

Re: AU6.1

**Presentation to the Audit Committee
on October 23, 2020, Agenda Item AU6.1**

**AUDITOR
GENERAL**

TORONTO

Employee Health Benefits Fraud Involving a Medical Spa

**Beverly Romeo-Beehler, FCPA, FCMA, B.B.A., JD, ICD.D, CFF
Auditor General**

Laura Wright, Advisor: Investigations, Research & Strategic Communications

Background

1. 2016: Auditor General conducted health benefits audits. Recommendations:
 - Better upfront controls
 - Conduct audits of the benefits administrator
2. City acted, and incorporated stronger fraud controls and audits
3. Since then, we have conducted 2 health benefits reviews
 1. Data analytics review of Dental claims (AU6.4)
→ Great results
 2. This investigation into employee benefits fraud (AU6.1)

Why This Investigation Matters

This investigation has determined that fraud has occurred.
The purpose of the report is to:

1. Inform City employees and service providers that the City now has **sophisticated fraud detection controls in place**
2. **Educate employees and others about the forms of health benefits fraud** so that those providing or receiving services can help to identify, report and stop fraud
3. Help to **deter** those thinking about committing health benefits fraud against the City

How the Complaint was Discovered

GSC's Claim Watch Team noticed an unusually high number of claims for Levulan from several claimants, all listing the spa as the provider.

- GSC did its investigation and notified the City (PPEB), PPEB notified the Auditor General. The City did an investigation.
- Auditor General's Office conducted an independent investigation.

What We Found

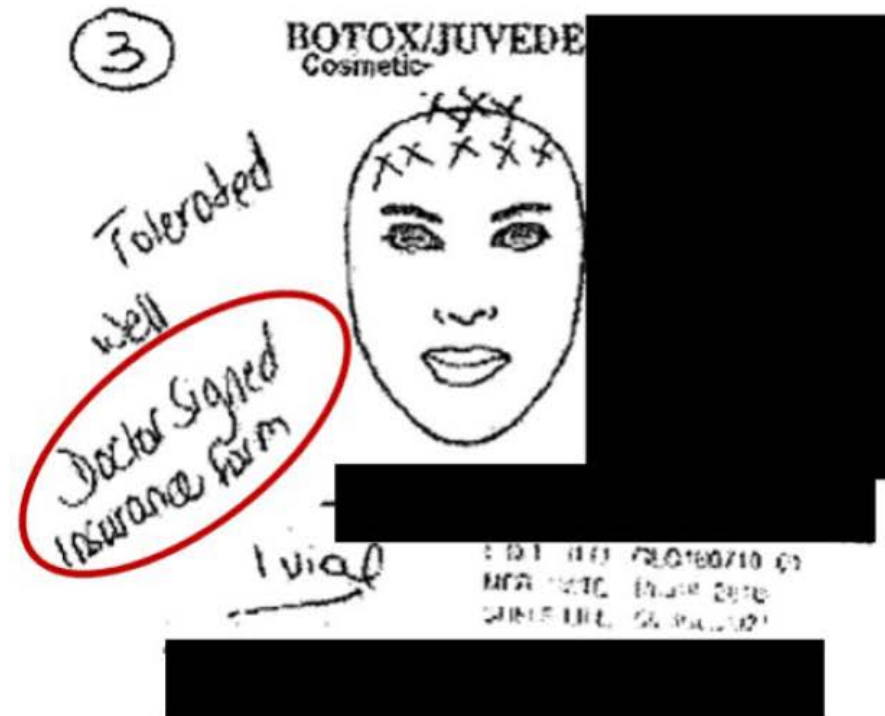
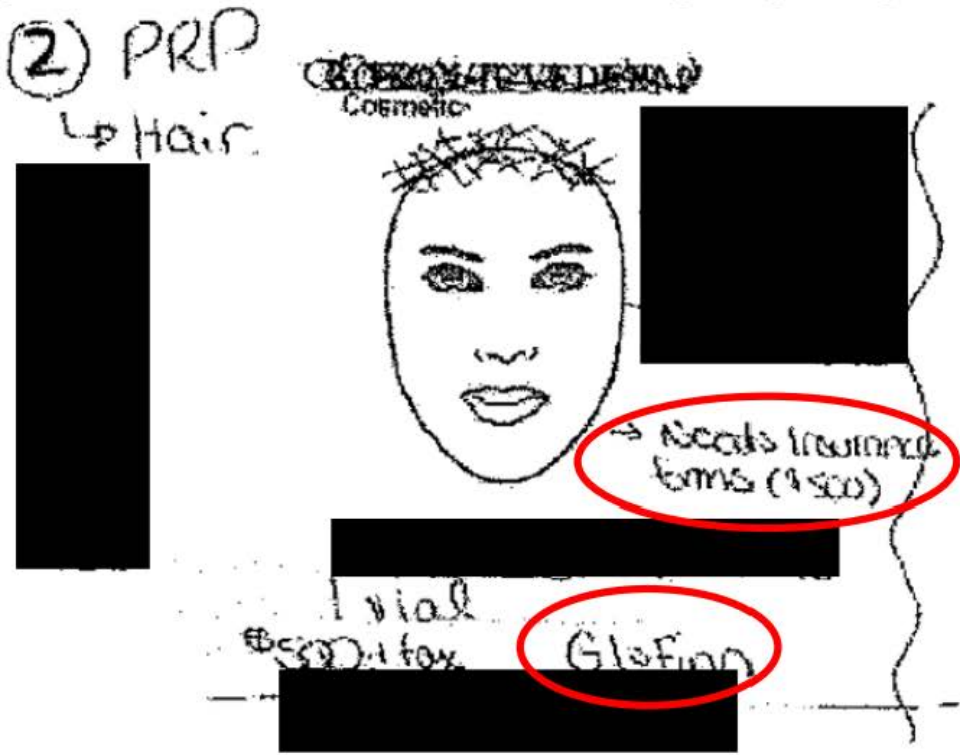
- 3 City employees, and 2 of the employees' spouses went to a medical spa for various treatments
- Invoices said they had actinic keratosis, and that they were treated with a drug called Levulan. Most had far more claims than usual for the drug.
- They were reimbursed:
 - Employee A: about \$1,500
 - Employee B: almost \$10,000
 - Employee C and spouse: over \$26,000

In our view, in all three cases, health benefits fraud has occurred.

Employee A

1. Went in for hair loss treatment. Was concerned about price, spa told him he could claim for another condition to get coverage.
2. Diagnosis and treatment on spa invoices was also false – they said he was treated for actinic keratosis with Levulan
 - He received reimbursement and this helped him pay for hair loss treatment (which is not covered)
3. He knew he did not have actinic keratosis, but he submitted the forms for reimbursement anyway

Employee A's Spa Treatment Notes Indicating Hair Loss Treatment



Employee A: Sample Invoice

To Whom It May Concern:

This is to confirm that [REDACTED] has been treated for (rosacea/actinic keratoses). Levulan D.I.N #02243933 has been utilized with this treatment.

Levulan Kerasticks D.I.N #02243933 (20% aminolevulinic acid-ALA) is a clear solution (prescription drug) that is applied to freshly cleaned skin in the doctor's office. Levulan is used for the treatment of actinic keratosis/rosacea/acne, and has an incubation time of 60 minutes. The treatment also includes activation under the Harmony IPL (an appropriate light source) for approx. 16 minutes.

Cost of one Levulan Kerasticks unit is \$250.00 and activation by the Harmony is \$150. The patient is responsible for purchasing of the medication and the cost of the treatment is not presently covered by OHIP. The patient may claim the cost of the Levulan units to their Insurance Plans.

For this treatment we have used 2 (1.5ml) of Levulan Kerasticks at a cost of 500.00
Paid in full \$565.00

Levulan Kerastick paid for this date. \$565.00.

Employee A's Drug Special Authorization Form

SECTION 2 - PHYSICIAN INFORMATION	
[Redacted]	Specialty Obs & Gyn.
[Redacted]	Date (Y/M/D) [Redacted]
[Redacted]	Telephone Number [Redacted]
[Redacted]	Fax Number [Redacted]
SECTION 3 - DRUG REQUESTED FOR EVALUATION	
Product Name/Strength/Dose/Duration of Treatment: Levulan kerastick (20% aminolevulinic acid-A LA)	Diagnosis: Rosacea.
Injectable-location of administration (CHECK ONE):	<input type="checkbox"/> HOME <input checked="" type="checkbox"/> PHYSICIAN'S OFFICE <input type="checkbox"/> HOSPITAL (IN-PATIENT) <input type="checkbox"/> HOSPITAL (OUT-PATIENT) <input type="checkbox"/> LONG TERM CARE FACILITY
Previous Therapeutic History for above condition (Please include relevant lab results):	Contact Information:
Product name/dose/duration and results of prior treatment: Levulan kerastick 1.5ml. Uial of face. Repeat as required DIN# 02243933	for treatment of Actinic keratosis

Employee B

1. Went to the spa for toenail fungus treatment. Spa booking system shows his appointments were for toenail fungus.
2. Spa provided invoices and drug authorization forms for a condition he did not have (actinic keratosis)
 - He was reimbursed for the condition he did not have – he was actually receiving treatment for toe nail fungus (which is not covered)
3. He knew he was being treated on his toes, not his face, but he submitted the forms for reimbursement anyway

Employee B's Altered Drug Special Authorization Form

Original Drug Special Authorization Form – **rejected** by GSC

Your physician may provide additional information directly on this sheet if warranted. Once completed, please re-submit to Green Shield Canada for re-assessment.

_____ Toxic / feet _____

Altered Drug Special Authorization Form – **accepted** by GSC

Your physician may provide additional information directly on this sheet if warranted. Once completed, please re-submit to Green Shield Canada for re-assessment.

_____ on the face and shoulders. Actinic keratosis _____

Employee B's Full Drug Special Authorization Forms

May 28, 2018

Re: Aminolevulinic Acid (ie. Levulan®)

Green Shield Number: [REDACTED]

Dear Plan Member,

Your request has been reviewed. Our Drug Special Authorization Department requires additional information in order to evaluate your request. The following is required before a decision can be made:

- A) A diagnosis is required.
- B) The location of the area being treated is required.
- C) The physician's name and signature is required.
- D) Location of administration (i.e. at home, in hospital, in physician's office etc.) is required.

Your physician may provide additional information directly on this sheet if warranted. Once completed, please re-submit to Green Shield Canada for re-assessment.

on the toes / feet

Physician Name: [REDACTED] M.D. [REDACTED]
 Print Signature
 Office Address: [REDACTED]
 Office Phone: [REDACTED] Date 6/6/18

Any original paid receipts submitted with your authorization form have been processed and are now on our system. Should you have any further questions, please call our Customer Service Centre at 1-888-711-1119.

Drug Special Authorization Department
 GREEN SHIELD CANADA

May 28, 2018

Re: Aminolevulinic Acid (ie. Levulan®)

Green Shield Number: [REDACTED]

Dear Plan Member,

Your request has been reviewed. Our Drug Special Authorization Department requires additional information in order to evaluate your request. The following is required before a decision can be made:

- A) A diagnosis is required.
- B) The location of the area being treated is required.
- C) The physician's name and signature is required.
- D) Location of administration (i.e. at home, in hospital, in physician's office etc.) is required.

Your physician may provide additional information directly on this sheet if warranted. Once completed, please re-submit to Green Shield Canada for re-assessment.

on the face and shoulders actinic keratosis

Physician Name: [REDACTED] M.D. [REDACTED]
 Print Signature
 Office Address: [REDACTED]
 Office Phone: [REDACTED] Date 6/6/18

Any original paid receipts submitted with your authorization form have been processed and are now on our system. Should you have any further questions, please call our Customer Service Centre at 1-888-711-1119.

Drug Special Authorization Department
 GREEN SHIELD CANADA

Employee C

Spa name, address and logo

client profile

Spa information

contact information

DATE

July 16/14

Name

Occupation

Address

Home Phone

May we let

Email Address

Employee C's name and contact information

How did you hear about

Spa name ?

Online coupon company name

skin care concerns

~~These are areas of concern~~ for me: (check all that apply)

Fine lines & wrinkles

Excess Underarm Sweating

Rosacea/facial redness

Sagging Skin

Crow's Feet

Skincare

Leg Veins

Large Pores

Laugh lines/folds around mouth

Age spots/Freckles

Spider Veins

Other _____

Excess Hair

Acne

Broken Capillaries on face or body

Please prioritize your top 5 concerns:

(1) *fine lines*

(2) *sagging*

(3) _____

(4) _____

(5) _____

If you could change one thing about your skin, what would it be?

less + elasticity

Have you ever been to a dermatologist? Y N

When and for what purpose? _____

Employee C

1. 2014: went to the spa for a facial

- She and her spouse submitted 92 invoices in total
 - 2014-2016: 30 invoices
 - 2017-2019: 62 invoices

2. Invoices said she was being treated for actinic keratosis, rosacea, sun damage

- She said she was never treated for toenail fungus, despite it appearing on most of her spa invoices and many of her spa treatment records since 2017
- She didn't know what Levulan and actinic keratosis were

3. Some of her receipts were blacked out – she says by the spa, but the spa says they would not black out receipts

Employee C – Example of Spa Invoice

Date: July 31, 2018

To Whom It May Concern:

This is to confirm that the patient [REDACTED] has been treated for (sun damage/actinic keratosis/rosacea, toe nail fungus). Levulan D.I.N. #02243933 has been utilized with this treatment.

Levulan Kerastick D.I.N. #02243933 (20% aminolevulinic acid-ALA) is a clear solution (prescription drug) that is applied to freshly cleaned skin in the doctor's office.

Levulan is used for the treatment of actinic keratosis/rosacea/acne and has an incubation time of 60 minutes. The treatment also includes activation under the Harmony IPL (an appropriate light source) for approximately 16 minutes.

Cost of one Levulan Kerastics unit is \$250. The patient is responsible for purchasing of the medication and the cost of the treatment is not presently covered by OHIP. The patient may claim the cost of the Levulan units to their Insurance Plans.

For her/his treatment we have used 1 (1.5ml) of Levulan Kerastics at a cost of \$250.00 each. No prescription fee has been levied

Payment in full this date:

Levulan Kerastick Component- \$282.50

Harmony IPL Component- \$169.50

Regards,

Comparison: Employee A's Receipts vs Employee C's Receipts

Employee A's receipt

Employee C's receipt

Identifying information blacked out by AG

Sale Date: [redacted]/2018 - 1:41 PM
 Sale ID: 18020
 Sold By: [redacted]

1	PRP	\$442.48
---	-----	----------

Subtotal: \$442.48
 Tax: \$57.52
 Total: \$500.00

Payment Method: Cash Amount: \$500.00

We appreciate your business!
 Please retain this receipt for your records. Thank you!

Services received by Employee A

Identifying information blacked out by AG

Sale Date: [redacted]/2018 - 4:23 PM
 Sale ID: [redacted]

1	[redacted]	\$300.00
1	[redacted]	\$45.50

Subtotal: \$345.50
 Tax: \$44.92
 Total: \$390.42

Payment Method: Visa/MC Amount: \$390.42

We appreciate your business!
 Please retain this receipt for your records. Thank you!

Services and spa staff name blacked out by someone other than the AG

Conclusion: Employees A and B

Employee A:

- Submitted documentation for a condition he did not have, and for a treatment he did not receive.
- Health benefits fraud occurred. He repaid what he was reimbursed.

Employee B:

- Spa provided him with documentation saying he was treated on his face, not his toes.
- He knew his Drug Special Authorization Form was altered to say his face was treated.
- He submitted the invoices knowing this.
- Health benefits fraud has occurred. He has not repaid what he was reimbursed.

Conclusion: Employee C

- All of her spa invoices since 2014 list she was treated for actinic keratosis with Levulan – she does not appear to know what that that condition or drug is
 - She says she was not treated for toenail fungus, but her invoices, treatment notes, and a spa employee say she was
- Receipts she provided had key information blacked out, and many of her receipts did not match with spa invoices
- In our view, she must have known she was submitting false and/or misleading documentation to obtain reimbursement
- On a balance of probabilities, health benefits fraud has occurred. She has not repaid the amount she was reimbursed.

The Spa and the Doctor

1. Doctor, at a minimum, may not be ensuring the spa client has the condition before approving the diagnosis and treatment with Levulan, and is not following up with the patients on their care
2. Spa employees' description of how they treat clients with Levulan is not consistent with what the drug is approved for or how it should be used
 - In our view, the spa is providing false and/or misleading documentation to their clients
3. Most spa employees we spoke with do not have medical training but say they are diagnosing and treating spa clients (they say the doctor approves the diagnosis and treatment)

Appropriate regulatory agencies have been notified of our concerns – just in case.

Overall Conclusion

1. City's health benefits plan relies on staff honesty
2. The City has improved its fraud detection over the past few years and incidents of fraud will likely increase due to these improvements
3. This report will help City staff to better understand the issue of health benefits fraud
 - City of Toronto employees should be reminded that their health benefits claims are subject to audits, which are intended to verify claims are legitimate in order to protect taxpayers' money
 - Employees would benefit from training on health benefits fraud

**AUDITOR
GENERAL**

TORONTO