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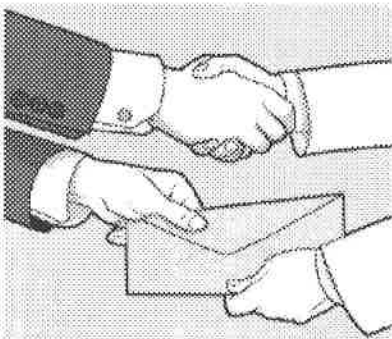
November 14, 2011

How To Commit Medicare Fraud In Six Easy Steps

By Tristram Korten



1. A budding Medicare thief can either use an existing client list and billing system, like the two men who bought Elbia's Pharmacy--or he can create a new phantom business. To do the latter, he needs to pay a nominal fee to sign up as a Medicare provider. Then he needs a computer and some billing software to match phantom diagnoses to phantom procedures and medications.



2. The new business owner then needs to purchase a list of Medicare patient IDs, along with some ID numbers for doctors so they can authorize prescriptions and procedures. He can buy these lists from black-market brokers who often get them from corrupt hospital and insurance-company employees. The quality of the list is important. Not only is it the foundation of his income, but if it's too old, some of the patients and doctors might be dead, incarcerated, or deported.



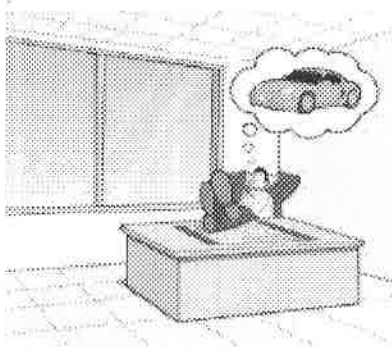
3. It's essential to rent an empty storefront in order to have a physical address. It doesn't need to be big. The thief won't be moving in any equipment, and nobody will ever need to open the doors.



4. Finding a straw owner comes next. It should be someone who needs money, won't ask too many questions, and isn't suspicious. Ideally it's a legal immigrant who doesn't speak fluent English and can be convinced what he's doing is legitimate. With a straw owner, the thief can then incorporate his new business with the state. He'll need to make sure his real name does not appear on the paperwork--only the straw owner's name.



5. Now it's time to start sending in bills. Some claims may be rejected when the government recognizes a patient or doctor is dead, incarcerated, or deported. But such rejections help a fraudster to scrub his client list. In later billing rounds, the list gets cleaner and cleaner. And even with the rejections, he's probably okay; CMS doesn't yet have the capacity to investigate every rejected claim.



6. With the wheels of the fraud set in motion, he can now wait for the checks to roll in. To be safe, most Medicare thieves run their businesses for six months to a year. After that, they close down and go back to step one.

A version of this article appears in the December 2011/January 2012 issue of Fast Company.

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