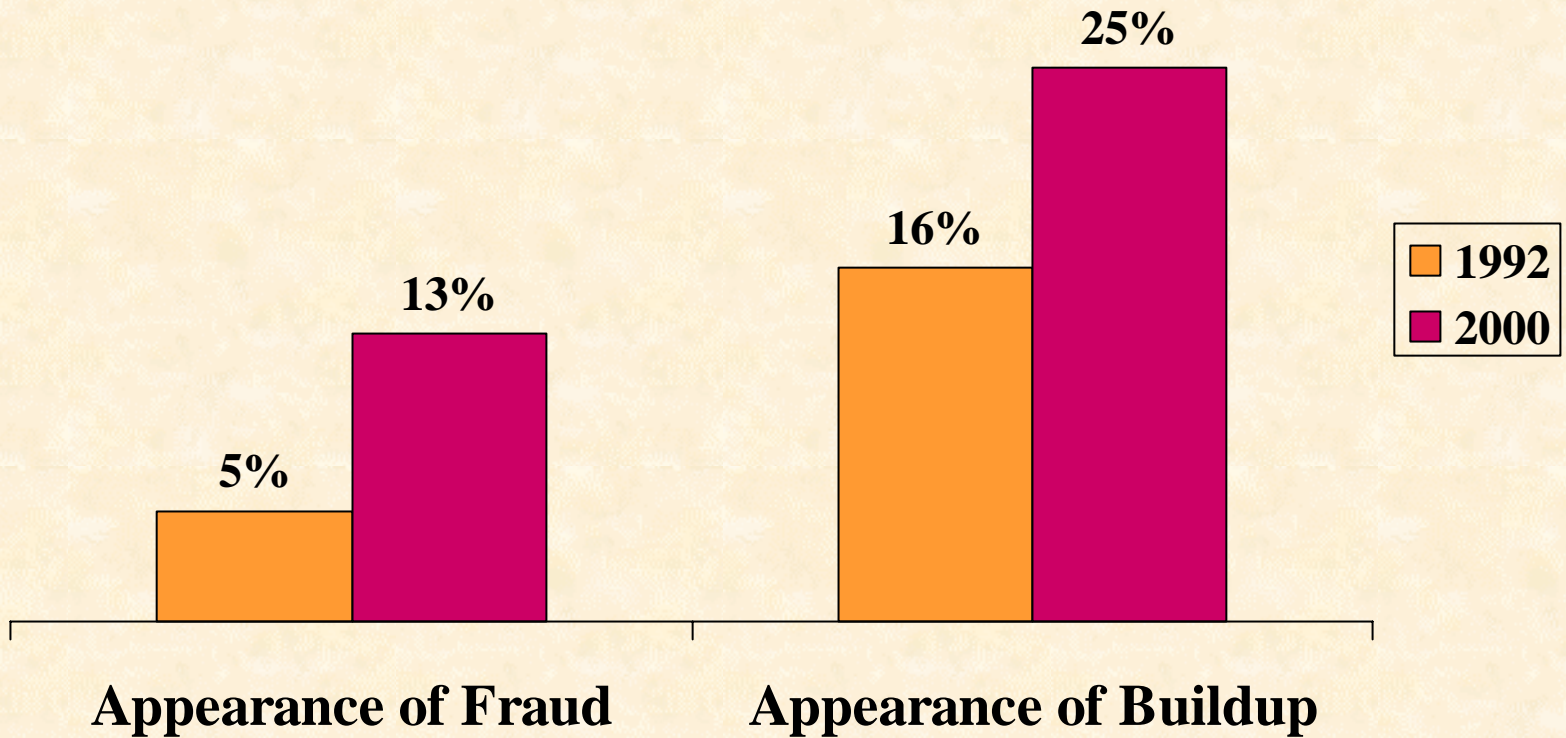


Source: Insurance Research Council, *Trends in Auto Injury Claims*, 2000 Edition.



Increase in Appearance of Fraud and Buildup

Percentage of NY PIP Claims

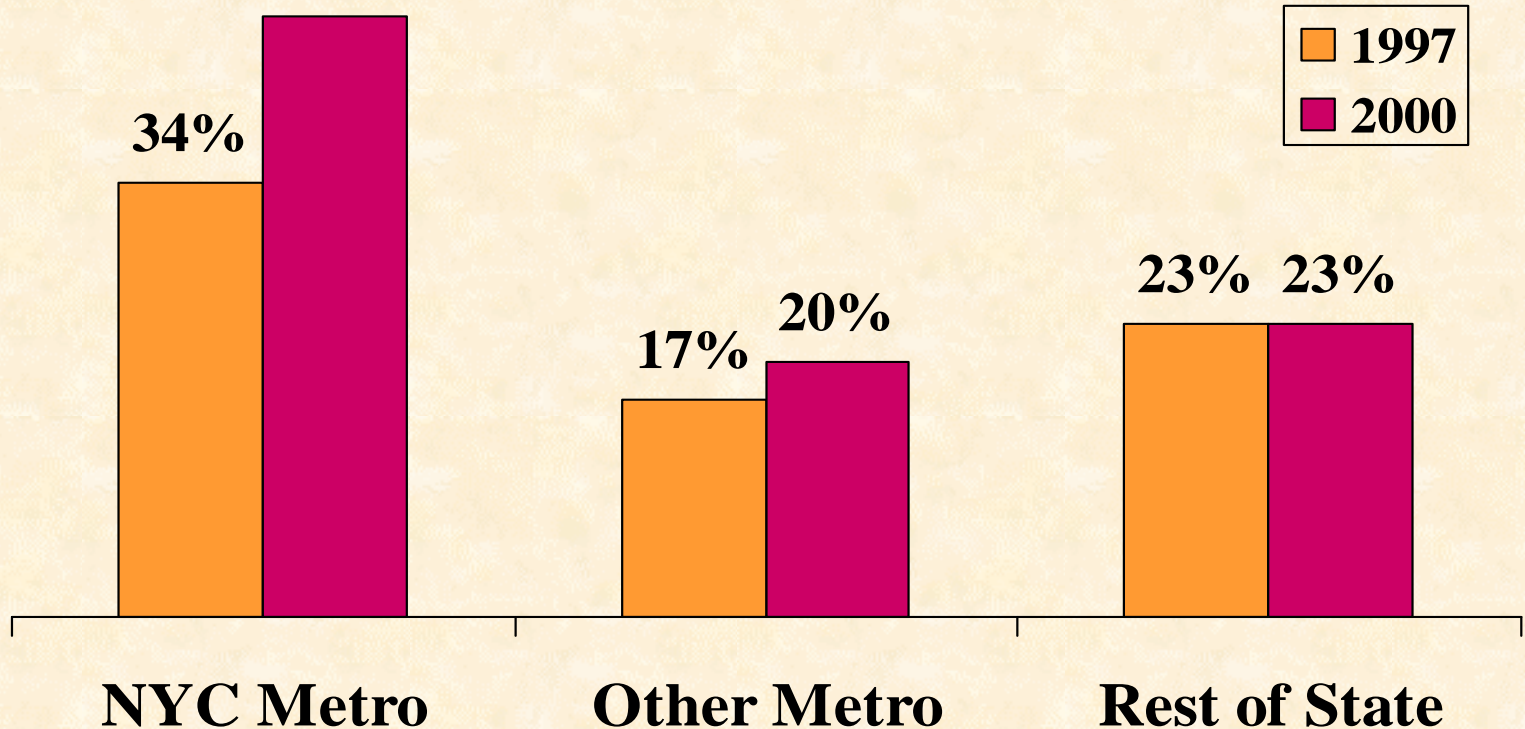




NY PIP Claimants Reporting Three or More Injuries

Percentage of Claimants Reporting 3+ Injuries

1997 vs. 2000

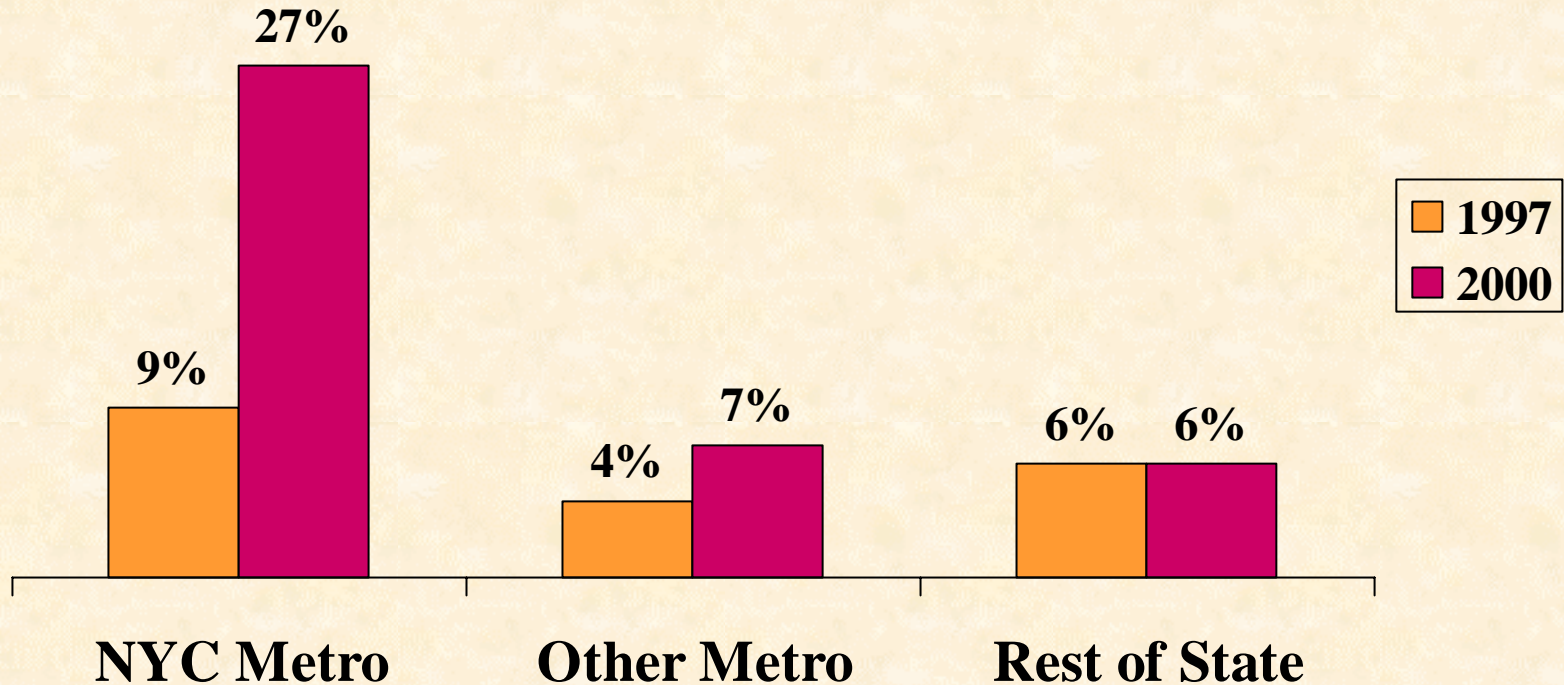




New York PIP Claimants Visiting More Professionals

Percentage of NY PIP Claimants Visiting 4+ Professionals

1997 vs. 2000

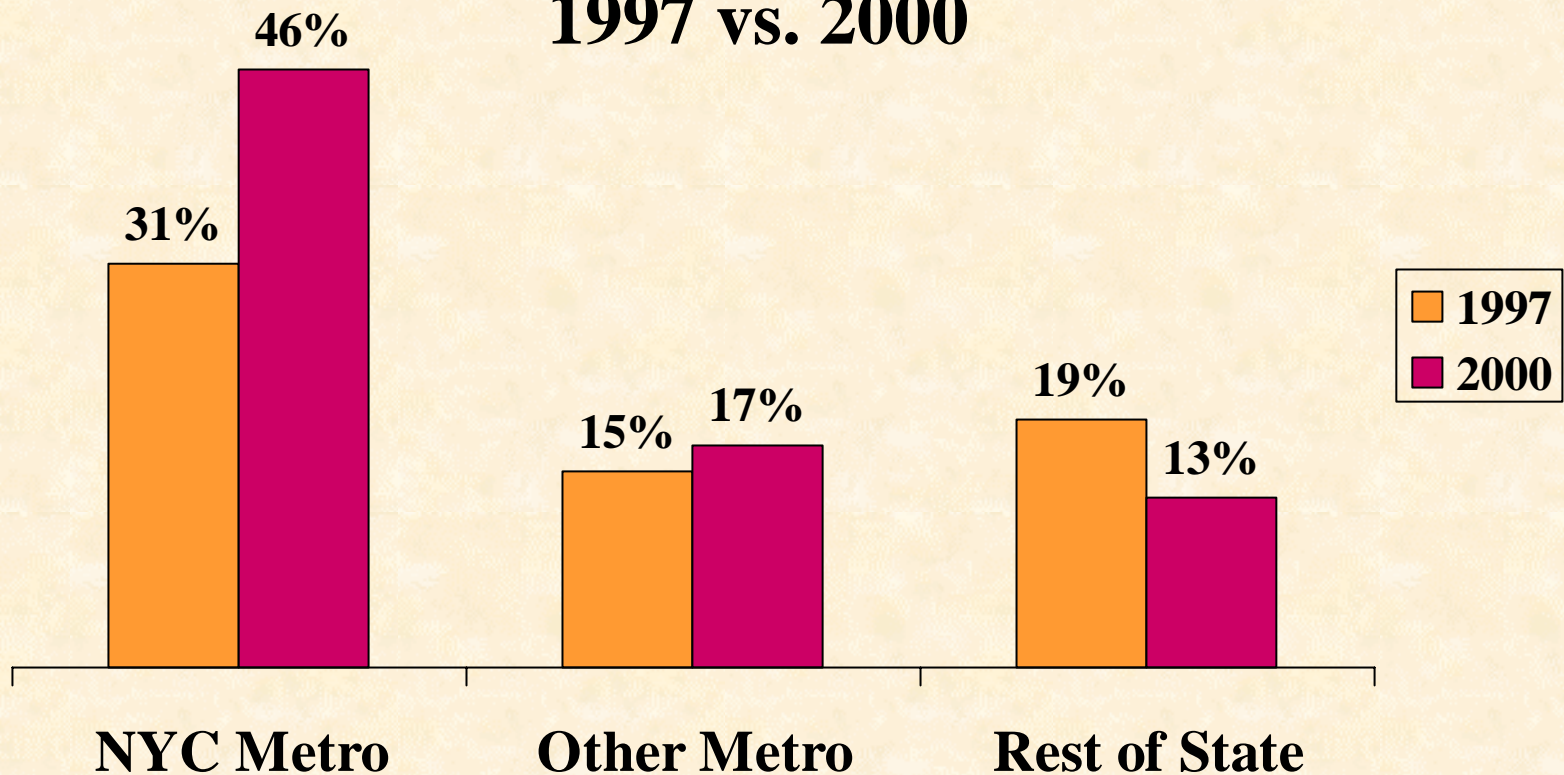




Use of Chiropractors Among NY PIP Claimants

Percentage of Claimants

1997 vs. 2000

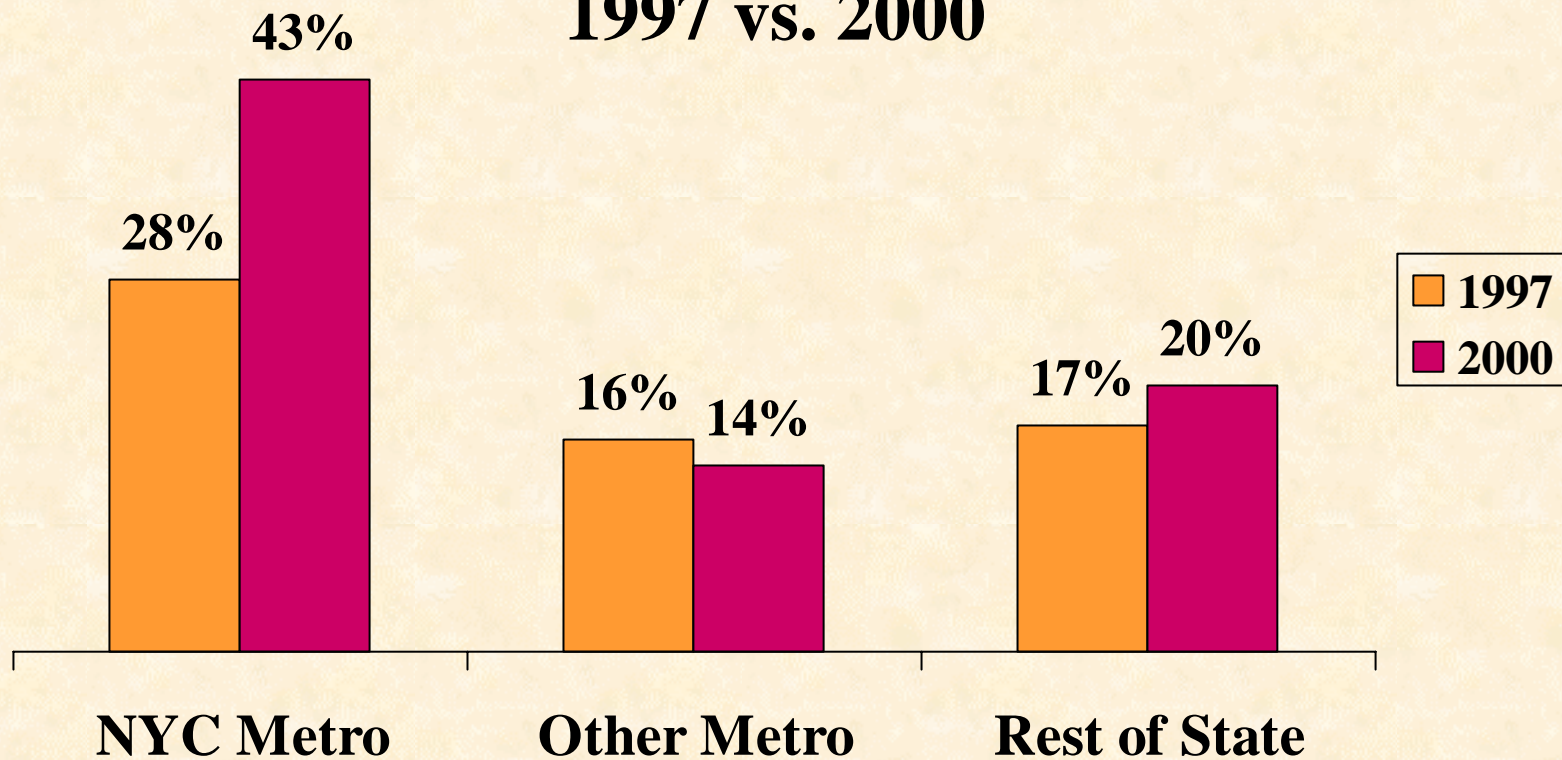




Use of Physical Therapists Among NY PIP Claimants

Percentage of Claimants

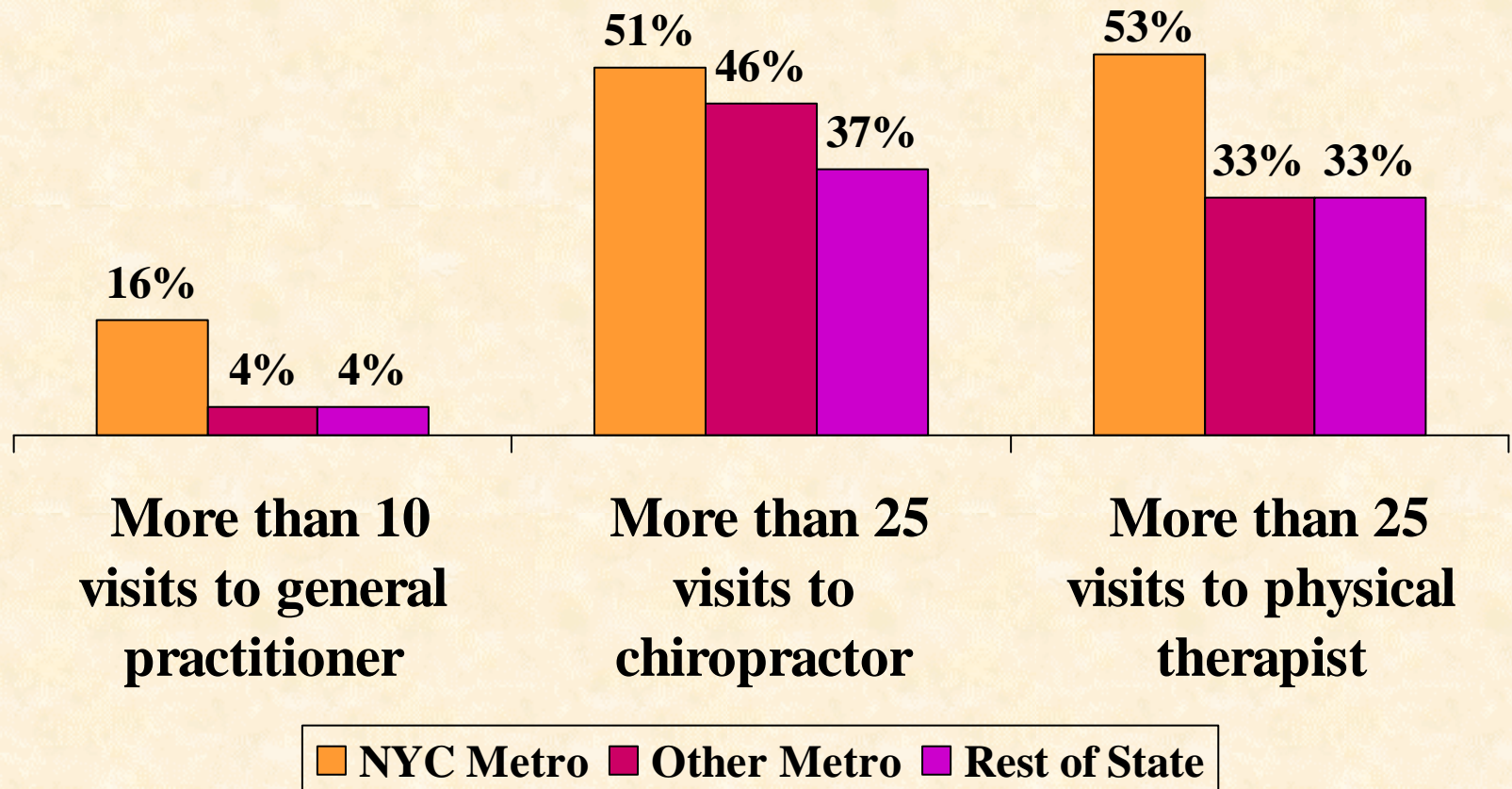
1997 vs. 2000





More Visits to Providers Among NYC PIP Claimants

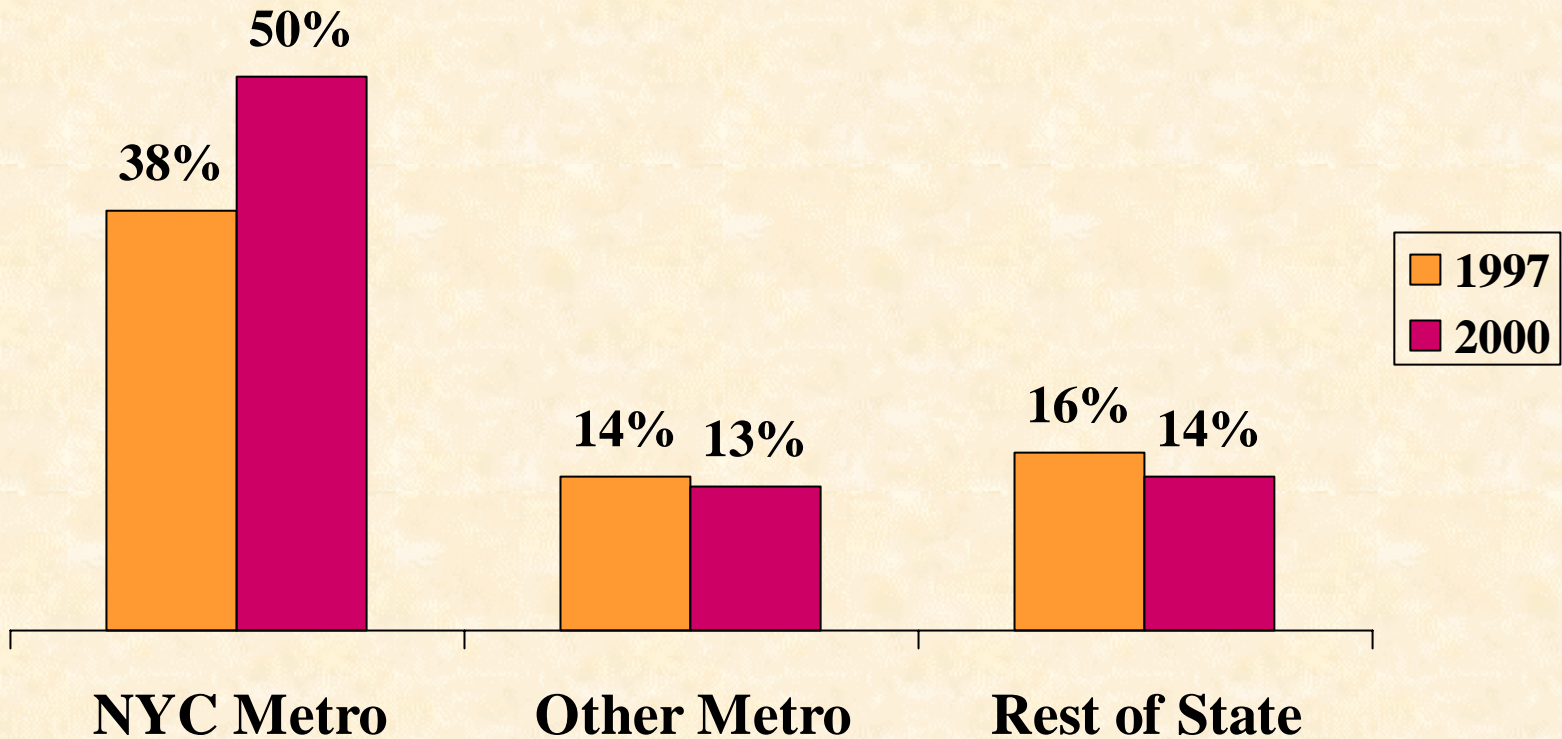
Percentage of Claimants





Increased Use of MRI in Metro NYC

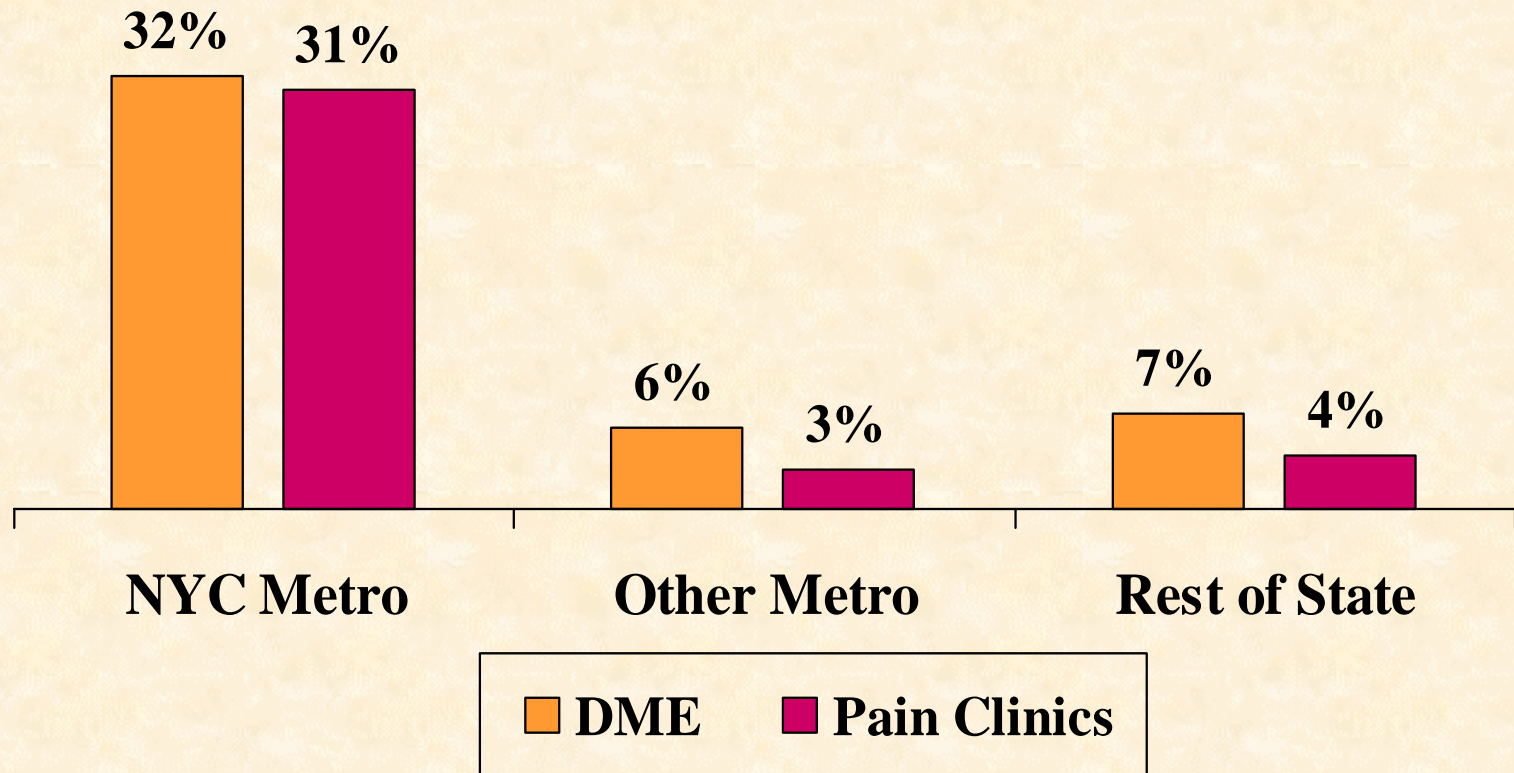
*Percentage of PIP Claimants
1997 vs. 2000*





Use of Durable Medical Equip. & Pain Clinics by NY PIP Claimants

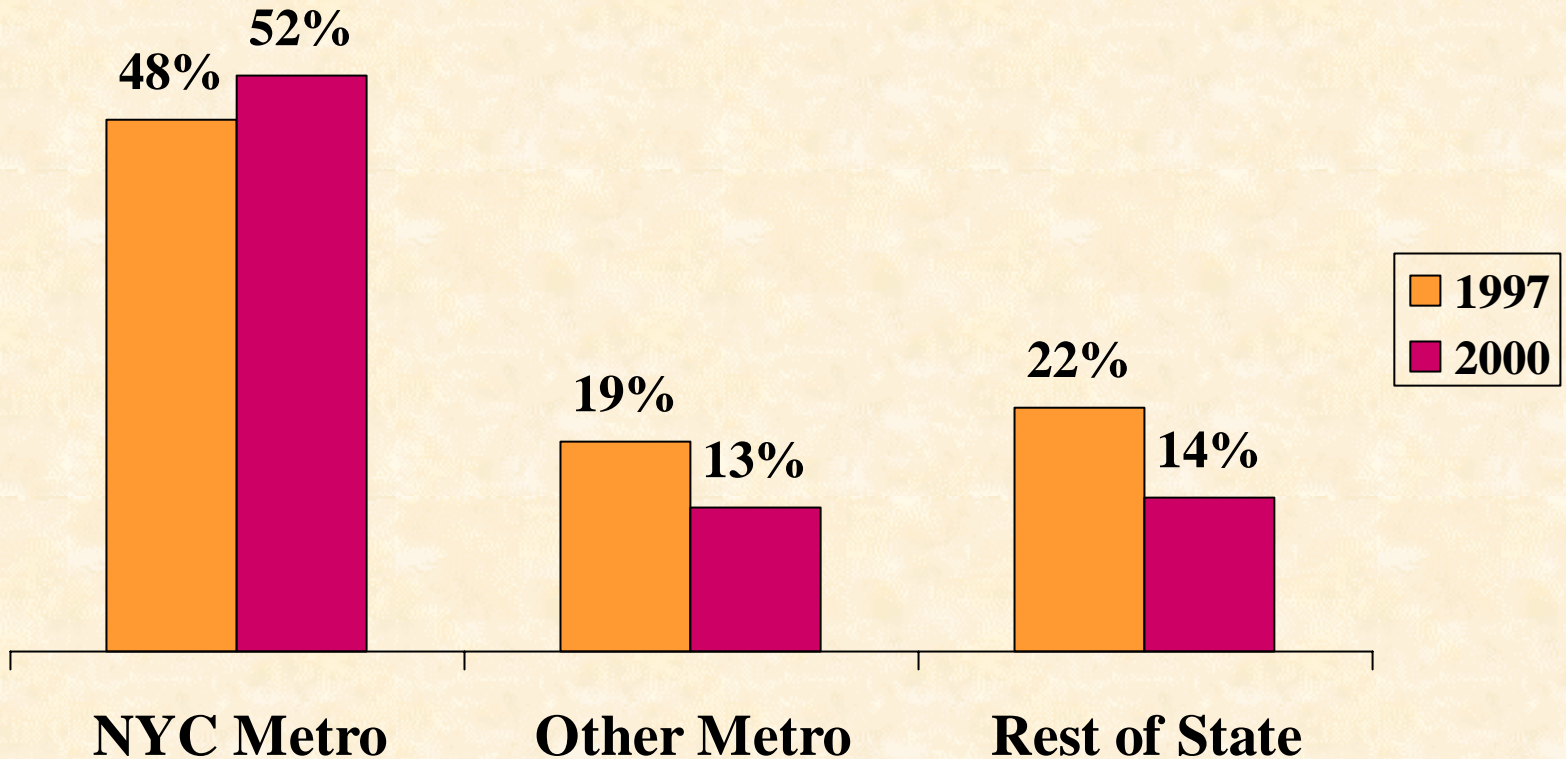
Percentage of Claimants





Attorney Involvement Higher in NYC Metro Area

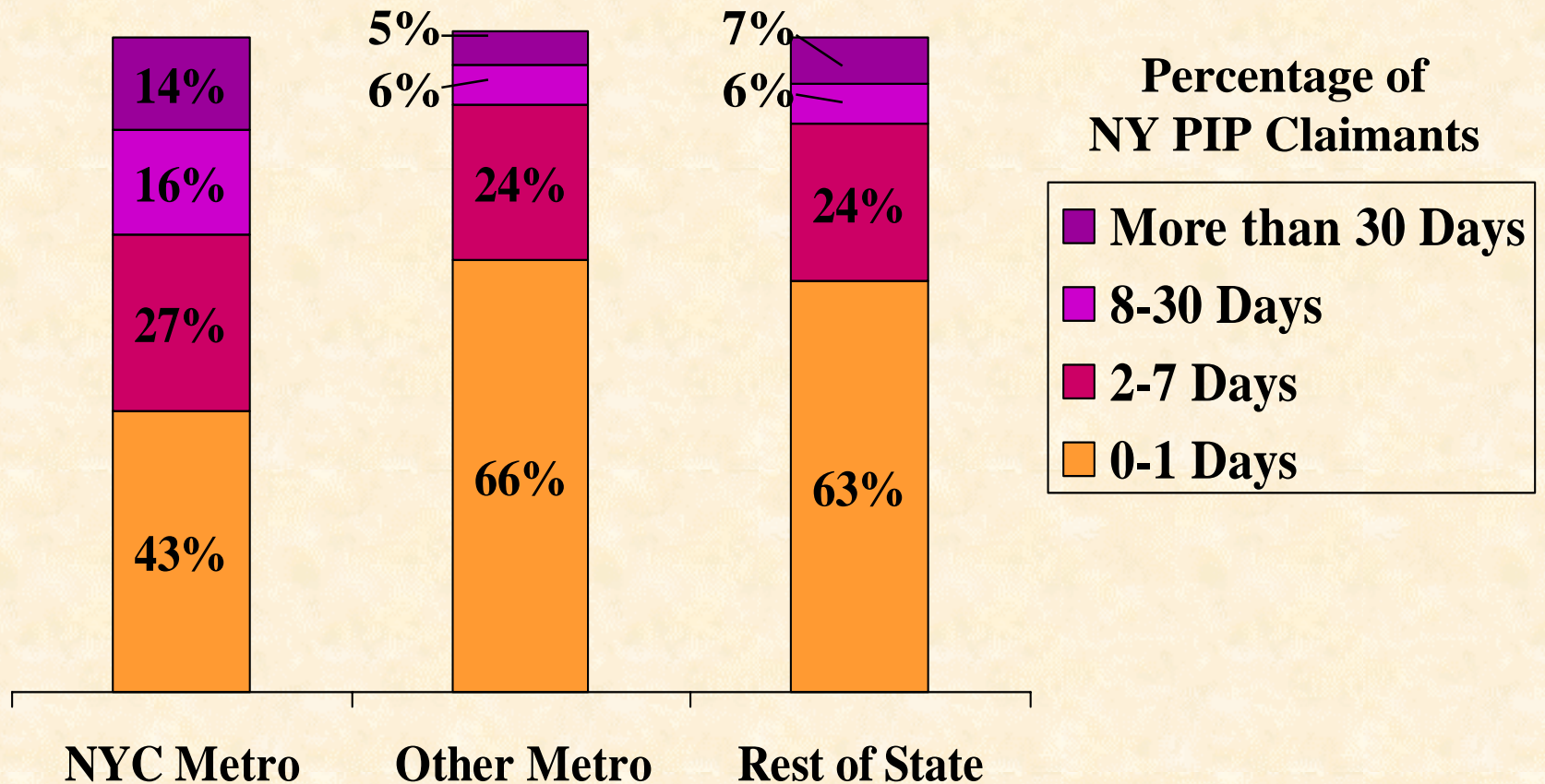
*Percentage of NY PIP Claimants
1997 vs. 2000*





Time to Report Injury by Location

Number of Days from Accident to Report of Injury to Insurer

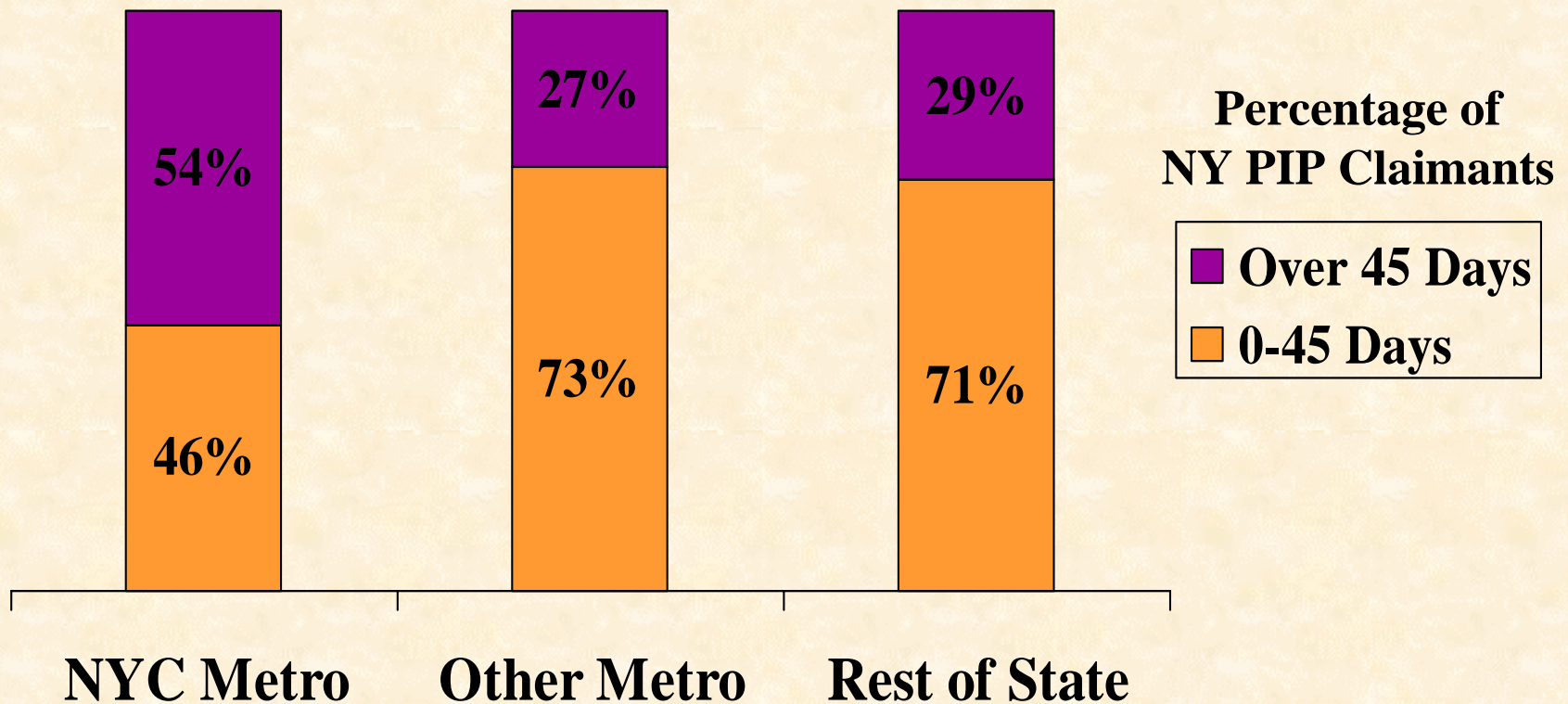


Source: Insurance Research Council



Time to Submit Medical Bills by Location

*Number of Days from First Treatment
to First Bill Received by Insurer*



PIP Fraud in NY

Actual Case Studies



PIP Fraud in NY

Case Study 1



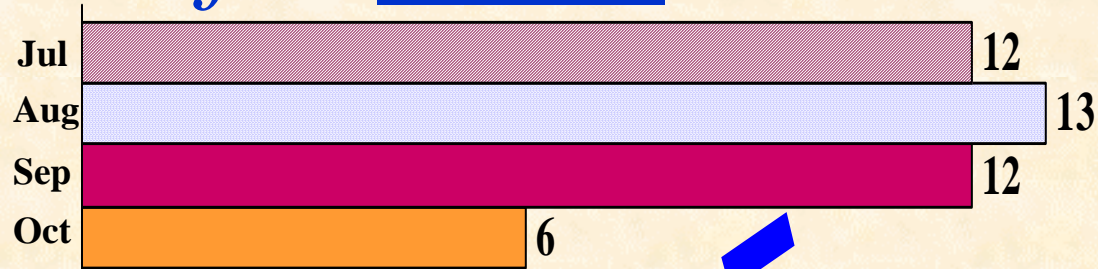


Treatment and Testing for Mr. H

**Total
Treatments**



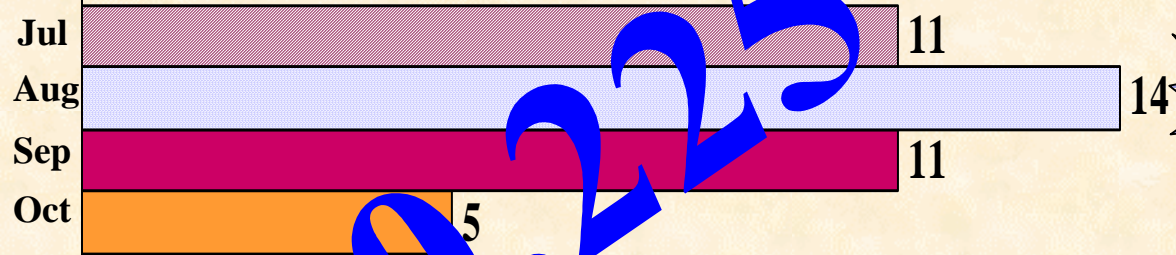
Chiropractic



43



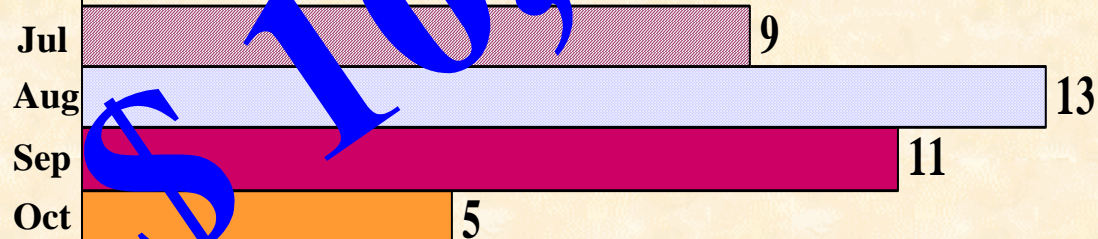
**Physical
Therapy**



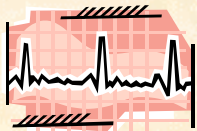
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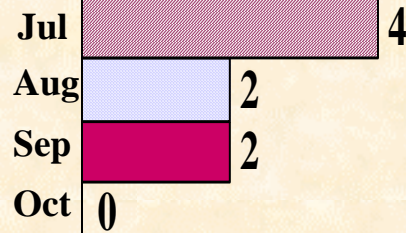
Accupuncture



38



Diagnostic



8

\$10,225

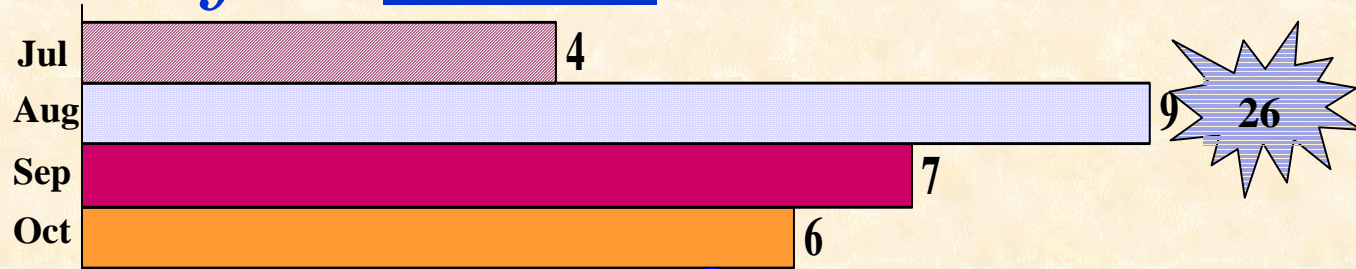


Treatment and Testing for Mr. B

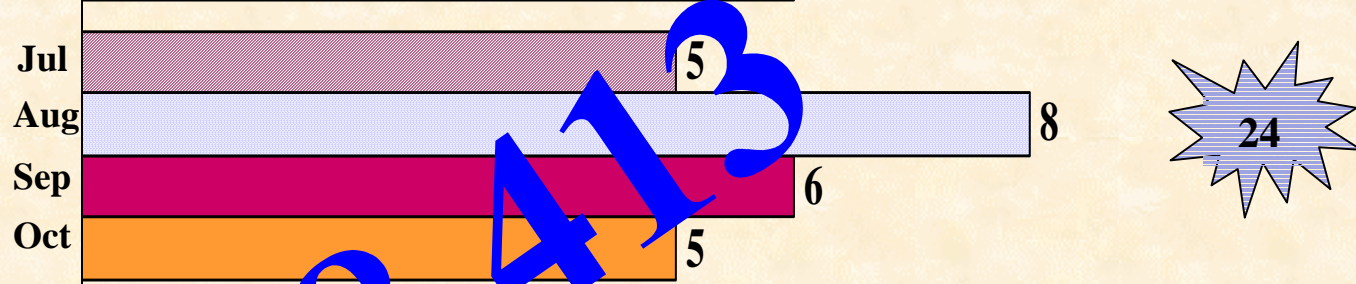
**Total
Treatments**



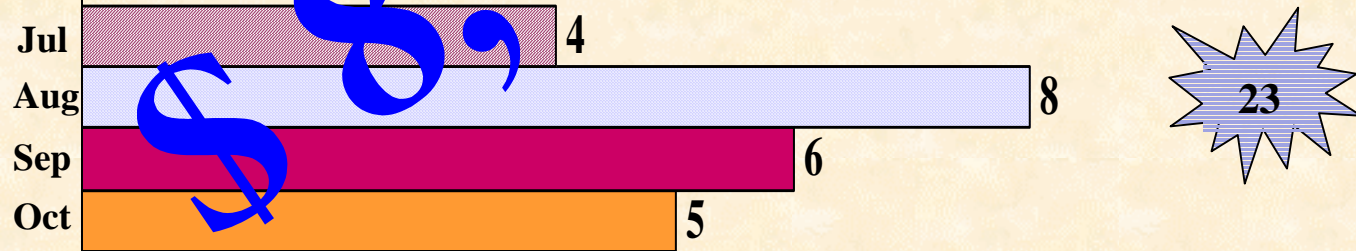
Chiropractic



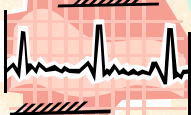
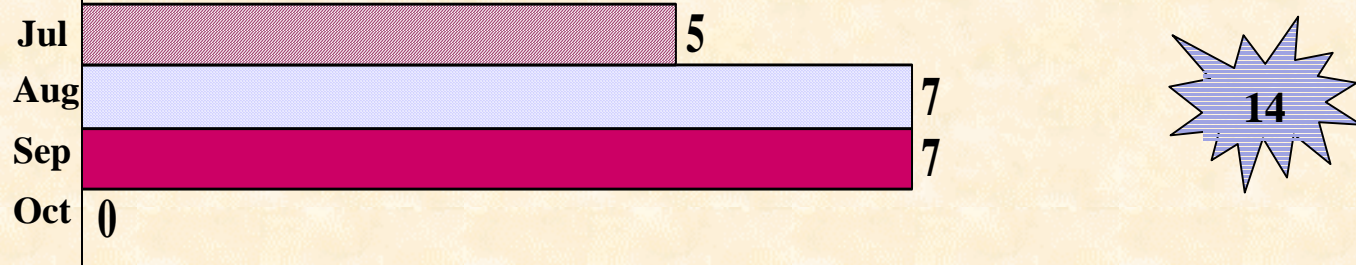
Physical Therapy



Accupuncture



Misc



\$8,413

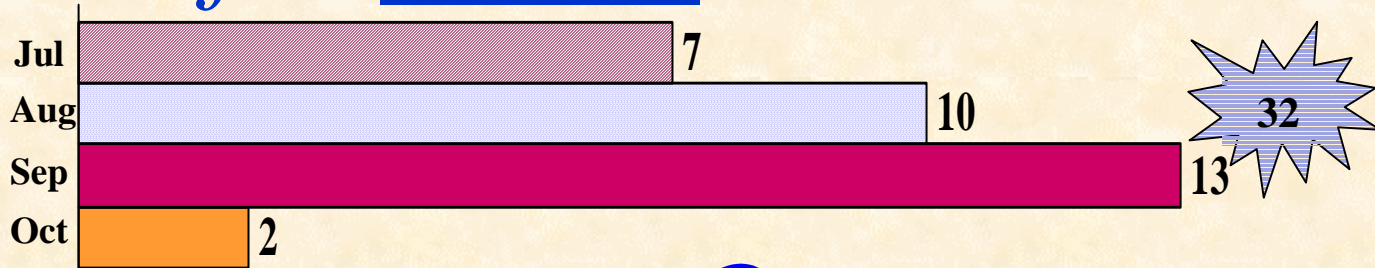


Treatment and Testing for Mrs. P

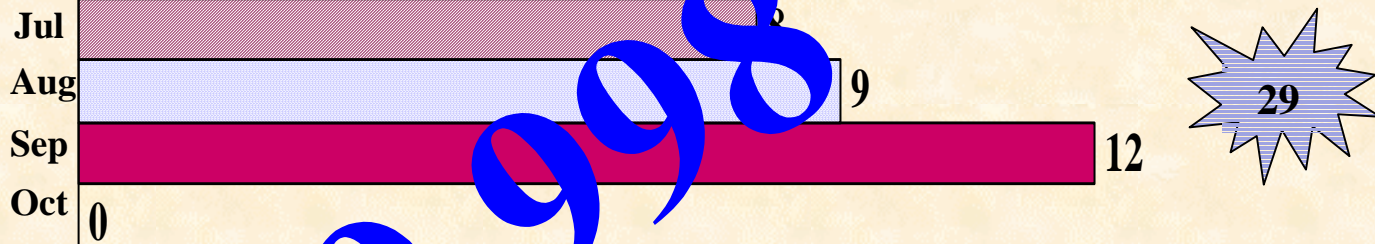
**Total
Treatments**



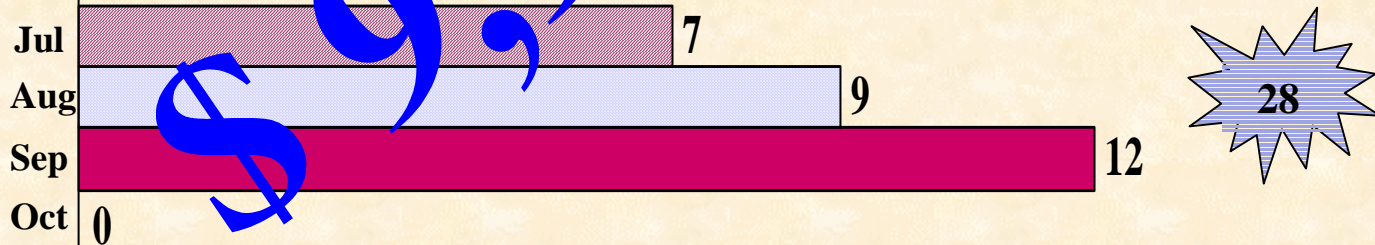
Chiropractic



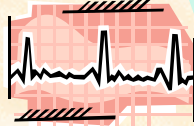
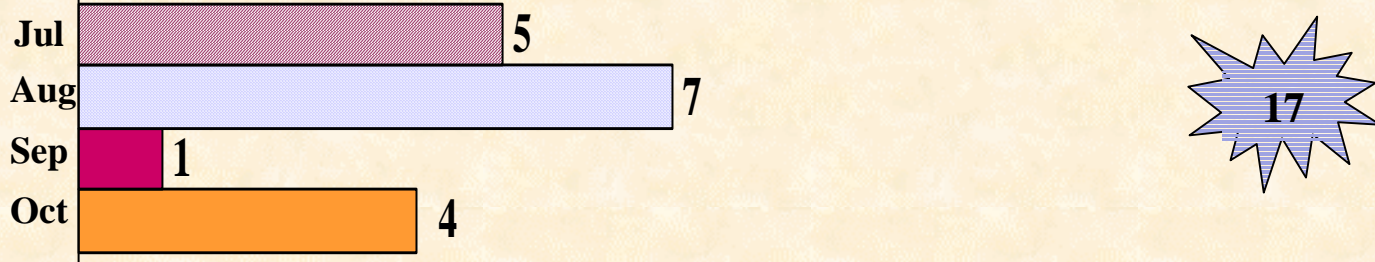
**Physical
Therapy**



Accupuncture



Misc



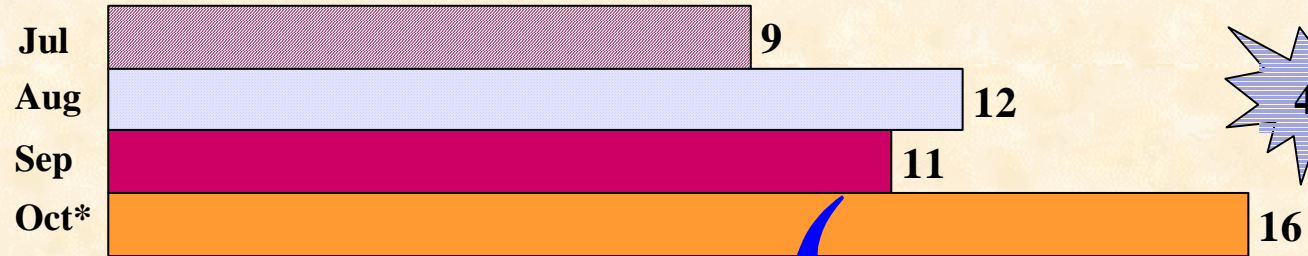


Treatment and Testing for Mrs. D

**Total
Treatments**



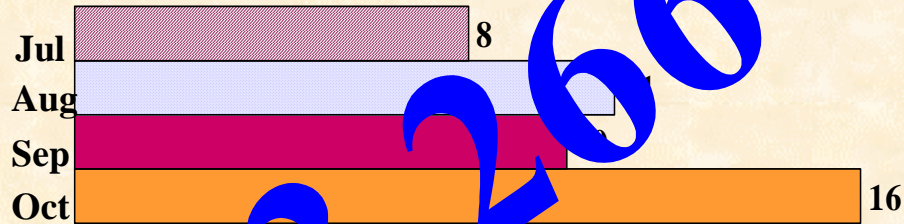
Chiropractic



45



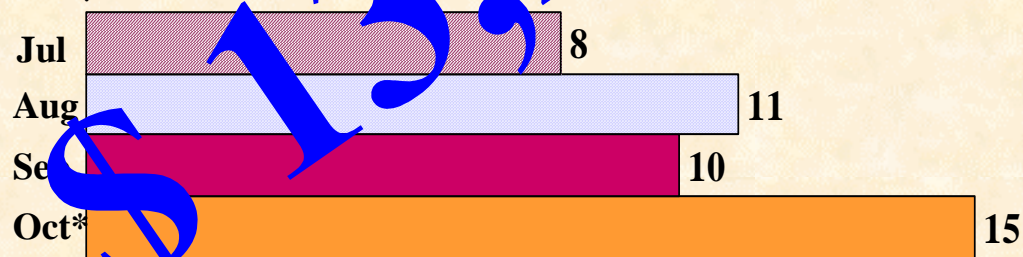
Physical Therapy



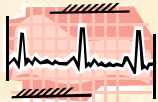
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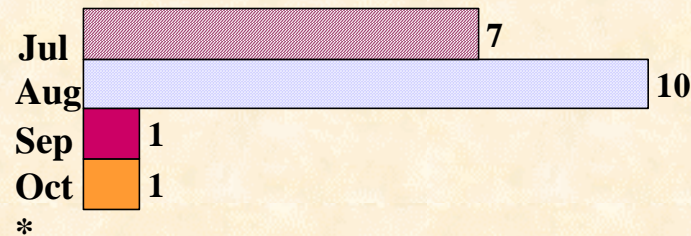
Accupuncture



44



Misc



19



*

13,266

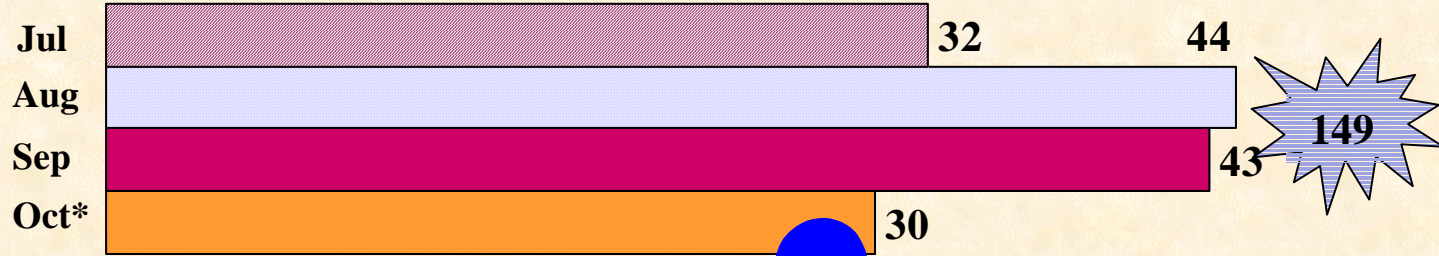


Total Treatments and Testing, 482

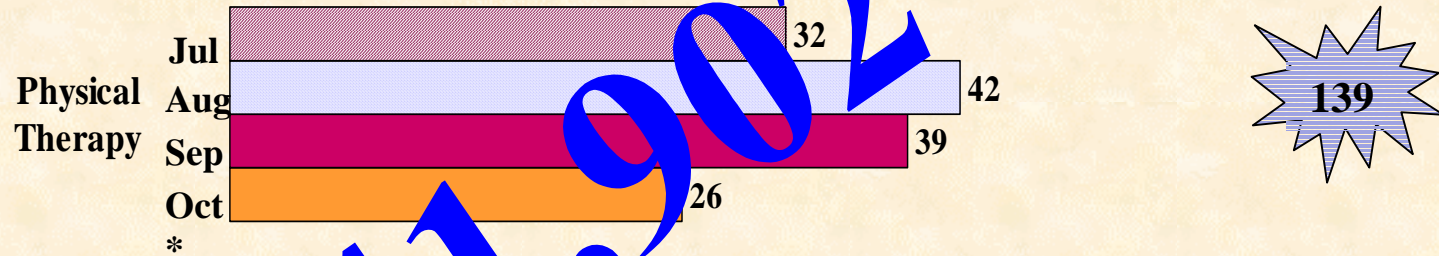
Total Treatments



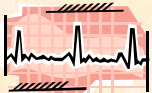
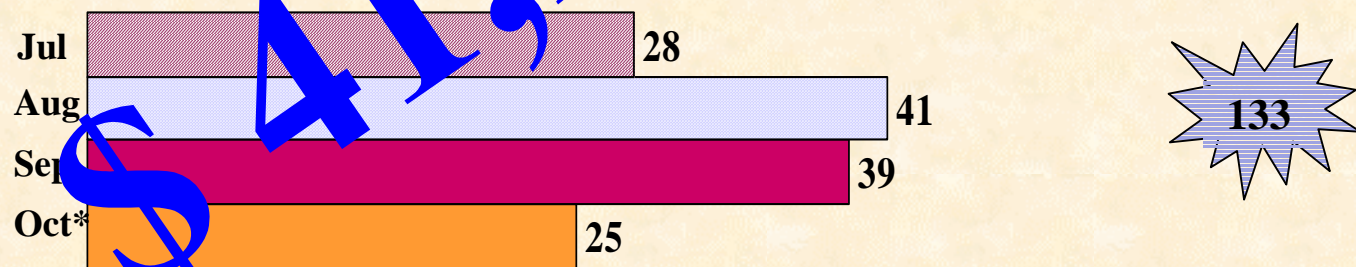
Chiropractic



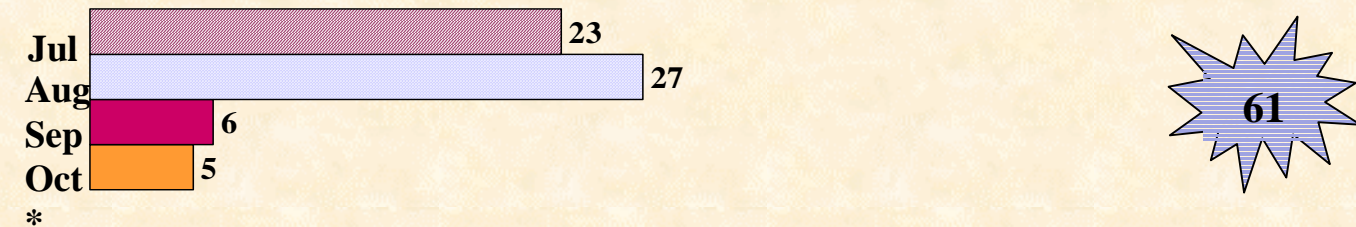
Physical Therapy



Accupuncture



Misc



*

Where Do You Find the Time Mrs. D?

August 2000

Monday	Tuesday	Wednesday	Thursday	Friday
	TMJ-Dental, Acupuncture, Physical Therapy, Chiropractic 1	MRI, Acupuncture, Physical Therapy, Chiropractic 2	3	Acupuncture, Physical Therapy, Chiropractic 4
Chiropractic-Off, Acupuncture, Physical Therapy, Chiropractic 7	8	Chiropractic, MRI Transportation, Neuro-Consult, Physical Therapy, Neuro-Tests, Acupuncture 9	10	Whirlpool, Supplies, Acupuncture, Physical Therapy, Chiropractic 11
14	15	Acupuncture, Physical Therapy, Chiropractic 16	Acupuncture, Physical Therapy, Chiropractic 17	18
21	Acupuncture, Physical Therapy, Chiropractic 22	Transportation, MRI, 23	24	Acupuncture, Physical Therapy, Chiropractic 25
28	Acupuncture, PT, Diag – ROM, Chiropractic 29	30	31	

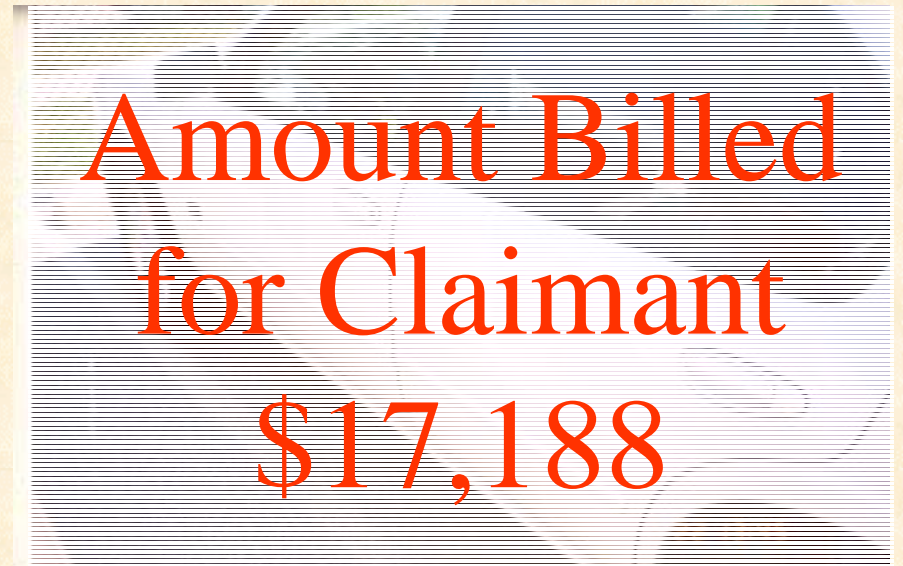
PIP Fraud in NY

Case Study 2





Low Impact, High Cost Claim





The Anatomy of a Minimal Impact Claim: The Red Flags



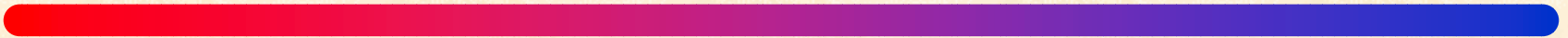
Date of Loss 03/21/00; Reported by Claimant Attorney 06/13/00



- Claimant Atty refused vehicle inspection
- Pictures provided by SIU showed No Physical Damage
- Independent medical exam came back negative
- Claimant “No-Showed” for scheduled vehicle inspection and examination under oath
- Investigative/legal costs to date: \$3,626 (could go much higher)

PIP Fraud in NY

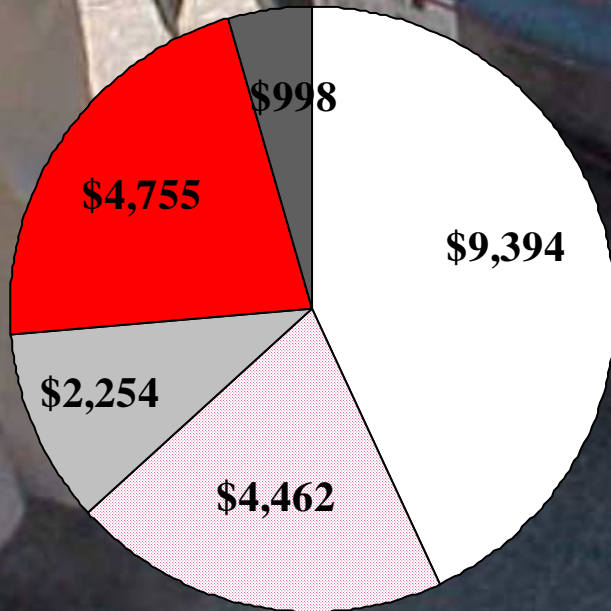
Case Study 3





Where's the Impact?

Service Category
Total Amount Billed = \$21,862

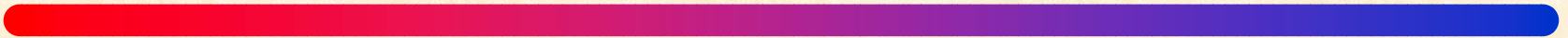


Physical Therapy MRI's
Manipulation ME/Supplies
Office Visits

- **Date of Loss 03/20/00**
- **3 claimants involved; 2 claimants accounted for \$20,122 of amount billed.**
- **2 claimants accounted for nearly 240 treatments (PT, Chiro, Acup, H/C, ES, and MT).**
- **Expensive diagnostics were provided within 2 weeks from DOL (totaling \$4,462).**
- **Medical equipment/Supplies accounted for \$4,755 of amount billed.**

PIP Fraud in NY

Case Study 4

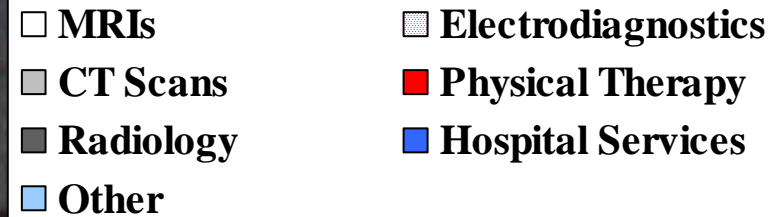
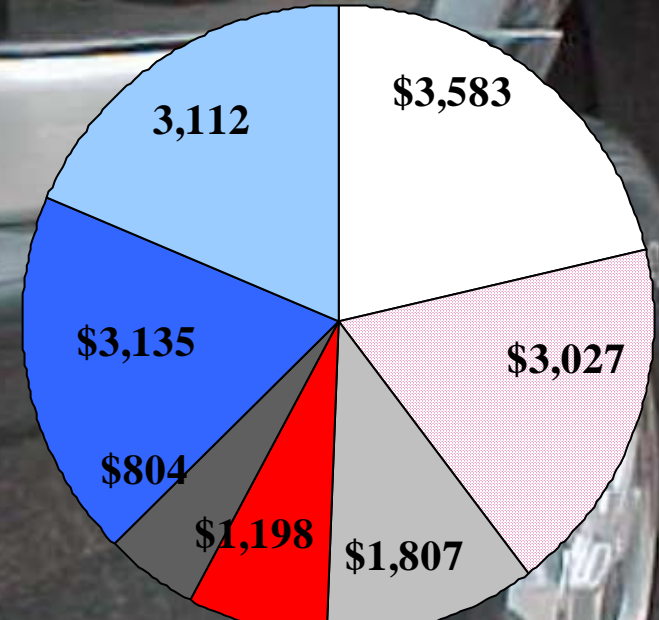




Big Car, Small Thump, Big Bucks

- Single claimant
- Billed \$16,666
- 112 separate treatments
- 180 days from DOL to last treatment
- Services included sensory and motor nerve testing, a breathing capacity test, manual traction therapy, muscle tests, and various other therapies

Major Service Categories





Where Does it All Go?

- **Medical Services includes**

Acupuncture, electrical stimulation, hot and cold packs, manual traction, chiropractic, and physical therapy

- **Diagnostics includes**

MRIs, CAT scans, X rays, nerve testing, and muscle testing

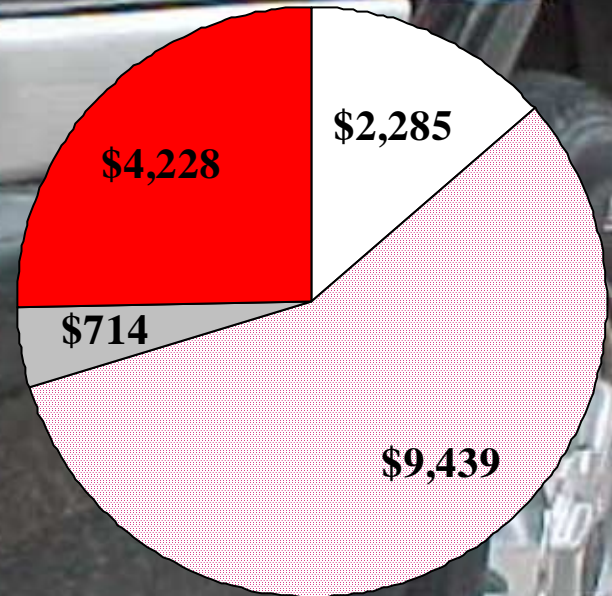
- **Other includes**

ER/Ambulance, hospital services, office visits, lab work, manipulation, and supplies

- **Supplies includes**

ER/Ambulance, hospital services, office visits, lab work, manipulation, and supplies

Total Billed Services = \$16, 666



□ Medical Services □ Diagnostics
□ ME/Supplies □ Other



Here's the Diagnosis

- **Treatments were rendered for 14 different Diagnoses Codes.**
- **There was a change of body region being treated subsequent to DOL**
- **Diagnoses included**
 - Unspecified site of sprain and strain
 - Intervertebral disc disorder
 - Lumbago
 - Headache
 - Post concussion syndrome
 - Unspecified chest pain





Cumulative Cost Calendar

May 1999

Monday	Tuesday	Wednesday	Thursday	Friday
3	4	5	6	7
10	11	12	**Date of Loss** Lutheran Med Ctr	Manipulation, Other, Off Visit
Supplies Other Physical Therapy \$4096	18	Physical Therapy \$4262	\$3,135	13 \$3,497
17	18	19	20	21
Lutheran Med Ctr				Physical Therapy \$4229
\$7363	24	25	26	27
24	25	26	27	28
31				

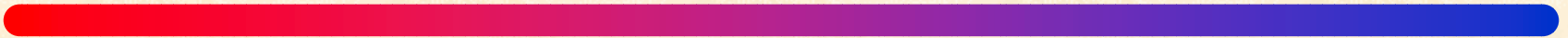
June
\$7,884

July
\$12,480

August
\$15,773

PIP Fraud in NY

Solutions





Solutions to NY's PIP Problem

- **What Is Being Done**

- **Legislative & Administrative Action Required**

- **Key elements of solution**

- Reduce 180 day provider claiming window & 90 reporting window (Regulation 68)
- Remove inequities in arbitration process (mandatory arbitration)
- Enhanced ability to challenge questionable medical treatments
- Cost containment initiatives (e.g., treatment guidelines)
- Strengthen criminal penalties for insurance fraud (e.g., runners)

- **Bogged Down**

- **NY Appellate Court stayed implementation of shorter reporting deadlines on Feb. 20 (2nd stay in 5 months)**

- 30 days for reporting claim (down from 90)
- 45 days for submission of med bill (down from 180)
- Need legislature to act on non-administrative reforms

Who Wants to be a Millionaire?

No-Fault Auto Insurance Fraud in New York

March 2002



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