



Case Study

76% Improvement in Fraud Investigations Worth \$26 Million per Year

The Opportunity

A major insurance company estimated that it pays approximately \$250 million annually in fraudulent medical claims and an additional \$200 million annually in fraudulent property damage claims. A special investigation unit (SIU) had been established to handle potentially fraudulent claims, but progress was slow because claims representatives would send nearly all cases to the SIU regardless of whether fraud was likely. Additionally, industry standard guidelines for verifying fraud were vague, lessening the chance of fraud verification should the case be opened by the SIU. What the claims representatives needed was referral criteria that were easy to use, could be consistently applied, and, when implemented, would help better identify potentially fraudulent cases. The net result would be a decrease in overall numbers of cases submitted to the SIU, and an increase in the success rate of opening those cases in which fraud was suspected.

The Approach

The company firmly believed that the powerful MVT™ process offered by QualPro would generate the needed criteria. Because clear, concise operational definitions and key measures did not exist within the industry, they had to be created. The company chose percentage of referrals successfully identified as fraudulent for the key measure and developed appropriate operational definitions and measurement systems.

The Test

Following an introductory workshop, the participants quickly generated nearly 100 ideas to potentially increase successful referral rates. The ideas were categorized based on their being practical, fast, and cost free, and the final list was reduced to 15 ideas, which were tested in 32 corporate offices nationwide.

<i>Idea</i>	<i>Old</i>	<i>New</i>
Fire Handling Investigation	No	Yes
Witness Statements	Accept	Investigate
Unidentified Vehicles Investigation	No	Yes
Database Checks	No	Yes
Review Suspicious Identification	No	Yes
Backdate Investigation	No	Yes
Suspicious Recovery	No	Yes
Evidence of Tampering	Not consider	Consider
Parts	Not consider	Consider
Previous Mechanical Problems	No	Yes
Interview Repair Provider	No	Verify
Compare to Similar Incidents	No	Yes
Unrelated Occupants in Accident	No	Yes
Theft of Evidence	Not consider	Consider
Late Report	No	Yes

The Results

The company analyzed the results of the study and identified six ideas which helped increase the success rate of referral cases opened by the SIU. Investigating when witness statements were inconsistent showed a large rate of improvement. Also, consideration of breaking equipment into parts, investigation of evidence being tampered with, verification that repairs were performed and comparing to similar incidents all yielded significant improvement.

When fully implemented, these six ideas decreased the number of cases referred to the SIU, yielding a 76% improvement in the SIU success rate and a \$26 million annual savings.