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Deloitte.
Speaking with You Today

Dick Messick, CPCU, PMP
Deloitte Consulting, LLP
Insurance Solutions
Specialist Leader

- Deloitte Consulting Insurance Solutions practitioner, specializing in claims
- He is a Chartered Property Casualty Underwriter (CPCU) with over 30 years of risk management consulting experience
- Experienced in leading business implementation efforts to operationalize claims predictive modeling tools

Dan Olson
Deloitte Advisory
Deloitte Transactions and Business Analytics LLP
Senior Manager

- Over 25 years' experience developing predictive analytics to identify healthcare fraud, waste, and abuse
- Developed pharmaceutical pre-payment edits that generated millions of dollars of cost savings for Illinois Medicaid.

Christy Van Dyke
Deloitte Advisory
Deloitte Transactions and Business Analytics LLP
Senior Manager

- Over 17 years experience in health payor operations with over 10 of those years focused on Medicare fraud, waste, and abuse detection and prevention
- Played a key role representing CMS in launching technology to operationalize predictive analytics for fraud detection and transforming its program integrity focus from pay and chase to that of payment prevention

Mike Hall, Manager
Deloitte Advisory
Deloitte Transactions and Business Analytics LLP
Senior Manager

- Over 6 years of experience apply predictive analytics on anti-fraud engagement
- Experienced with both public and private sector clients in various industries such as financial services, national security and healthcare

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The Fraud Environment

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Fraud and Analytics

Conservatively, fraud steals **\$80 billion** a year across all lines of insurance.
(Coalition Against Insurance Fraud estimate).



WC Industry Landscape

In 2014, employers spent a total of **\$91.88 billion** on worker's compensation costs.

Worker's comp programs tend to be the single **largest insurance expenditure** for employers.

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Fraud, Waste & Abuse

Tens of billions of dollars in false claims and unpaid premiums are stolen every year.

20% of business owners feel unsure of how to identify a worker's compensation fraud scheme.



The Solution

Predictive Analytics provided a **15% reduction** in worker's compensation costs.

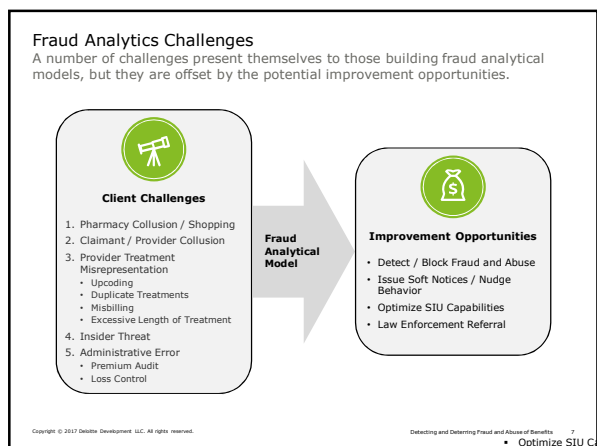
According to a FICO Survey, **52.2% of respondents** say that prepayment fraud detection is the best way to fight fraud.

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Fraud Analytics Challenges

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Attributes of Effective Fraud Analytical Models







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Fraud Model Attributes

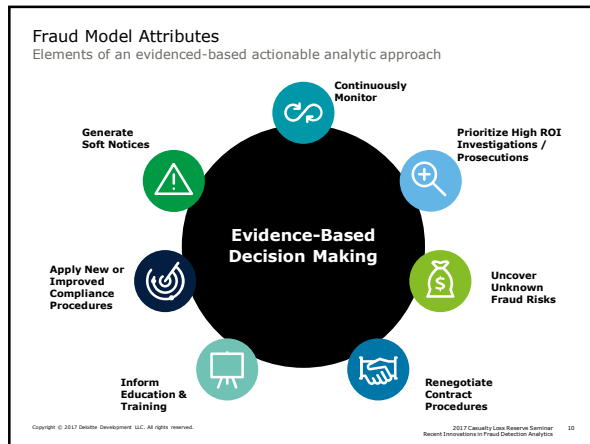
Vision for a new and improved way to address fraud, waste, and abuse in worker's compensation

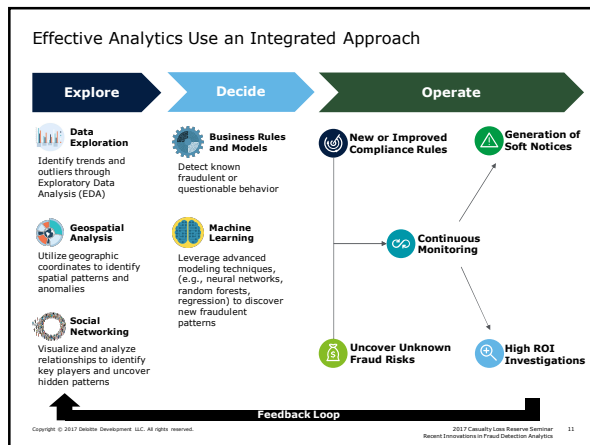
Guiding Principles of the Effective Fraud Model Solutions

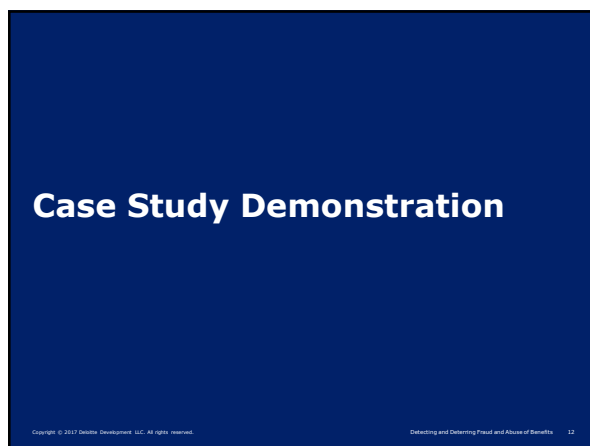
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|-----------------------|---|
| Actionable |  Implement an evidenced-based actionable analytic approach that prevents or reduces improper payments and makes effective use of limited resources |
| Prioritization |  Prioritize prevention by implementing analytics that accelerate investigations, focus on high-return leads, and provide information to prevent fraud before it occurs |
| Compliance |  Develop stronger compliance rules to frustrate fraudsters at the pre-payment level |
| Creativity |  Implement creative techniques like soft notices to stop schemes from continuing |
| Adaptive |  Implement an adaptive continuous monitoring system to identify new trends and patterns as they emerge so that rules and models can be updated before the system may be exploited |
| Value Based |  Measure outcomes by value – not volume. Incorporate risk-based criteria that assists decision makers in prioritizing the right cases that deliver the most egregious cases for action |

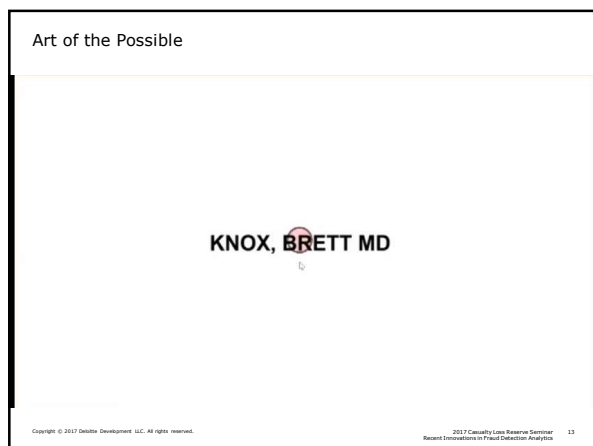
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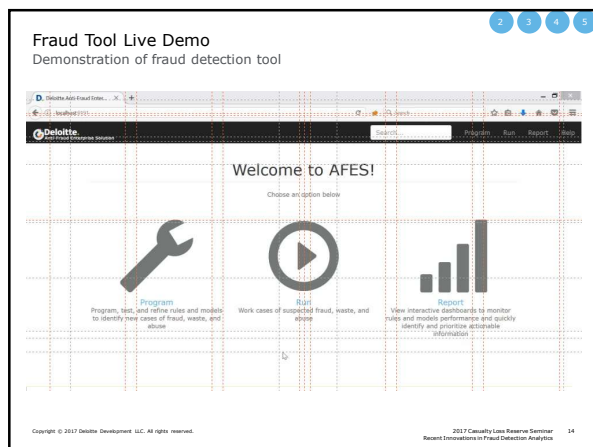
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Operationalization Leading Practices

Effective operationalization of the fraud analytical model enables the potential benefits to be realized.

New or Improved Compliance Rules

- Recommend new policies or legislative initiatives to address aberrant behavior
- Utilize analytic results to generate reports that support the policy recommendation or loophole identified

Potential Unknown Fraud Risks

- Recommend potential unknown fraud risks through subject matter expertise
- Identify unknown fraud patterns through machine learning, which can highlight outliers and anomalies

Continuous Monitoring

- Proactively detect non-compliant or potentially fraudulent behavior
- Utilize business rules to detect known fraud schemes
- Incorporate advanced modeling to uncover unknown fraud schemes and potentially fraudulent attributes or behavior

Generation of Soft Notices

- Attempt to correct or "nudge" provider behavior by sending notifications/warnings to providers with questionable practices, (e.g., claimants receiving opioids from multiple pharmacies and prescribers)
- Typically, the practice involves one of three areas: a significant billing outlier, an emerging trend, or a policy violation

High ROI Investigations

- Setting up an appropriate risk tolerance threshold allows investigators to focus on high priority cases
- Investigate stronger cases that increase the likelihood of successful prosecution
- Using third party data and social media applied against claimants, providers, and employees to bolster investigations and identify unknown leads

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Business Integration Leading Practices

There are several interrelated activities that contribute to the successful implementation of analytical models.

Activity	Description
Planning	<ul style="list-style-type: none">Define the key activities and deliverables for Business ImplementationDefine roles and responsibilities and identify manpower resourcesDevelop project plan
Current State Review	<ul style="list-style-type: none">Review current state business processes (e.g., workflow, structure, process guidelines, etc.) to develop considerations and recommendations for the future state processDevelop Current State Process Flows
Future State Definition and Gap Analysis	<ul style="list-style-type: none">Hold working sessions to define the target/future stateIdentify and develop high level future state workflowsIdentify gaps between the current and future state for and develop approaches to mitigate the gaps
Rollout Strategy and Approach	<ul style="list-style-type: none">Define rollout approach (e.g., phased or full rollout)Create a rollout schedule, documenting key rollout datesIdentify potential risks and a response strategy
Business Rules Development	<ul style="list-style-type: none">Define and document how Predictive Model output and supplemental score characteristics will translate into model-enabled workflow rules (referrals, straight through processing, etc.)Hold working sessions to discuss types of business/workflow rules to be considered for initial rolloutDefine Business Rules and analyze potential impact (iterative process)
Technical Implementation	<ul style="list-style-type: none">Hold design sessions to discuss technical implementation approach for Scoring Engine triggering, Business Rules codification and workflow modernizationDevelop, deploy and test technical components

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Questions?

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Appendix

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Appendix – Slide 5 Footnotes

1. https://www.nasi.org/sites/default/files/research/NASI_Workers_Comp_Report_2016.pdf
2. <http://www.insurancefraud.org/scam-alerts-workers-compensation.htm>
3. <http://www.businessinsurance.com/article/20111106/NEWS08/311069985>
4. <http://www.businessinsurance.com/article/99999999/news080106/120819983/optimizing-your-workers-compensation-program-through-analytics>
5. <http://www.insurancefraud.org/statistics.htm>
6. <http://www.fico.com/en/node/8140?file=5797>

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