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Utah lawmakers hear allegations of horrific health-insurance fraud at treatment centers

Substance-abuse facilities • Investigator tells Utah lawmakers fraudulent bills sent to insurance companies add up to tens of millions of dollars statewide.

By Robert Gehrke And Kristen Moulton The Salt Lake Tribune

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Fly-by-night substance-abuse treatment centers are cashing in on tens of millions of dollars in fraudulent billings, shopping for patients — sometimes even importing them from out of state — and in some instances providing no care or treatment, a Utah legislative committee was told Thursday.

In some cases, owners of facilities were sleeping with patients; in others, they were drinking or doing drugs with those in treatment, a former manager of one treatment center told lawmakers.

Patients were listed as living in the homes of employees and in some cases actually slept on employees' couches while the treatment center collected insurance checks for the substance-abuse treatment.

The insurance companies apparently targeted most were Regence Blue Cross Blue Shield and BridgeSpan, sister companies both owned by Cambia Health Solutions.

"We were targeted because of our out-of-network benefit," said Randy Maurer, an investigator for Cambia.

House Majority Leader Jim Dunnigan, R-Taylorsville, asked Maurer how much the fraud was costing the insurance companies.

"It's in the tens of millions for the last year alone," Maurer said.

"Just in Utah?" Dunnigan asked incredulously.

"Just in Utah," Maurer said.

"Seriously, tens of millions of dollars? Just for your company?" Dunnigan pressed.

"It's put many of us in a huge cash-flow problem," he said.

Maurer's investigation has revealed that some rehab centers will have clients recruit acquaintances — even inmates leaving Salt Lake, Davis and Utah county jails — who need alcohol or drug treatment. The client doing the recruiting gets a kickback of $500 to $1,000 for every new client recruited, he said.

When the would-be client shows up at the center, she or he is signed up for health insurance, and the center promises to pay the premium and expenses up to the deductible. Sometimes, the clients are told to list the center for a personal address; other times, they're told to use employees' addresses, Maurer said.

Once insurance kicks in and approves treatment, the patient moves into the center for perhaps three months. A 90-day treatment might bring in $30,000 — and that's not counting any lab work the center bills insurance for, he said.

Some clients have gone from treatment center to treatment center, he said.

It costs the patient nothing, he said, but the providers rack up "exorbitant charges," billing the insurance providers for tens of thousands of dollars worth of care that no one is receiving.

Maurer said he has found claims for Utah patients with out-of-state phone numbers and Social Security numbers. When he visited one rehab center to meet the clients his company insures, he was told they were not there.

He was flanked at the hearing by the president of a trade group for substance-abuse centers and a former house manager for a rehab center that has since closed in Monticello, in southeastern Utah.

Legislators were stunned by the scope of the scams and took initial steps to craft legislation to crack down on the problem that, due to a gap in the state's regulatory regime, no state agency had any power to investigate.

The rehab centers are licensed by the state Department of Human Services, which only covers health and safety. "Fraudulent billing doesn't fall within that," said Travis Wood, chairman of the board at Odyssey House in Salt Lake City and an industry lobbyist.

Eric Schmidt, president of the Utah Association of Addiction Treatment Providers, said the industry wants "more teeth for licensing to act in these situations" against bad providers.

Schmidt, who is chief executive of New Roads Behavioral Health, said the practices sully the reputations of reputable substance-abuse providers.

Utah has an estimated 400 such providers, some providing only outpatient treatment and others providing inpatient rehab.

"It's actors like this that make insurance companies say, 'We're just not going to cover treatment, because we can't distinguish legitimate [treatment] from fraud,'" said House Majority Whip Francis Gibson, R-Mapleton.

A similar scandal in Florida has prompted insurance company Cigna to stop offering individual health plans in that state.

Maurer said his company had identified up to 15 centers in Utah whose practices have raised red flags. Insurers now monitor claims there on a daily basis, and the benefits have been tweaked to be less lucrative.

He is working with state Insurance Department fraud investigators, but said it's not clear whether or what crimes could be prosecuted.

Alison Ramirez told the committee she took a job with one of the centers because she thought it would be an opportunity to help addicts with their recovery.

The center listed the address of her Spanish Fork home for the residence of numerous patients in the program who would not be eligible for insurance coverage otherwise. The center was in Monticello, and had a post office box there in her name where the insurance company — or the patients reimbursed by the insurance company — would send checks.

"They were billing for detox while the clients were living on my couch in my home," she said.

She alleged that the owner of one facility was engaging in sex with clients and in another instance was using alcohol and drugs with clients in rehabilitation during a trip to Park City.

Clients who referred a friend to the center would be paid $500; and one particular center would pay $5,000 for each client transferred to its care.

Maurer said the patients have out-of-state phone numbers and Social Security numbers, but because the providers are not in the insurance network, they are not obligated to provide other information, making detecting the fraud difficult.

The Division of Occupational and Professional Licensing regulates licensed clinicians on staff at such centers — though, Schmidt said, he has been told that some centers don't even have a clinician on staff.

Rep. Dean Sanpei, R-Provo, asked legislative attorneys to begin work on a bill that would address the regulatory void. Dunnigan assured committee members they would continue to delve into the issue in upcoming committee meetings.