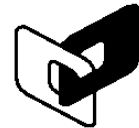

An Analysis of Workers Compensation Outreach Materials

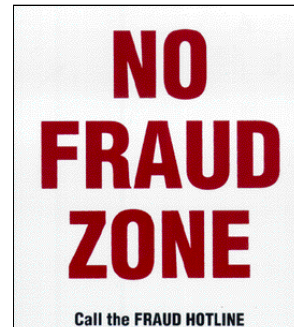


to combat insurance fraud

April 1999



**COALITION
AGAINST
INSURANCE
FRAUD**



INTRODUCTION

In 1997 the coalition's Workers Compensation Task Force made a series of recommendations to address fraud in this area. Among them was the suggestion that the coalition conduct research into the types of outreach materials currently being used to educate individuals about workers compensation fraud. This report reviews the scope and nature of those materials as well as the intended audiences, and identifies potential gaps in materials and messages that should be considered in preparing future outreach efforts.

To undertake this project, the coalition contacted all existing state fraud bureaus and the 25 workers compensation carriers with the largest market share¹. These organizations were asked to provide samples of the types of outreach material currently being used. An examination of the collected material revealed some common themes that can be broadly categorized in this way:

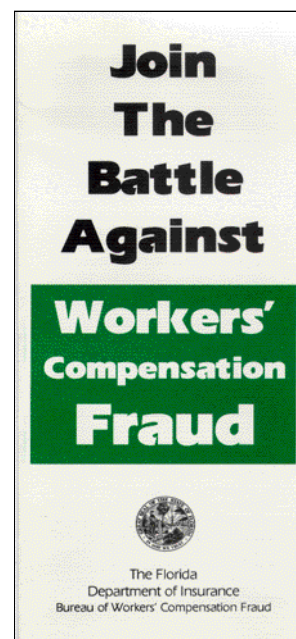
- Education of insurance company employees such as claims personnel about fraud indicators.
- Education of employees of insured companies about the costs of fraud.
- Information concerning the consequences of committing workers compensation fraud directed to employees.
- Marketing material promoting insurer anti-fraud programs to prospective corporate insureds; these are intended as sales tools for producers.

Most fraud bureaus tend to concentrate their efforts on the first category. These materials typically define workers compensation fraud, provide lists of common indicators, and often provide information about reporting fraud. Some states, such as Tennessee, specifically target the insurers' investigators with a wealth of information about the law, as well as suggested formats for interrogations and reports to the fraud unit. This material is far too long to be put into a simple pamphlet and appears to be primarily designed to be used in a lengthy seminar or other training, or at least perused at the investigator's leisure.

The materials from fraud bureaus in Texas and Florida are typical of those that are much simpler attempts to convey the same information. The states use brief brochures or flyers outlining the main points and common indicators while separately producing seminar outlines or flyers with longer lists of indicators for a specific situation, i.e., claimant fraud, medical provider fraud, etc.

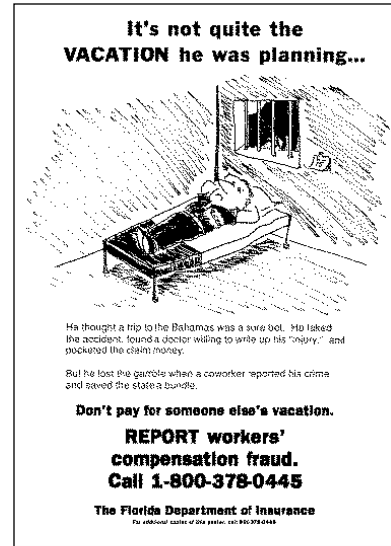
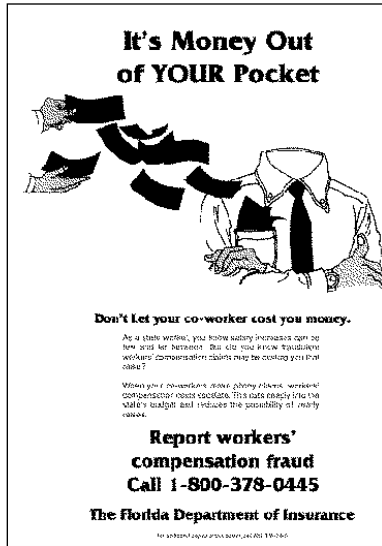
Interestingly, none of the insurer-targeted educational materials that the coalition received from the fraud bureaus (with two exceptions)

¹The coalition contacted approximately 55 organizations and received materials from the following: Kemper, the Florida Department of Insurance, the Pennsylvania Insurance Fraud Prevention Authority, the Insurance Fraud Bureau of Massachusetts, Fremont Compensation Insurance Company, the Texas Workers Compensation Commission, the Tennessee Department of Commerce and Insurance, Fireman's Fund, The Hartford and CNA.



balanced communications approach runs the risk of not providing meaningful messages to a large portion of the population, and possibly reinforcing negative images of the industry.

In a separate poster, Kemper also touts its reward program for reporting workers compensation fraud. This poster and others encourage workers to report their co-workers whom they suspect of committing fraud. While this encouragement may turn off some employees, it may also be an effective way of uncovering fraud.



Florida uses a similar, but gentler, approach that gives more emphasis to costs of fraud. For example, one poster talks about saving the state money by turning in a shirking co-worker. Another is even more direct—it links workers compensation fraud to the state employee’s chances of getting a raise.

Pennsylvania’s Insurance Fraud Prevention Authority sends a slightly different message. The IFPA produces a number of consumer-oriented brochures about insurance fraud, and has written a brochure for workers compensation claimant fraud. It also produced a separate brochure about premium fraud, the only one the coalition received. Each brochure is consistent with the IFPA’s main theme: “Fraud, The Crime You Pay For.” They begin by providing easy-to-understand definitions of claims and premium fraud, but the main point of the message is how it costs the average consumer money.



The IFPA’s approach also differs in another important way. Instead of simply asking people to turn in someone they suspect of committing fraud, the IFPA material includes a section about what consumers can do to help solve the problem. While the ultimate goal is the same—to encourage tipsters—the approach is more educational (providing ordinary consumers with fraud indicators, for example) and is more encouraging of the notion that the consumer can be a partner with law enforcement, and a good citizen as well, by becoming aware of workers compensation fraud and doing their part to help in the fight. It’s a more subtle way of achieving the same result, and it also is more likely to make a consumer feel good about reporting fraud, rather than feeling like a law enforcement informant or doing something that will benefit only an insurance company.

Sales Materials

The Fremont Compensation Insurance Company and Kemper put out good examples of this type of outreach material. Kemper promotes its *Fraud Busters*™ program while Fremont touts its Zero Tolerance program featuring the slogan: *Fraud Doesn’t Work Here.*™



Both companies focus on their efforts to detect fraud and save money for the commercial policyholder. Fremont uses a more elaborate package of materials that not only includes statements of the company's anti-fraud policies, but also provides a list of the most common fraud indicators for the employer's use. As one might expect from an insurer known for its aggressive anti-fraud stance, the company materials also are aggressive in their approach to the potential customer, citing results that include hard numbers and the national press the company's efforts have attracted. Fremont also tries to differentiate themselves from, as the material says, the "many other insurers who settle for nuisance value" by emphasizing that it will contest every suspicious claim.

Kemper's brochure, while including a statement of its anti-fraud policies and actions, is less aggressively self-promotional. In some ways, the same brochure could be used for the general public to talk about any type of fraud, since it moves from highlighting workers compensation fraud to auto theft and other forms of property/casualty fraud. The materials from these two insurers included no information about helping the employer to prevent workers compensation fraud in the first place, which could be a powerful sales message.

RECOMMENDATIONS

The review of outreach materials revealed some gaps and concerns in the approach to anti-fraud messages in workers compensation that insurers should consider addressing. For example, most of the materials directed at employees was threatening in nature. This may work well when targeting the one in five people identified as “Critics” in the coalition’s public attitudes study, but it does run the risk of reinforcing that group’s strongly negative image of insurers.

Those materials that urge employees to turn in other workers is most likely to work with the group the coalition’s study identified as the “Moralists.” These people have virtually no tolerance for fraud under any circumstance and are most likely to cooperate with investigators. However, by targeting such a strong message to this group alone, insurers and fraud bureaus risk sowing the seeds of suspicion in the workplace and creating negative effects on employee morale. Florida’s material for state employees and the IFPA material soften the message by appeals to self-interest and urging a partnership to help reduce the effects of this crime. This can be an effective message that avoids the risks mentioned above. Both messages should be tested in focus groups to determine their potential effectiveness and impact on targeted audiences.

The materials largely fail to address the other two groups identified in the coalition’s Four Faces study — the Realists, who believe fraud is wrong but that little can be done to stop it, and the Conformists, who think everyone commits fraud. These two groups have attitudes that are the most likely to be influenced positively, but they also are the most likely to be turned off by threatening warning messages. These groups might respond best to messages that say that most employees are honest and hard working, but that a few bad ones exist who are costing them money. Insurers and fraud bureaus also should strive to reach these groups and get them into the anti-fraud camp as partners in prevention in ways that don’t run the risk of alienating honest employees.

Prevention is a theme that’s also missing in materials that are sales-oriented or that focus on fraud detection. The coalition received no materials designed to help employers prevent fraud. In this era when insurers are increasingly reaching out to risk managers to form partnerships in risk prevention, this seems to be an approach that could work well to deter fraud.

The coalition has developed documents [*see Appendices A, B and C*] that list a number of actions employers can take to help prevent workers compensation fraud. These suggestions are based on those developed by the National Insurance Crime Bureau. They include preventive actions the human resources department can take before hiring, at the time the employee starts work, and while the employee is on the job, in the form of continuing education. The document also includes steps employers can take to assist defense counsel should it be necessary to contest the claim. Other useful areas included are steps employers can take when an injury occurs and prior to plant layoffs.

It should be noted that insurer experience indicates that these types of materials and educational processes are not as effective when the target audience is a small or mom-and-pop type business. In those cases, the insurance agent may serve as the primary educator, providing an additional ser-

vice to his or her client as well as a competitive advantage. Insurers should ensure their agents are aware of this opportunity to assist clients and are properly trained for it.

Finally, insurers and fraud bureaus should consider greater emphasis on outreach materials dedicated to premium fraud. While it may be a more difficult subject to address and have an audience that's more difficult to reach, it nevertheless needs to be done with the same sensitivity as outreach on claims fraud. Messages should convey that premium fraud hurts honest businesses and their employees, and that while most businesses report their payroll and classification data forthrightly, others choose to cheat. Therefore, the business community should seek to educate itself about this crime and do what it can to foster deterrence.

More research needs to be conducted to determine how successful various messages are in influencing the behavior of their targeted audiences. However, existing research suggests that insurers and fraud bureaus should continue to develop outreach materials that emphasize the partnership nature of the anti-fraud fight and demonstrate the clear benefits of preventing workers compensation fraud to both employers and employees. Such an approach—combined with aggressive investigation and prosecution—will help lower the cost of this crime to American business and, ultimately, its workers and consumers.

APPENDIX A

Workers' Compensation Fraud Prevention Measures

1. Apply the standards to all employees equally.
2. Verify the information on job applications and check references.
3. Ask lawful pre-employment background questions.
4. Ask job-specific questions regarding the applicant's ability to perform the job's essential functions.
5. Do not ask them if they are currently receiving workers compensation benefits, nor about their workers compensation or other claims history. (It might be construed as a violation of the American Disabilities Act and in violation of most state laws.)
6. Consider drug testing and checking their criminal record if legally permissible.
7. Verify their social security card with the number they placed on the application.
8. Provide all new hires a written statement of your company's workers compensation policies and a separate statement concerning safety. The workers compensation policy should include the following:
 - The procedures to be followed when a worker is injured.
 - Some basic information about how your state's workers' compensation program works.
 - If you have a return-to-work program, a specific statement emphasizing the fact you will find work for injured workers as soon as it is conceivably possible for them to return to work.
 - To whom they should report injuries. If applicable, tell them which health care providers you would like them to use and why you chose them.
9. Provide employees with an updated workers' compensation policy statement at least once a year.
10. Inform workers through means such as payroll staffers that directly or indirectly, that money for injuries ultimately comes from the employer. (Workers are less likely to cheat their employer than an insurance company or the state.)
11. Educate supervisors on workers' compensation issues—how injuries decrease productivity and how costs affect the bottom line—so that they may help with the problem.
12. Display fraud awareness and prevention posters in the work place as well as NICB's hotline number: 1-800-TEL-NICB.
13. Work with your insurer to initiate a loss control program designed to eliminate as many

potential safety problems as possible. Solicit employee input in this process.

14. When a claim is made, check the workers' compensation fraud indicator list.

15. Explain to the employee their obligations and rules while receiving workers compensation benefits. Document it. Make sure the insurance claim handlers do the same.

16. Don't ignore employee complaints and concerns about working conditions. The strongest predictor of fraud is a chronically disgruntled work force.

17. If you suspect fraud in a claim, immediately contact your insurer, preferably their special investigations unit if they have one. Provide them with all evidence of suspected fraud, witnesses and other information deemed appropriate to investigate the claim.

APPENDIX B

Workers' Compensation Claims and Plant Closings/Layoffs

- Put your workers compensation insurer or claims administrator on notice to review post-termination claims for potential problems.
- Be aware of the rate and terms of unemployment benefits and their impact, if any, on workers compensation benefit entitlement.
- Photograph or video tape plant conditions to maintain a visual record for potential litigation, especially if the physical plant is to be demolished.
- Identify key people who can testify and assist defense counsel in understanding and describing job requirements and functions.
- Centralize claims investigation and adjusting to maintain information flow and consistency.
- Explore outplacement options for laid-off employees.
- Consider bringing someone from the unemployment office to the facility so workers can file for benefits before they leave. It's a convenience for the workers and reduces their vulnerability to "cappers," who often solicit clients outside unemployment offices.
- During exit interviews, inquire about possible work-related injuries or illnesses.
- Escort the employee to a physician immediately afterward if the employee indicates they were injured on the job.



The Coalition Against Insurance Fraud was launched in 1993 as a broad-based effort to combat a national, multi-billion-dollar problem. It is the only national organization dedicated exclusively to fighting insurance fraud through public advocacy and public education.

The Coalition's mission is to use the combined energy and resources of consumers, government organizations and insurers to combat all forms of insurance fraud as a means to restrain insurance costs for consumers and insurers, and to bring greater fairness to, while maintaining the integrity of, the insurance system in the United States.

The current objectives of the Coalition include:

- ✓ Working to implement new and existing laws and regulations that will directly and indirectly prevent, deter or help detect insurance fraud, and seek appropriate remedies, including restitution, against those who commit insurance fraud. Such initiatives must be cost effective and practical.
- ✓ Communicating the scope of the insurance fraud problem and potential solutions to all major audiences as a means to increase awareness, provide deterrence, change attitudes and build support for anti-fraud measures.
- ✓ Serving as a clearinghouse of insurance fraud information; conducting research on issues so the coalition and policymakers may make more knowledgeable decisions on how to combat insurance fraud effectively and efficiently.

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