HEALTH CARE FRAUD AND CORRUPTION IN EUROPE: AN OVERVIEW

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Summary: Preventing, detecting, and ultimately putting an end to health care fraud and corruption is important to ensure that scarce health sector resources are put to good use. This article provides an overview of fraud and corruption in Europe by focusing on how they are defined and how health care systems are affected. Fraud and corruption can be committed by patients, providers, payers, or anyone else involved in the health care sector. To combat these activities, anti-fraud organisations follow a chronological process to deter, identify, investigate, and punish criminals. Losses due to fraud and corruption in Europe have been estimated at up to €56 billion per year or over 5% of national health budgets.

Key words: Fraud, Corruption, Waste, Health Spending

Introduction

Numerous studies have shown that across Europe health care costs are growing faster than the overall economy. In 2008, health care expenditure consumed slightly under 9% of GDP (Gross Domestic Product) in the European Union (EU) – over 1% above the health sector’s share of GDP a decade before. While much of this spending has gone towards necessary health care goods and services, a significant proportion – potentially up to 30% – may have been lost to wasteful spending. Perhaps at no other time in recent memory have citizens and politicians been so worried about wasting public funds. Particularly in countries implementing austerity measures following the global financial crisis, it is essential that public expenditure reaches those that it is intended to serve. While there are many types of waste in the health care system – including care that provides low value-for-money or unnecessary treatments – spending lost to fraud and corruption is most easily and universally characterised and agreed upon as gross misuse of funds. In this article, we aim to define fraud and corruption and describe why they are of such great concern to European health systems. We will then briefly discuss different types of fraud and corruption, including the issue of cross-border fraud which is a relatively new and perhaps under-discussed issue, and highlight the process by which countries can combat these sorts of activities.

Defining fraud and corruption

The importance of clear definitions of health care fraud and corruption has become increasingly evident for
it is essential that public expenditure reaches those it is intended to serve

In response, the Swiss Institute of Comparative Law conducted research in EU Member States, as well as Croatia and Turkey, to find common definitions of “civil fraud” and “corruption” that would be acceptable under all legal systems for the purpose of risk measurement in health care.

While they found that the legal systems of countries are heterogeneous, they were able to provide a common definition for civil fraud:

the use or presentation of false, incorrect or incomplete statements and/or documents, or the non-disclosure of information in violation of a legally enforceable obligation to disclose, having as its effect the misappropriation or wrongful retention of funds or property of others, or their misuse for purposes other than those specified.

Regarding corruption, the legal systems of these countries contain a provision explicitly forbidding corruption in the public sector. Corruption is best understood as practices by public officials that request or receive any undue advantages for themselves or a third party in order to exercise (or refrain from exercising) their official duties. Moreover, the laws of several but not all countries also specifically forbid corruption in the private sector, including private hospitals and insurance companies.

Even when fraud and corruption are well defined, grey areas which are left open to interpretation remain. For example, at what point should redundant performance of ineffective and expensive medical procedures be considered as fraudulent overconsumption? It is important, when measuring the extent of health care fraud and corruption, that a clear distinction between fraud, corruption and error and abuse is made. Even though error and abuse generate considerable financial losses in health care as well, they cannot be countered with the same legal enforcement procedures and should be tackled with different tools. As a result, they have so far only been tackled systematically amongst anti-fraud units.

How is the health care system susceptible to fraud and corruption?

The health care system is particularly vulnerable to fraud and corruption because of the often pluralistic or multidimensional set of payers, providers, and patients which operate to some extent at their own discretion, the large sums of money involved, and other system complexities, such as high decentralisation with limited oversight, which make it comparatively easy and appealing for offenders. For example, because the payer of health care is generally different from the recipient of services, there is no natural check on the actual provision of goods and services. The payer has no way of verifying that the service was provided and the consumer has no way of knowing if the insurance provider has billed for a service that the consumer did not receive.

Box 1: Focus on cross-border fraud

Cross-border health care fraud is a relatively unknown issue. The movement of patients or health care providers across borders and the subsequent transfer of services have the potential for fraud in a number of ways. On the one hand, there is the risk of fraud that already exists on a national level. For example, an uninsured patient may commit identity fraud in order to obtain reimbursement for health care that happened to be received and paid for abroad. Likewise, a GP may submit claims for treatment of foreign patients that never occurred. On the other hand, there is the fraud risk related to non-compliance with specific international rules regulating cross-border health care.

A good example of the latter is abuse of the European Health Insurance Card (EHIC) by patients who travel with the purpose of obtaining health care, when the EHIC only permits urgent and unplanned health care for those traveling abroad. Easy access to free medication or low-cost surgery has been found to be an incentive for foreign patients to travel to other countries to receive care. The counterfeit medicine market is also a typical and hard to tackle cross-border phenomenon that is made worse through internet sales.

According to one Report from 2000 to 2004, €2.5 billion related to cross-border care was left unpaid between Member States of the European Economic Area. Evidence from Belgium shows that many of these transfers involve fraud but are left undetected and/or unresolved. A EHFCN pilot study beginning in 2011 aims to map more accurately the occurrence and effect of fraud on cross-border health care in Europe.
Fraud and corruption activities can take place in any health care systems, however, particular institutional structures may make certain forms of fraud more or less attractive. For example, fee-for-service payment systems may incentivise providers to file claims for services that were not rendered in order to receive additional payments. The EHFCN has identified various types of fraud, which can be committed by the various stakeholders in the health sector.

"Each year €56 billion is lost due to health sector fraud"

**Patients**

Fraud committed by patients can be difficult to detect because it often involves small amounts of money. The proliferation of electronic health records and other data collection mechanisms has made it easier to spot potential outliers. One example is a patient in England who was sentenced to imprisonment for defrauding the National Health Service after falsely obtaining large amounts of the painkiller Co-Proxamol for illicit sale and consumption. Other examples include: claiming false exemption from prescription co-payments; falsely registering with a number of doctors to obtain prescriptions; trying to obtain refunds of medical costs that were never incurred; obtaining medication or narcotics by means of irregular procedures for consumption, drug trafficking or selling prescriptions; presenting false reports to obtain a disability allowance; using the identity of a registered patient in order to obtain health care benefits from a health insurer.

**Providers**

Providers may have many incentives and opportunities to exploit their position in the health system for illicit gain. Fraud from providers often falls into two categories, inappropriate billing or inappropriate care. Where the first category is relatively easy to detect and prove and requires no medical skills for investigators, the second category generally requires medical skills in order to build a strong case based on good medical practice and clinical guidelines. As mentioned earlier, these types of activities pertain to a vast grey zone of overconsumption that cannot be categorised as fraud _sensu stricto_.

Illicit provider activities can be uncovered by reviewing consultation registers and reviewing invoices in health insurance databases. Other actions such as upcoding patients into higher cost diagnosis-related groups (DRGs) for the purpose of receiving greater compensation in case-based payment systems is more complicated to expose and may require complex statistical models. One example of provider fraud concerns a Belgian dentist who stole €1 million and was sentenced to prison. Between 2000 and 2008, he falsely billed for expensive treatments for nearly 200 patients whose contact details he stole from a database he had had access to while working with two other dentists. Additionally, health care staff may claim payments or hours worked with no evidence that the work has been done, forge signatures in order to submit false invoices to support reimbursement requests, or work without having the proper qualifications.

**Suppliers of health care goods**

One example is a Spanish company that was found to be delivering inferior quality wheelchairs to patients at a discounted price, even though the wheelchairs did not match the brand that was ordered by doctors. The director of the company was found guilty of fraud, sentenced to imprisonment, and his contract with civil services was cancelled. Additionally he had to compensate the Catalonian Health Inspectorate for losses of €23,775.

**Corruption**

Health care stakeholders face a complex mix of incentives that can lead to corruption, which may include:

- _Embezzlement and theft_ from the health budget or other health funds. Medicines, medical supplies or equipment may also be stolen for personal use, use in private practice, or resale.
- _Corruption in procurement_. Engaging in collusion, bribes and kickbacks in procurement which may result in...
Table 1: Cases of suspected fraud identified in EHFCN survey, 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Suspicious cases</th>
<th>Cases investigated</th>
<th>Referred for prosecution</th>
<th>Successfully prosecuted</th>
<th>Pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>1,075</td>
<td>944</td>
<td>1/6</td>
<td>112</td>
<td>50</td>
</tr>
<tr>
<td>France</td>
<td>n/a</td>
<td>n/a</td>
<td>230</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Latvia</td>
<td>3</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2,884</td>
<td>2,884</td>
<td>&lt;20</td>
<td>&lt;5</td>
<td>n/a</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>18</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Norway</td>
<td>n/a</td>
<td>n/a</td>
<td>3</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>Portugal</td>
<td>38</td>
<td>38</td>
<td>38</td>
<td>6</td>
<td>n/a</td>
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<tr>
<td>Slovenia</td>
<td>170</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>4,188</td>
<td>3,875</td>
<td>&lt;489</td>
<td>&lt;125</td>
<td>84</td>
</tr>
</tbody>
</table>

Source: Reference 16. Note: n/a = Data not available.

overpayment for goods and contracted services, or in failure to enforce contractual standards for quality. In addition, hospital spending may include large investments in building construction and purchase of expensive technologies, areas of procurement that are particularly vulnerable to corruption.

- **Corruption in the pharmaceutical supply chain.** Products can be diverted or stolen at various points in the distribution system; officials may demand ‘fees’ for approving products or facilities, for clearing customs procedures or for setting prices; violations of industry marketing code practices may distort medical professionals’ prescribing practices; demands for favours may be placed on suppliers as a condition for prescribing medicines; and counterfeit or other forms of sub-standard medicines may be allowed to circulate.

- **Corruption at the point of health service delivery** can take many forms: extorting or accepting informal payments for services that are supposed to be provided free of charge; soliciting payments in exchange for special privileges or treatment; and extorting or accepting bribes to influence decisions on hiring staff licensing, accreditation or certification of facilities.

Some countries, like Serbia, have had significant problems with informal provider payments. Moreover, groups that officially should not pay user charges still pay for pharmaceuticals, disposable health care goods, and orthopaedic materials. In another example from Romania, the president of the Romanian National Agency for Medicines and Medical Devices, along with other well-known figures in the health care system, were recently accused of receiving bribes in exchange for allowing a drug distributor to continue its business after having its license withdrawn.

Criminals who have successfully committed and profited from fraud are sometimes detected through data analysis (e.g., reviewing payment data) or whistleblowing by others who are aware of the illegal activities. When a potential case of fraud is identified, law enforcement agents or the anti-fraud organisation itself then conduct an investigation to determine whether fraud has in fact occurred. After building a case, if the individual(s) involved are found to be guilty, they will often be fined and/or imprisoned. Ultimately, regulators will work to recover the funds that have been lost due to the illicit activities.

The level of fraud and corruption

The EHFCN has estimated that each year, €56 billion is needlessly lost in the EU due to health sector fraud (see Figure 2), the equivalent of approximately €80 million every day. A study based on six countries found that each year, the total resources lost to fraud amount to around 5.59% of national health care budgets. Moreover, according to an EHFCN survey in 2009, 4,188 instances of suspected fraud were identified in six countries, with the Netherlands and Belgium reporting the highest number of cases (see Table 1). Of those identified, a total of 3,875 (93%) cases were investigated further, resulting in 489 (11%) being referred for prosecution. Of those referred for prosecution, about one-quarter have been successfully prosecuted.

In terms of corruption, there are no exact figures available on its scale in health care in Europe. However, one EU funded research project assessing the nature and scale of informal payments in Eastern and Central European countries revealed that these could be as high as 40% of household income in countries such as Romania and Serbia.

Conclusions

Fraud and corruption in the health sector divert resources away from the
patient. Although their precise levels are unknown, fraud and corruption are tangible, definable and largely preventable factors contributing to excessive healthcare spending. There are steps that countries can take in order to identify areas most likely to experience fraud, prevent fraud from occurring, and reprimand those who commit fraudulent and corrupt practices.

Perhaps one of the largest barriers to discovering fraud is that it most often occurs in small amounts, which makes it easy for cases to go undetected. The proliferation of electronic health records and other registries has made it easier for organisations tasked with identifying fraud and corruption to identify and pursue offenders. Most often, such cases are discovered because they have been reported by concerned citizens. Ultimately, successful prosecution of guilty parties requires some sort of further investigation to build a case.

The presence of specific laws against fraud and corruption, as well as organisations dedicated to combating such activities, acts to some degree as a deterrent. Cooperation across countries to make certain that laws and regulations are created, followed and enforced is essential for combating fraud and ensuring the appropriate use of health care system resources.

References

1. Wi-0. NHA Indicators. At http://apps.who.int/nha/database/DataExplorer.aspx?d=1

The European Healthcare Fraud & Corruption Network (EHFCN)

EHFCN is the only European organisation dedicated to combating fraud and corruption in the health care sector across Europe. EHFCN was formally established in 2006 as a result of the first pan-European conference held in London in October 2004. Its foundations lie in the European Healthcare Fraud and Corruption Declaration agreed upon by its delegates. Today, the network represents eighteen member associations in twelve countries, which provide health care services to millions of people in Europe.

Annual health care spending across the European Union totals approximately one trillion Euros. It is estimated that approximately 56 billion Euros are lost every year to health care fraud and corruption. EHFCN’s primary objective is to reduce these unacceptable losses: lowering losses will help bring back money to health care services for the benefit of every patient.

EHFCN provides information, tools, training and assistance in fighting fraud and corruption as well as a platform for its members to exchange information and ideas. EHFCN is a not-for-profit organisation financed through subscription fees. Its members are health care and counter fraud organisations in Europe.

Additional information about the Network can be found at: http://www.ehfcn.org/