

Employee Health Benefits Fraud Involving a Medical Spa

WHY THIS INVESTIGATION MATTERS

Torontonians rely on a healthy City workforce to provide services. Employees depend on their health benefit plan to support them in remaining healthy. Fraud detection and prevention helps improve the sustainability of health benefit plans. This investigation confirms that the City has implemented past Auditor General recommendations around health benefits. Because of that, the City now has a more robust claims monitoring regime and audit system in place that will likely catch more fraud.

BY THE NUMBERS

- 3 employees and 2 employees' spouses
- 96 health benefit claims saying they were treated with a drug called Levulan Kerastick from 2017-2019
- About \$38,000: the amount they were reimbursed from 2017-2019
- 1 medical spa (several locations), 1 physician involved
- \$150 million on health and dental benefits for City employees in 2019. This coverage is paid for by taxpayer dollars.

BACKGROUND

Levulan Kerastick (Levulan) is a topical medication that is applied to actinic keratosis lesions, which are pre-cancerous lesions that form on parts of the skin that has long been exposed to the sun (such as the face and hands). This drug is approved by Health Canada for use on the face or scalp. Most people treated with Levulan for this condition require a handful of treatments. Most of the claimants in this case received far more treatments with this drug than normal.

Green Shield Canada (GSC) processes health benefit claims on the City's behalf. Employees are reimbursed from City funds for their health claims.

HOW RECOMMENDATIONS WILL BENEFIT THE CITY

This report:

- informs employees and service providers that sophisticated fraud detection controls are in place and operating;
- educates employees and others about the various forms of health benefit fraud so that those providing or receiving services can help to identify, report and stop it;
- helps to deter those thinking about committing benefits fraud against the City.

WHAT WE FOUND

Three employees and two of those employees' spouses went to a medical spa for treatment. They received prescriptions and/or drug authorization forms signed by an obstetrician/gynecologist diagnosing them with actinic keratosis and prescribing Levulan. All received and submitted invoices from the spa saying they were treated for that condition and all were reimbursed. None of the employees ever met the diagnosing doctor. None seemed to know what actinic keratosis even was.

Employee A

Employee A went to the spa for three hair loss treatments. The treatment was not covered by City's health benefit plan and the employee was concerned about the price. According to him spa explained that he could submit invoices for a condition (actinic keratosis) he did not have and a drug (Levulan) he did not receive. The reimbursement for these invoices would pay for this hair loss treatments. Further, they told him forms could be completed and signed by a doctor showing the fake condition and drug. The employee proceeded, knowing the invoices and forms he submitted for reimbursement contained false information. He got caught and repaid (about \$1,500).

Employee B

Employee B went to the spa for laser toenail fungus treatment. The spa provided him with a drug form, signed by the doctor, saying he was to be treated with Levulan for his toes. GSC rejected the form. He brought the rejected form back to the spa where the diagnosis was immediately changed to say he was being treated on his face and shoulders with Levulan for actinic keratosis. Spa invoices show him being treated for actinic keratosis with Levulan, when really, he getting toenail fungus treatments. In total, he was reimbursed almost \$10,000 for 26 treatments. He said he didn't notice that the invoices and drug form showed something different than the treatments he was receiving. We confirmed that he saw the drug form change from treating his toes to treating his face for a different condition. He has not repaid the amount he was reimbursed.

Employee C

Employee C heard about the spa from an online discount website and went there for a facial in 2014. The spa intake form shows she was concerned about lines and sagging skin. Invoices dated two weeks later state she was being treated for two medical conditions: actinic keratosis and rosacea with Levulan - two different conditions. Her spouse was submitting invoices for the same conditions since 2015. By July 2018, toenail fungus treatment was added to their invoices. Since 2017, she and her spouse have been reimbursed for 62 claims for over \$26,000. She denies receiving toenail treatments - but over 20 invoices, spa records and the person who treated her indicate she received it. She says she never looked up actinic keratosis, even though it was on all of her invoices. If she didn't get treated for toenail fungus, she should not have submitted invoices for conditions she didn't have. In our view, on a balance of probabilities, health benefits fraud has also occurred in this case. She has not repaid the amount she was reimbursed.