



Commonwealth of Massachusetts
Office of the State Auditor
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Making government work better

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Bureau of Special Investigations 2nd Quarter Report

Fiscal Year 2017

October 1, 2016 – December 31, 2016



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ABOUT THE BUREAU OF SPECIAL INVESTIGATIONS

As a part of the Office of the State Auditor, the Bureau of Special Investigations (BSI) is charged with investigating allegations of public assistance fraud throughout the Commonwealth. The diligent work of BSI investigators ensures taxpayer dollars used to fund Massachusetts' public benefits programs are managed effectively so that programs are available to residents who truly need them.

Under state law, BSI's investigative authority extends to any assistance program administered by the Department of Transitional Assistance (DTA), the Department of Children and Families¹ (DCF), and the Division of Medical Assistance (DMA), which administers MassHealth (the state's Medicaid program). Although not included in the BSI statute, BSI also works with the Department of Early Education and Care (EEC) through a Memorandum of Understanding. As a result of BSI's investigations, public assistance fraud cases are referred to agencies for administrative action, fraudulent overpayments are recovered through civil agreements, individuals are disqualified from programs for specified periods of time, and cases are prosecuted in state district or superior courts and the United States District Court for the District of Massachusetts. BSI recommends cases for prosecution based on the severity of fraud, the intent of the perpetrator, and the possibility for the case to serve as a deterrent to future fraud.

Working under Section 17 of Chapter 11 of the Massachusetts General Laws, BSI examiners operate from five offices across the Commonwealth. BSI consists of four separate investigative units: the Central Processing Unit, the MassHealth Unit, the Department of Transitional Assistance Unit, and the Data Analytics Unit. Each Unit is headed by an Assistant Director who reports to the Director of BSI. While each unit has its own specific concentration, there is extensive cross-unit collaboration, and investigations often involve overlap. BSI also participates in joint investigations and task forces with other state and federal agencies that focus on combating fraudulent activities throughout the Commonwealth.

This report, as statutorily required, summarizes BSI's work in the 2nd quarter of fiscal year 2017.

¹ The Department of Children and Families does not administer public assistance funding and therefore does not fall within the scope of BSI's investigative work.

EXECUTIVE SUMMARY

In the 2nd quarter of fiscal year 2017, the Bureau of Special Investigations (BSI) opened 1,441 new investigations, completed 1,444 total investigations, and identified fraud in 211 cases. BSI identified \$4,207,642.66 in public assistance fraud this quarter. The next section of this report includes a comprehensive breakdown of the fraud identified within each of the specific programs BSI is statutorily obligated to investigate.

BSI examiners filed three criminal complaints this quarter, all in Boston Municipal Court. Those cases that rose to criminal prosecution included an individual who misrepresented her household size and income to collect child care subsidies, an individual who failed to report that her spouse lived in the home to maximize cash and food stamp benefits, and an individual who falsely reported that she had no income to receive food stamp benefits.

BSI investigations this quarter also yielded referrals to the U.S. District Attorney and the Insurance Fraud Bureau of Massachusetts (IFB) for possible prosecution. While BSI has worked with the U.S. District Attorney before, this quarter marks BSI's first collaboration with IFB. IFB was created by the insurance industry and authorized by state statute to conduct criminal investigations of all lines of insurance fraud.

In addition, BSI entered into a repayment agreement with a subject who fraudulently received almost \$30,000 in child care subsidies through the Massachusetts Department of Early Education and Care (EEC) because she was misrepresenting her household income. The subject agreed to pay back the full amount.

BSI's Data Analytics Unit (DAU) continued its focus on creating internal referrals using data mining and analysis. This quarter, DAU analyzed time-based billing codes to identify MassHealth providers working "impossible days," or those claiming to work more than 14 hours in a single day. Further analysis of these providers led to four referrals to the Office of the State Auditor's Medicaid Audit Unit for further review.

In the course of its work, BSI investigators interacted with numerous state and federal agencies, including the United States Department of Agriculture, the United States Department of Health and Human Services, the Massachusetts' Office of the Inspector General, the United States Attorney, the Massachusetts Attorney General, District Attorneys, and local law enforcement. BSI's partnerships with these agencies are crucial to its efforts to ensure that public benefits programs operate with integrity and are available to the citizens of the Commonwealth who truly need them.

2nd QUARTER SUMMARY

Figure 1. Second Quarter Caseload by Referral Source

Caseload	EEC	MassHealth	DTA	Hotline	Other	Total
Beginning Balance	36	302	1,286	3	315	1,942
New Investigations	17	169	1,246	0	9	1,441
Total Completed Investigations	14	197	1,190	0	43	1,444
Completed w/ No Fraud	3	171	730	0	7	911
Completed w/ Identified Fraud	11	26	138	0	36	211
Completed as Potential IPV	0	0	322	0	0	322
Ending Balance	<u>39</u>	<u>274</u>	<u>1,342</u>	<u>3</u>	<u>281</u>	<u>1,939</u>

Figure 1 displays a breakdown of BSI's case numbers categorized by referral source for the 2nd quarter of FY17.

Identified Fraud Cases by Disposition

- Total Cases with Identified Fraud: 211
- Closed or Intentional Program Violation (IPV): 186
- Referred for Prosecution: 13
- Civil Recovery: 1
- Referred for Further Action: 11
- Warrant Issued: 0

BSI uses different disposition codes to categorize completed investigations: closed, IPV, referred for further action, referred for prosecution, civil recovery, and warrant issued.

- Closed cases include all investigations that were completed and closed by BSI, with or without identified fraud. In some instances, cases are closed not because there was no fraud present, but because BSI cannot obtain the necessary documents to substantiate the fraud or the individual was not receiving public assistance benefits during the period of allegation.

- An Intentional Program Violation, or IPV, is a case that is returned to the Department of Transitional Assistance (DTA), MassHealth, or the Department of Early Education and Care (EEC) to be handled administratively.
- Cases referred for prosecution are cases in which BSI examiners file criminal complaints against the subjects or the case has been referred to the Attorney General's Office, a District Attorney's Office, or a U.S. Attorney's Office.
- Civil recovery cases are resolved through an agreement in which the subject agrees to pay back part or all of the fraudulently obtained benefits to the Commonwealth.
- Cases referred for further action are completed cases with identified fraud that require management discussions to determine appropriate resolutions. The case will be referred for prosecution or civil recovery or will be returned to the appropriate agency for their administrative process, at which time the BSI status changes to completed and closed.
- A warrant is issued when BSI takes out a criminal complaint against a subject and they fail to show up for a hearing.

Figure 2. Summary of Cases with Identified Fraud

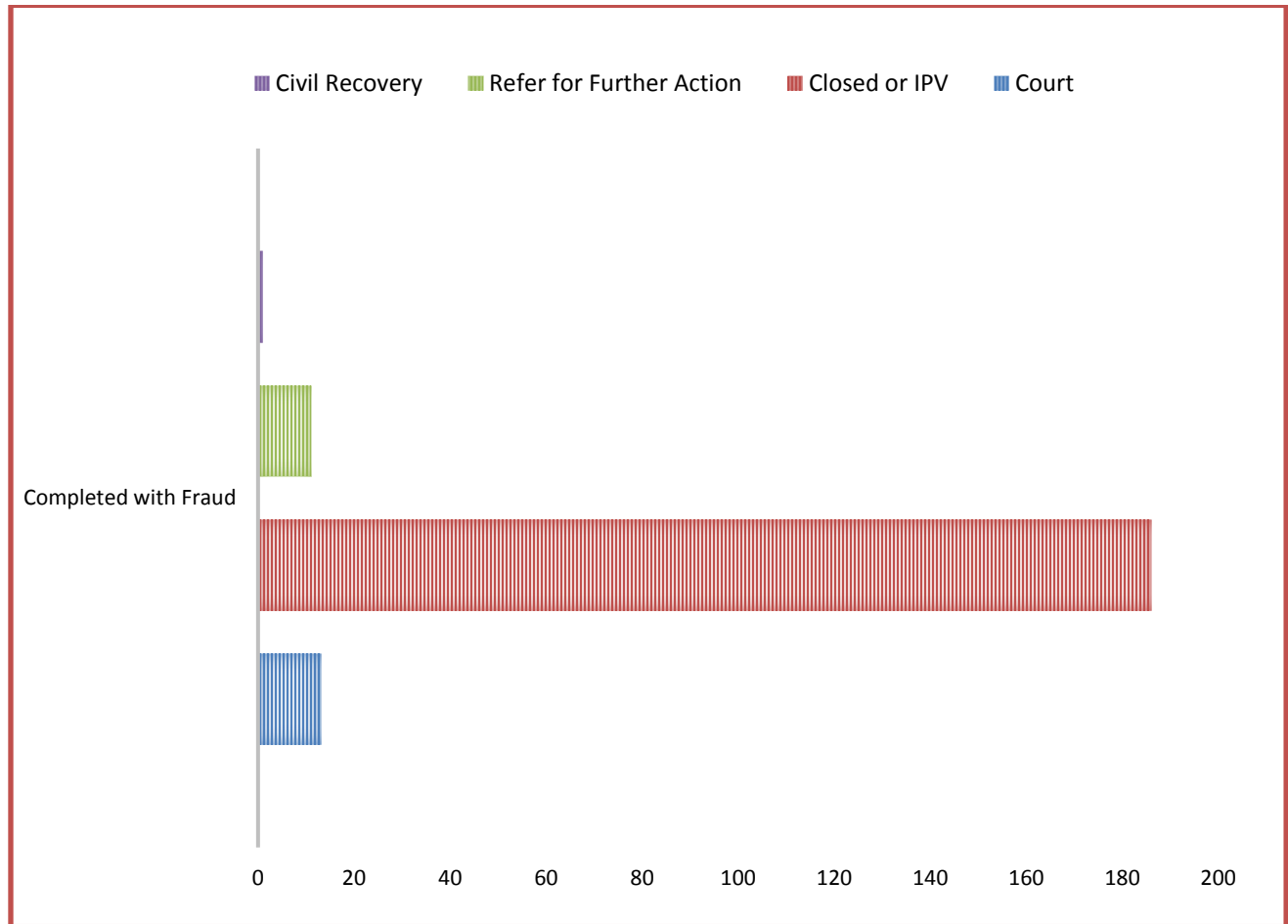


Figure 2 displays the four different dispositions of cases with identified fraud in the 2nd quarter of FY17, which included one civil recovery, 11 cases referred for further action, 186 cases closed or sent back to the originating agency as an IPV, and 13 cases designated for court.

Figure 3. Total Identified Fraud by Referral Source

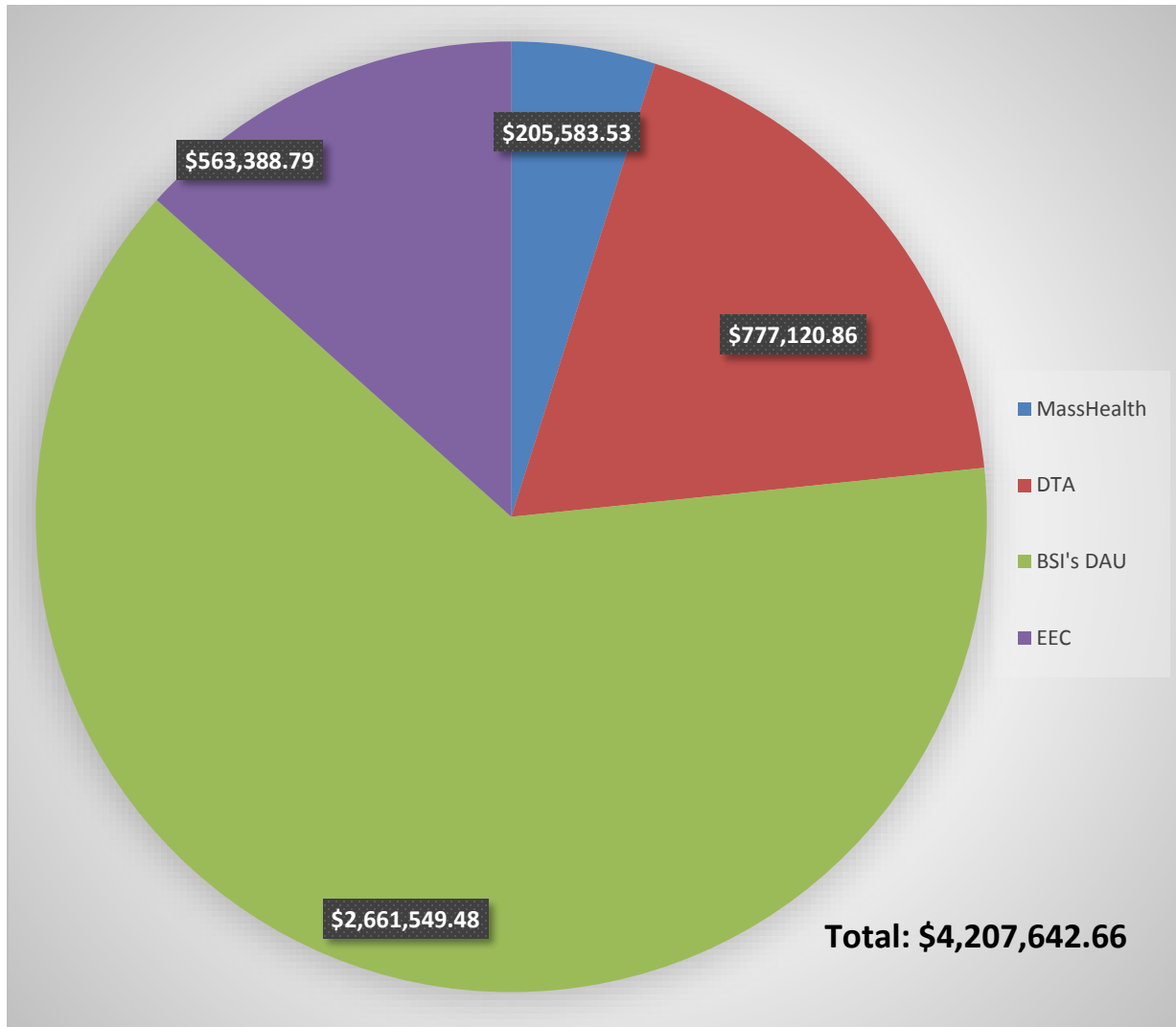


Figure 3 displays the total amount of fraud BSI identified in the 2nd quarter of FY17, organized by the referral source. For example, BSI identified \$777,120.86 in fraud as a result of referrals from the Department of Transitional Assistance. Referrals from BSI's DAU and EEC are investigated by the MassHealth Unit, DTA Unit, or DAU.

2nd QUARTER SUMMARY BY UNIT

Central Processing Unit

In the 2nd quarter of FY17, the Central Processing Unit (CPU) analyzed and reviewed a total of 1,441 referrals from various sources, including: the Department of Early Education and Care (EEC), the Department of Transitional Assistance (DTA), MassHealth, the Bureau of Special Investigation's (BSI) fraud hotline, BSI's Data Analytics Unit (DAU), and the U.S. Attorney's Public Assistance Task Force, of which BSI is a member. The breakdown of referrals that became investigations is below (only referrals that can meet basic requirements become new investigations):

- EEC: 17
- MassHealth: 206
- DTA: 1,246
- BSI's Data Analytics Unit: 4
- U.S. Attorney's Public Assistance Task force: 5

After conducting preliminary analysis, CPU identified 323 DTA referrals as potential Intentional Program Violation (IPV) cases that were sent back to DTA for them to handle administratively.

MassHealth Unit

During the 2nd quarter of FY17, 198 new cases were assigned to the MassHealth Unit. The Unit completed 94 investigations and identified \$320,990 in fraud this quarter. Of the 94 cases completed, 55 had a finding of identified fraud.

The MassHealth Unit completed four investigations of cases involving EEC for an identified fraud amount of just over \$200,000. Currently, the Unit has eight ongoing EEC investigations. Because BSI does not have a unit specifically devoted to EEC cases, EEC referrals are assigned to both the MassHealth Unit and the Department of Transitional Assistance Unit for investigation. EEC cases with a MassHealth fraud component are investigated by the MassHealth Unit.

The Unit also completed 27 Personal Care Attendant (PCA) and Long Term Care overlap cases resulting from internal referrals from BSI's DAU last fiscal year, identifying \$104,416 in fraud. Commonwealth of Massachusetts Regulations clearly state PCA services cannot overlap with services provided to a

MassHealth member while the member is a resident of a nursing facility or other long term inpatient facility.

The MassHealth Unit also has three ongoing cases and two completed investigations that are going to be filed in District Court. The subjects of these cases are alleged to be residing outside the Commonwealth while receiving MassHealth benefits.

Department of Transitional Assistance Unit

For the 2nd quarter of FY17, the DTA Unit completed 1,246 cases and identified \$1,362,049 in fraud. Of the cases completed, 151 had identified fraud. Many cases have overlapping instances of fraud. For example, an individual could have been fraudulently receiving both Supplemental Nutritional Assistance Program (SNAP) and Transitional Assistance for Families with Dependent Children (TAFDC) benefits. The cases with identified fraud are described below:

- 138 SNAP, also known as food stamps, cases
- 43 TAFDC benefit cases
- 10 cases involving a MassHealth component
- 3 Emergency Aid for the Elderly, Disabled and Children benefit cases
- 10 EEC cases

A DTA Unit examiner also negotiated a repayment agreement with the subject of an EEC case totaling \$29,929 in fraud. The case involved a subject who did not report their spouse was employed and residing in the family home. The subject agreed to make payments of \$831 per month until the total amount was repaid over a three year period. This is the first repayment agreement BSI has entered into with a subject involving EEC fraud since formally engaging in an Inter-Service Agreement with the agency in July of 2015.

Data Analytics Unit

During the 2nd quarter of FY17, DAU created four referrals using data mining and analysis. These referrals were generated from an analysis of MassHealth claims focusing on high usage of time-based codes to determine if providers worked an “impossible” number of hours in a day, which was defined as over 14 hours in a single day. After an analysis of the results, DAU identified four providers with \$189,000 in potentially fraudulent claims. The providers were referred to the Office of the State Auditor’s Medicaid

Audit Unit as potential MassHealth provider audits. The referrals are currently under review and are in consideration to become audit topics.

DAU received a new referral from the U.S. Attorney's Public Assistance Task Force this quarter. A case was opened on the subject, who allegedly used a false identity to receive benefits.

DAU is also currently engaged in a joint investigation with the Social Security Administration's Office of Inspector General involving an individual receiving Social Security benefits as well as state benefits while allegedly misrepresenting her household size and income. This case was presented to the U.S. Attorney for potential prosecution, and is awaiting their decision.

NOTABLE BSI ACTIVITY

BSI Investigation of MassHealth Dental Provider Yields Referral to Insurance Fraud Bureau

BSI's Data Analytics Unit (DAU) received a referral of possible fraudulent activity by a MassHealth dental provider in the first quarter of FY17. The complaint was filed by an individual who claimed to be a patient of the dentist's and alleged a litany of charges, including unnecessary procedures, overbilling, adding false procedures to claims, use of intimidation tactics, and unwillingness to provide patient's medical documentation to insurers. DAU performed an analysis of the MassHealth claims and conducted a preliminary investigation of the dental provider, which involved conducting interviews with other patients and obtaining corroboration of some of the claims. DAU also learned that the claim involved private insurance companies, and therefore the case was referred to the Insurance Fraud Bureau of Massachusetts, the agency that handles private insurance fraud claims. The case is currently ongoing.

Subject of BSI Investigation Indicted in Essex Superior Court Again

The subject of a BSI investigation that was criminally charged by the Attorney General's Office (AGO) last fiscal year was recently indicted again in Essex Superior Court, this time for obstruction of justice. The original case alleged the Haverhill woman fraudulently submitted false timesheets and billed MassHealth \$60,000 for Personal Care Attendant (PCA) services that she never provided. After she was initially indicted on the charges stemming from alleged PCA fraud, the AGO's office alleges she sent harassing text messages to key witnesses and asked a witness to draft false statements with the intent to impede the ongoing criminal prosecution. She was arraigned on the obstruction charges in Essex Superior Court.

Taunton Woman Fraudulently Collecting SNAP benefits for Four Years

A BSI investigation found that a Taunton woman fraudulently collected \$18,000 in Supplemental Nutritional Assistance Program benefits from 2008 to 2012. BSI gathered evidence indicating that the woman failed to truthfully report that her husband was residing in her home and was gainfully employed. She signed several Department of Transitional Assistance applications, under the penalty of perjury,

reporting that her household consisted of only her two children and herself. BSI examiners filed a criminal complaint in Boston Municipal Court charging her with larceny over \$250 and public assistance fraud.

BSI Director Speaks at New England Audit Conference Forum

BSI Director Allie Alland gave a presentation on data analytics and fraud at the New England Intergovernmental Audit Forum, which was held in Kennebunkport, Maine on November 3 and 4, 2016. Auditor Suzanne Bump, along with auditors and audit staff from state agencies across New England, attended the conference. The presentation, entitled “Data Analytics: Investigating Public Assistance Fraud and an Overview of the Attorney General’s Opioid Task Force Use of Data Analytics,” focused on sharing the innovative data analytics techniques BSI is using to identify fraud in the Commonwealth and ways these techniques could transfer to other areas of government.

While the bulk of cases BSI investigates are referred from state agencies and law enforcement, the general public also plays a vital role in reporting fraud. The State Auditor’s Office has an online form to report public assistance fraud. Citizens can also use BSI’s fraud reporting hotline: (617) 727-6771. All complaints are kept confidential.