

HEMIC CONNECTION

WORKERS' COMPENSATION RESOURCE FOR HAWAII EMPLOYERS / VOLUME 1 NUMBER 1

What Is
Claim Fraud?

What To Do
When You
Suspect Fraud.

How Do You
Prevent It?



The Fight Against Fraud

PRESIDENT'S MESSAGE



We welcome you to our first issue of HEMIC Connection with a topic that's hot on everyone's mind: workers' compensation fraud.

Fraud takes many forms and can be committed by virtually any stakeholder in the workers' compensation system. Fraudulent claims place a tremendous burden on businesses in the form of higher premiums, low employee morale, and reduced production. But the negative impact of fraud does not limit itself to the individual company. It affects the entire business community.

What can we do about it? Our weapon is education. In this issue, we focus on claim fraud, with effective methods on how to identify and report suspected fraudulent workers' compensation claims. Later issues of HEMIC Connection will feature equally important topics such as workplace safety, workplace violence, timely return to work and premium fraud, to name just a few.

In short, we see HEMIC CONNECTION as a tool—your weapon against higher premiums. By helping you create a safer, more productive work environment, we positively affect your insurance and your pocketbook. Together, we can make Hawaii a better place in which to work.

HEMIC Connection is provided as a service for our members, and as such, we welcome your suggestions for topics of interests. We also invite you to share this publication with others, and will gladly furnish additional copies upon request.

So with these thoughts in mind, we hope that you find this issue informative. If you have questions regarding workers' compensation fraud, please contact your agent, or the HEMIC fraud hotline at 522-5279 on Oahu, or 1-888-522-5295 toll-free on the neighbor islands.

SINCERELY,

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QUESTIONS & COMMENTS

Are there questions and ideas you'd like to share? Please write us at HEMIC-Connection P.O. Box 3376, Honolulu, Hawaii 96801 or send e-mail to info@hemic.com.

What is Claim Fraud?

Claim fraud occurs when an employee deliberately misrepresents or fails to disclose material facts of an injury and receives workers' compensation benefits to which he or she is not entitled.

Fraudulent claims typically arise from:

- Deliberate injury
- Faked or exaggerated injury
- Malingering
- Multiple claims involving aliases
- Non-work injury reported as job-related
- Misrepresentation of wage loss
- Working for another employer while collecting temporary total income benefits

Claim fraud is difficult to prosecute because, generally speaking, intent must be demonstrated. In other words, the prosecutor must



demonstrate that the employee knew, or should have known, that he/she was defrauding the system. For that reason, suspected claim fraud must be thoroughly investigated before charges will be filed.

In Hawai'i, workers' compensation fraud may be prosecuted under the workers' compensation fraud statute or as a theft crime. Under the workers' compensation fraud statute, fraud of more than \$2,000 is a Class

"C" felony. Convicted offenders may be ordered to pay restitution, fined and imprisoned, depending on the severity of the offense. Alternatively, administrative penalties may be pursued through the Hawaii Department of Labor & Industrial Relations. HEMIC refers suspected fraud cases for either prosecution or administrative action depending upon the nature and magnitude of the suspected offense.

Ask HEMIC

One of my employees said he hurt his back a little while lifting a box. He doesn't need to see a doctor and doesn't expect to lose any work time. Should I report this to HEMIC?

Absolutely. All injuries should be reported within 24 hours, regardless of their perceived seriousness. Prompt reporting of such incidents protects both the employee and employer in the event the injury is more severe than first thought.

Got a question about workers' compensation? Write to "ASK HEMIC?" at HEMIC at 1132 Bishop Street, Suite 1660, Honolulu, Hawai'i 96813, or e-mail your question to tnishioka@hemic.com

What to do when you suspect fraud.

You heard a rumor. You got a tip. Or you noticed something that made you wonder whether an employee's claim is a bum steer.

The primary precaution is the common sense need to be discreet so you don't alert the suspected employee before your suspicion is investigated. There are two important reasons for discretion. First, many injuries that appear suspicious are proved legitimate after thorough investigation. Keeping your suspicions confidential protects your employee from unnecessary embarrassment and stress. Second, once a dishonest employee is aware of your suspicion, he/she is more difficult to catch. Appropriate action on your part protects innocent employees and makes it easier to catch those who are guilty.

When you suspect fraud:
If the injury or the circumstances surround-

ing the incident arouse your suspicions, explain them on a separate sheet of paper, and attach the sheet to your First Report of Injury.

WARNING: Never express your suspicions directly on your First Report of Injury. By law, HEMIC must send a copy of the First Report of Injury to the claimant. So put your suspicions on a separate, attached sheet. Or call your claim representative. Details are important. The more the investigator has to work with, the faster and more effective the investigation will be.

If you've already filed a First Report of Injury and later come across some information that raises your suspicions, call your claim representative or HEMIC's confidential Fraud Hotline on Oahu: 522-5279. From the Neighbor Islands Toll Free: 1-888-522-5295.



S I X W A Y S
Y O U C A N
P R E V E N T
F R A U D

You can take steps to prevent or minimize workers' compensation fraud among your employees. They cost you nothing except effort.

tolerance for workers' compensation fraud.

Depending on your work environment, you might want to post a notice saying something like:

"Workers' compensation fraud is a punishable crime. Our organization and our insurer have a 'zero tolerance' policy for fraud. Offenders will be prosecuted."

If you think you see fraud happening, call the HEMIC Fraud Hotline on Oahu: 522-5279, or 1-888-522-5295 toll-free from the neighbor islands. Your tip will be investigated and kept strictly confidential."

A posted notice can also be especially effective in special situations where the likelihood of fraud typically increases, such as prior to a layoff or strike, after a questionable claim has been reported, following the completion of a big project or after seasonal employment ends.

However, it is important that your fraud statement does not discourage employees from reporting legitimate injuries.

3 Develop a no-tolerance approach
Your organization should already have a policy of encouraging employees to report injuries and to do so promptly. You can incorporate into that a statement expressing your organization's intoler-

ance for fraudulent reporting.

4 Know the warning signs.

Fraud is known to have a greater likelihood of occurring under certain circumstances. Know what those circumstances are and watch out for them.

5 Keep your eyes and ears open.

Document rumors and observations. These will most likely be the things that you hear and see at your workplace, but they could come from outside the workplace, too. You might hear something at a social gathering, or a "friend of a friend" might happen to pass along a tip, or you might happen to see the "bedridden" employee working, say with a house painting crew.

6 Let HEMIC do its job.

Don't try to investigate a suspicious claim yourself or try to build a case by talking with others. Your role is to let HEMIC know about your suspicions: what you know, what you've heard, what you've seen. Tactfully building a fraud case is the job of HEMIC's experienced investigators, local, state and federal authorities.

At HEMIC, our goal is to help injured workers return to work quickly and safely while deterring those who are not injured from abusing compensation benefits.

1 Follow good employment practices.

Show fairness, respect and concern for your employees. This includes respect and support for the legitimately injured. Good relations help deter bad behavior.

Pay attention, especially to employees who are unhappy, such as those facing a layoff.

Keep employee's addresses, phone numbers and personal information current. Besides getting important claims-related information to the right address, current information facilitates effective claim investigation.

Conduct exit interviews. Document that the employee is leaving without injury.

2 Communicate with employees

Let your employees know that you value them. Help them understand how workers' compensation protects them from legitimate work injuries, and how fraudulent claims hurt every employee. Let them know that you and your insurer have no

Keep your ear to the ground. If you learn that the claimant is involved in inappropriate activities either inside or outside your workplace, notify your claim representative. Think about co-workers the claimant confides in: Which of those co-workers would tell the truth if asked, as well as keep a conversation with HEMIC investigators confidential? Pass the name along to your claim representative so HEMIC can follow up. HEMIC will begin surveillance when there is a reasonable likelihood that claim fraud has occurred.

Remember, most employees are honest and most claims are legitimate. It is just as important to verify the legitimacy of a claim as it is to confirm fraud.

Fraud Warning Signs



Watch for these warning signs.

Especially in combination, they are the most typical characteristics of fraudulent claims, although legitimate claims may have them too.

Understanding the warning signs can help you in two ways:

If an injury is reported to you by an employee who fits these characteristics, you should be particularly alert to rumors or other possible reasons for suspecting the claim may be fraudulent.

You may also be able to take special advance precautions with certain employees, such as those facing layoffs, so that they don't take the step of filing fraudulent claims.

If you have a claimant with any of these characteristics, or have reason to believe they may exist, be sure to alert your HEMIC representative by telephone or by attaching a note to your First Report of Injury.

Look for these signs

THE EMPLOYER

- Is cutting back hours or downsizing and laying off employees
- Notified employee of poor performance, tardiness, etc.

THE EMPLOYEE

- Is involved in seasonal work that is about to end
- Has taken unexplained or excessive time off prior to claimed injury
- Is disgruntled, soon to retire, or facing imminent firing or layoff
- Is experiencing financial difficulties
- Has a history of drug or alcohol abuse
- Has other family members who receive workers' compensation or unemployment benefits
- Has a history of filing questionable claims over the years

- Is unusually familiar with workers' compensation procedures and laws
- Is never home, or the spouse or relative always calls in
- Participates in contact sports or other activities where he or she could easily get hurt

THE INJURY

- Occurred late Friday or early Monday
- Occurred just before or after a holiday
- Was not witnessed
- Occurred in an area where the employee does not work
- Is vague or the details are contradictory
- Is described in different, possibly conflicting ways—one way to the employer and another way to the doctor and still another way later on after the First Report was filed
- Is rumored to have never really occurred or to have occurred off work

Why does HEMIC place such emphasis on fraud prevention?

Fraud hurts honest employers and employees. Every time an employer or employee cheats the workers' compensation system, honest employers pay the bill. Many people think they are cheating some big insurance company. However, fraud costs are passed on to employers as part of the premium they pay. Every dollar that the employer wastes because of workers' compensation fraud is a dollar that could be used to make workplaces safer, improve employee benefits or wages, hire more employees, or just survive and compete in a competitive economy.

Fraud can be contagious. If an employer loses a bid to a competitor who cheats, that employer is tempted to follow suit. When a hard working employee sees a fellow employee getting paid for faking or exaggerating an injury, the employee is tempted to do the same thing. Fortunately, most employers and employees resist the temptation. Some even become part of the solution by reporting suspected fraud.



Integrity is one of the enduring core values that guide the Hawaii Employers' Mutual Insurance Company. Allowing people to cheat, just because it is difficult to prove and prosecute, goes against our basic principles. By fighting fraud, we catch some cheaters and deter others who may, otherwise, be tempted. We also give hope to honest employers and employees who are looking for support, not excuses, from their insurer.

HEMIC alerts employers to workers' compensation fraud through an on-going educational media campaign.



HEMIC FRAUD HOTLINE

If you suspect an employee or co-worker is receiving workers' compensation benefits due to a fraudulent claim, call the hotline today. All calls are strictly confidential.

On Oahu Call
522-5279

Neighbor Islands Toll Free
1-888-522-5295

**Protect your business and your employees.
Report all injuries within 24-hours.**



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