

CUNNING PSYCHIATRIC FRAUD

The insurance company Blue Cross & Blue Shield United of Wisconsin, USA, reported that there are as many types of health insurance fraud as the “*criminal mind can invent.*”¹ [Emphasis added] The following is a small sample of convictions.

A Pennsylvania mental health provider agreed to pay \$7.8 million (€6.1 million) to settle criminal charges of false and fraudulent Medicare and Medicaid insurance claims.²

Maryland psychiatrist Roman Ostrovsky was found guilty of defrauding Medicaid after submitting thousands of billings for patients for therapy sessions, which often never occurred. When he received a one-year sentence and was ordered to pay \$400,000 (€315,134) in restitution, he claimed he did not realize his fraud was “serious.”³

In Mainz, Germany, psychiatrist Otto Benkert was sentenced to 11 months in jail, suspended in lieu of probation, fined \$176,171 (€138,794) and ordered to pay \$704,683 (€555,175) in compensation for defrauding the university where he worked as the Chief of Psychiatry.

Brisbane, Australia, psychiatrist Mary Jane Ditton was convicted of systematically doubling the amount of time she spent in consultation with patients in her Medicare health insurance claims. She was ordered to repay nearly \$35,000 (€27,574) and sentenced to 2 1/2 years in jail.⁴

Scandal rocked Japan after the discovery over several years of investigation that private psychiatric hospitals were forcibly incarcerating and illegally restraining patients, falsifying records, and inflating the numbers of doctors and nurses in the facilities to obtain more money from the government. Several psychiatrists were convicted of fraud and jailed.⁵

Detailed financial audits discovered that Kedren Community Mental Health Center in California had misspent \$1.4 million (€1.1 million) in funds, including paying for its president’s Land Rover vehicle and Cadillac, and for some employees’ theater tickets, and trips to Las Vegas, New Orleans, Georgia, Washington D.C. and London.⁶

After investigation, a U.S. congressional committee issued a report estimating that Community Mental Health Centers (CMHCs) had diverted between \$40 million to \$100 million (€31.5 million to €78.7 million) to *improper* uses. Various CMHCs had built

tennis courts and swimming pools with their federal construction grants and, in one instance, used a federal staff grant to hire a lifeguard and swimming instructor.⁷

The misuse of funds continued despite the congressional report. Thereafter, Medicare barred 80 CMHCs in nine states from serving the elderly and disabled after investigators found patients had been charged \$600 to \$700 (€473 to €551) a day for watching television and playing bingo, rather than receiving any care.⁸

A recent State Auditor review of expenditures from Texas Community Mental Health and Retardation (MHMR) Centers found that at two of the states' 39 local MHMR Centers had used \$60,000 in tax dollars (€47,100) for pizza parties, employee incentives, staffs' food and entertainment and company picnics. Other findings included: There were 581,213 dates where services were billed for periods exceeding 24 hours in a single day; in one client record, the person was said to have received over 1,454 hours of service in a day. Treatment was also billed for 68 people whose *social security cards showed they were dead.*⁹

Dr. Robert F. Stuckey, a former medical director at one of National Medical Enterprises' psychiatric hospitals, admitted that psychiatrists and hospital staff "were absolute geniuses at diagnosing insurance." When a prospective patient contacted the hospital, his or her insurance was thoroughly researched. Once the patient was admitted, insurance was regularly reviewed to ascertain "how the hospital could legally acquire every dollar possible that was still available that day, on that policy," Stuckey said.

"The patient usually received the diagnosis that matched the category with the most money available to it...The primary function of the hospital, a function so important that it rendered all other functions incidental, was to extract every single penny possible from the patients."¹⁰

¹ “What is Fraud, Types of Health Insurance Fraud,” BlueCross & BlueShield United of Wisconsin, <http://www.healthnetconnect.net/fraud/types.html>.

² John Jordan, “Mental Health Company to Pay \$7.8 Million Fraud Fine,” *Philadelphia Business Journal*, 29 May 2002.

³ “Maryland Attorney General: Psychiatrist guilty of Medicaid fraud, sentenced to jail,” *M2 Presswire*, 13 June 2006.

⁴ Kate Hannon, “On Trail of Medifraud,” *Herald Sun*, 19 May 1997.

⁵ “Kanagawa mental clinic searched,” *The Daily Yomiuri*, (Japan), 29 Apr. 1994; “Illegal Mental Hospital,” *Mainichi Daily News*, (Japan), 25 Apr. 1994; “Koshikawa Kinen Hospital Had Falsified Nursing Staff Records,” *The Daily Yomiuri*, (Japan), 20 Oct. 1994; “Yasuda Gets 3-Year Term for Swindle,” *Asahi News Service*, (Japan), 15 Apr. 1998; “Former vice minister gets two years for bribery,” *Japan Times Weekly International Edition*, 6-12 July 1998; *Shinano Mainichi Evening*, (Japan), 31 Aug. 1998.

⁶ Troy Anderson, “\$1.4M Agency Misuse Alleged,” *The Daily News*, 25 Sept. 2003.

⁷ Rael Isaac and Virginia Armat, *Madness in the Streets*, (The Free Press, New York, 1990), p. 98.

⁸ Alice Ann Love, “Medicare Finds Psychiatric Fraud,” *The Associated Press*, 29 Sept. 1998.

⁹ Keith Elkins Investigates, “Tracking Tax Dollars,” Texas, Channel 42 News, 20 Sept. 2006.

¹⁰ Joe Sharkey, *Bedlam: Greed, Profiteering, and Fraud in a Mental Health System Gone Crazy*, (St. Martin’s Press, New York, 1994), pp. 215, 216.