



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

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Bureau of Special Investigations 1st Quarter Report

Fiscal Year 2017

July 1, 2016 – September 30, 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 used 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 1st 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 1st quarter of fiscal year 2017 (FY17), the Bureau of Special Investigations (BSI) opened 1,761 new investigations, completed 2,194 total investigations, and identified fraud in 298 cases. BSI identified \$4,804,455 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 investigates.

Examiners filed three criminal complaints this quarter: two in Boston Municipal Court and one in Eastern Hampshire District Court. The cases that were criminally charged included a woman fraudulently collecting three different types of public assistance, a woman collecting benefits for a child of whom she did not have custody, and a man collecting MassHealth benefits under a stolen identity. Also this quarter, the subject of a BSI investigation pleaded guilty in U.S. District Court to identity theft and theft of social security benefits.

BSI's Data Analytics Unit continued its focus on identifying MassHealth providers participating in fraudulent activity and as a result, uncovered an Adult Day Health facility in violation of Massachusetts regulations. This investigation identified over two million dollars in fraudulent payments to the providers. The case has been referred to the U.S. Department of Health and Human Services, Office of Inspector General for criminal prosecution.

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.

1st QUARTER SUMMARY

Figure 1. First Quarter Caseload by Referral Source

Caseload	EEC	MassHealth	DTA	Hotline	Other	Total
Beginning Balance	34	302	1,668	2	369	2,375
New Investigations	13	286	1,456	3	3	1,761
Total Completed Investigations	11	286	1,838	2	57	2,194
Completed w/ No Fraud	6	233	964	1	8	1,212
Completed w/ Identified Fraud	5	51	192	1	49	298
Completed as Potential IPV	0	2	682	0	0	684
Ending Balance	<u>36</u>	<u>302</u>	<u>1,286</u>	<u>3</u>	<u>315</u>	<u>1,942</u>

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

Identified Fraud Cases by Disposition

- Total Cases with Identified Fraud: 298
- Closed or Intentional Program Violation (IPV): 276
- Referred for Prosecution: 14
- Civil Recovery: 2
- Referred for Further Action: 6
- 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

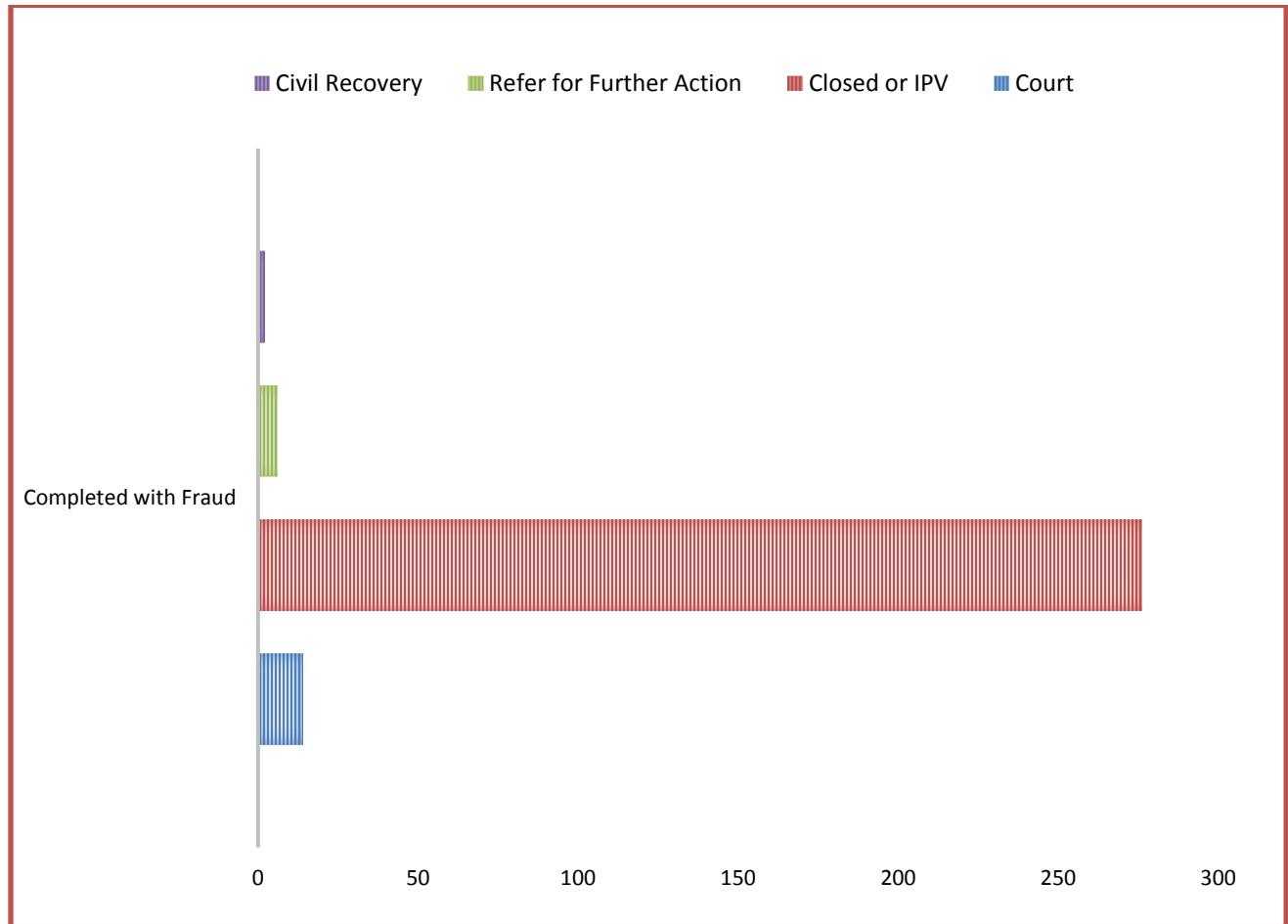


Figure 2 displays the four different dispositions of cases with identified fraud in the 1st quarter of FY17, which included two civil recoveries, six cases referred for further action, 276 cases closed or sent back to the originating agency as an IPV, and 14 cases designated for court.

Figure 3. Total Identified Fraud by Referral Source

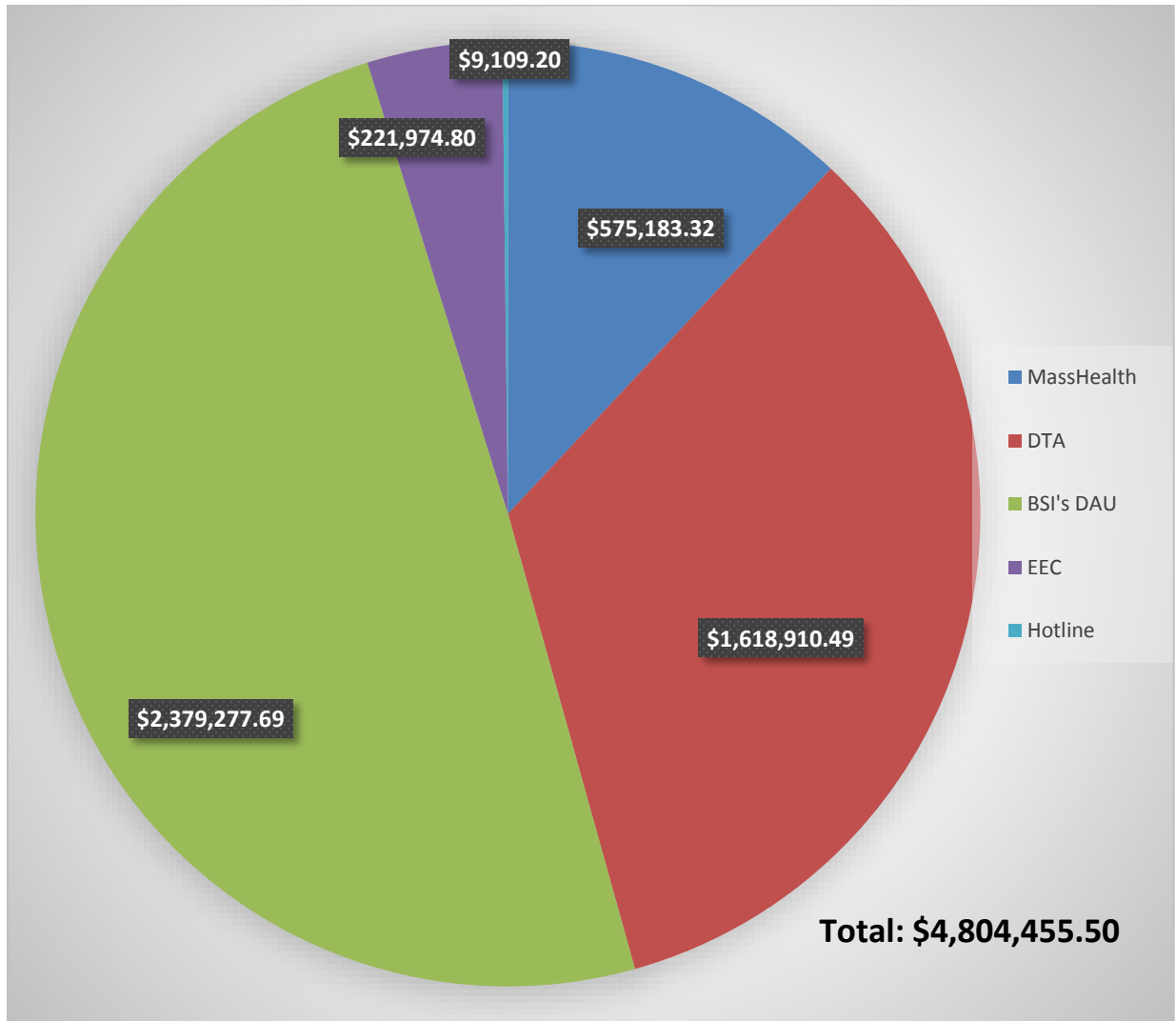


Figure 3 displays the total amount of fraud BSI identified in the 1st quarter of FY17, organized by the referral source. For example, BSI identified \$1,618,910.49 in fraud as a result of referrals from the Department of Transitional Assistance (DTA).

1st QUARTER SUMMARY BY UNIT

Central Processing Unit

In the 1st quarter of Fiscal Year 2017 (FY17), the Central Processing Unit (CPU) received, analyzed, and reviewed a total of 1,955 referrals from various sources, including: the Department of Early Education and Care (EEC), MassHealth, the Department of Transitional Assistance (DTA), the Bureau of Special Investigations (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: 13
- MassHealth: 286
- DTA: 1,456
- Hotline: 3
- BSI's Data Analytics Unit: 1
- U.S. Attorney's Public Assistance Task Force: 2

DTA referred 1,690 cases to BSI; however, after conducting preliminary analysis, CPU identified 651 of the referrals as potential Intentional Program Violation (IPV) cases that were sent back to DTA to be handled administratively.

MassHealth Unit

During the 1st quarter of FY17, the MassHealth Unit identified \$815,258.27 in fraud and completed 165 investigations, which resulted from referrals from MassHealth and other sources such as BSI's Data Analytics Unit and EEC. Of the 165 completed cases, fraud was identified in 95.

As BSI enters its second year working with EEC, fraud referrals from EEC have increased and the MassHealth Unit is taking on a larger EEC caseload. The Unit has 12 open EEC cases and completed five EEC investigations this quarter.

The Unit is also undertaking an initiative to focus on cases involving individuals residing outside of Massachusetts while receiving MassHealth benefits. To date, this initiative has successfully identified fraud in two such cases, totaling approximately \$38,000 and \$27,000, respectfully, in wrongfully obtained

benefits. The Unit has several more ongoing investigations of out of state recipients that it will pursue in the next quarter.

The Unit also continued its investigation of DAU's referrals from last quarter involving Personal Care Attendant (PCA) and Long Term Care (LTC) overlap. In the 4th quarter of FY16, DAU referred over 2,000 allegations of fraudulent MassHealth consumers to BSI's Central Processing Unit for preliminary analysis and case creation based on overlapping MassHealth PCA and LTC claims. Commonwealth of Massachusetts Regulations clearly state that PCA services cannot overlap with services provided to a MassHealth member while the member is a resident of a nursing facility or other inpatient facility.

Department of Transitional Assistance Unit

For the 1st quarter of FY17, the DTA Unit completed 202 cases with identified fraud, as described below. Many cases have overlapping instances of fraud. For example, someone may be fraudulently receiving both SNAP and TAFDC benefits.

- 185 Supplemental Nutritional Assistance Program (SNAP, also known as food stamps) cases
- 55 Transitional Assistance for Families with Dependent Children (TAFDC) benefit cases
- 25 cases involving a MassHealth component
- 12 Emergency Aid for the Elderly, Disabled and Children (EAEDC) benefit cases
- 6 Early Education and Child Care (EEC) cases

DTA Unit investigations identified approximately \$1.9 million in fraud this quarter. DTA Unit investigations resulted in BSI examiners filing three criminal complaints this quarter: two in Boston Municipal Court and one in Eastern Hampshire District Court. These cases are all still pending in their respective courts.

Data Analytics Unit

Approximately 49 cases resulting from DAU's internal referrals in the 4th quarter of FY16 were completed this quarter. Most of these cases involved MassHealth's Personal Care Assistant (PCA) high-earner list. PCA high-earner cases are those with subjects earning significant income as a PCA while also receiving public assistance benefits and not reporting the PCA income on eligibility applications. DAU created these referrals by designing an algorithm that identified high earning PCAs that were also on public assistance.

DAU staff continued extensive training programs this quarter to further bolster the Unit's robust data mining skills and technical abilities. For example, DAU fraud examiners attended a National Health Care

Anti-Fraud Association (NHCAA) conference on the trending issues in health care fraud and an NHCAA webinar, *Using Data in Investigations*. Staff also gained access to a new task management software and was trained and coached in the values and principles of the framework. The Office of the State Auditor's IT Department also provided the Unit with a weeklong training on data visualization and discovery applications.

NOTABLE BSI ACTIVITY

BSI Investigation of Adult Day Health Provider Finds Over \$2 Million in Fraudulent Payments

During the 1st quarter of FY17, BSI's Data Analytics Unit (DAU) identified an Adult Day Health facility violating state regulation by billing MassHealth for services even though they were already receiving federal funding to provide long term care to those individuals. This investigation resulted in finding \$2,049,185.00 in fraudulent Medicaid payments made to the facility and referring for prosecution. DAU concluded that the facility received improper payments over an eight-year period from 2006 to 2014. The case has been referred to the U.S. Department of Health and Human Services, Office of Inspector General (HHS OIG) for criminal prosecution. The case is currently an open investigation under the HHS OIG.

Man Collecting MassHealth Benefits under False Identity

Acting on a referral from a Suffolk County Superior Court Assistant District Attorney, who was investigating a case of an individual obtaining a false license and committing forgery, a BSI investigation found that the same individual was collecting MassHealth benefits under a false identity from 2010 to 2016. The man whose identity the subject was using became aware of the scheme when the United States Department of Veterans Affairs denied him benefits for being incarcerated in Massachusetts when he was not in fact incarcerated. BSI examiners filed a criminal complaint on the subject in Boston Municipal Court, charging him with larceny over \$250 and false statements to procure medical assistance. The subject was arraigned on September 15, 2016.

Revere Woman Fraudulently Collecting SNAP, EEC, and MassHealth Benefits

A BSI investigation found that a Revere woman was providing false information to three separate public assistance agencies to receive benefits. The woman received Department of Early Education and Care (EEC), MassHealth, and Supplemental Nutritional Assistance Program (SNAP) benefits from 2008 to 2016, totalling over \$62,000. Evidence gathered by BSI shows that she failed to disclose her income to the Department of Transitional Assistance (DTA) and MassHealth, and further, that she withheld from DTA and EEC that her children's father lived in the home and was employed. If disclosed, these circumstances would have made her partially or fully ineligible for the benefits she was receiving. The woman also waived

her employer-sponsored health insurance in order to obtain free coverage through MassHealth for her and her children. BSI examiners filed a criminal complaint against the woman in Boston Municipal Court on September 20, 2016, charging her with larceny over \$250 and false representations to procure welfare.

Subject of BSI Investigation Pleads Guilty in U.S. District Court

On September 9, 2016, Fall River resident Sandra McDonald pleaded guilty in U.S. District Court for the District of Massachusetts to, among other charges, two counts of theft of public money, and misrepresenting a social security number. McDonald used her sister's identity to receive approximately \$140,000 in Social Security Supplemental Security Income benefits and almost \$30,000 in MassHealth benefits for over a decade. McDonald was also using the identities of two other women to obtain a passport and a Massachusetts driver's license. On December 20, 2016, U.S. District Court Judge Denise J. Casper sentenced McDonald to 27 months in prison, three years of supervised release, and restitution in the amount of \$297,709, which will be split between the Social Security Administration, the Massachusetts State Supplemental Program, MassHealth, and the Massachusetts Department of Transitional Assistance.

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.