Fraud plagues privatized care

Privatization doesn't just divert health care dollars into corporate profits. It can also siphon money into criminal's pockets. As private health corporations push to expand their Canadian market share, many fear fraud will eat up an ever-bigger bite of our tax dollars.

Look at the King's Health Centre scandal. The owners of the Toronto clinic were convicted of fraud totaling almost $100 million – an early example of what may soon plague Canada if for-profit care is allowed to flourish.

Lessons from the States

A recent study by the Harvard Medical School concluded that "large scale fraud has become routine" in the American for-profit health care industry. The Federal Bureau of Investigation calls health care fraud "a growing trend," and has set up a special health fraud unit.

Between 1992 and 1999 the number of FBI health fraud investigations jumped fivefold, to over 3,000 investigations. During the same period, the number of FBI agents investigating health fraud quadrupled. Many states have also set up their own fraud squads.

The US General Accounting Office (GAO) estimates that as much as one-tenth of health care spending is lost to fraud – about $100 billion of the country's $1 trillion spent annually. The US Justice Department estimates more than half the $1.5-billion recovered from fraud cases between 1997 and 2000 was from the for-profit health care sector.

Investigations unearth major problems

The United States' largest for-profit hospital chain has been forced to pay more than $1.7 billion in criminal and civil fines to settle charges of defrauding federal and state-funded health care programs. HCA – The Healthcare Company, formerly known as Columbia/HCA – faced a long list of allegations involving improper laboratory billing, misreporting services as higher-priced procedures, and billing for home health services that were "medically unnecessary or never provided."

Eight whistleblower lawsuits charged that HCA inflated hospital costs to obtain higher government payments and paid kickbacks to physicians who referred patients covered by Medicare or Medicaid to its facilities.

Another investigation targets Tenet Healthcare, a major for-profit hospital chain. The FBI has zeroed in on a Tenet hospital in California, alleging patients were subjected to unnecessary – but profitable – heart surgeries, including artery bypass surgery and heart valve replacements. Federal officials are also investigating other Tenet hospitals that perform far more than the national average of high-cost procedures, and may have inflated charges for some patients.

In early December 2002, the largest settlement against a single hospital cost Lovelace Health Systems $24.5 million. The corporation settled to avoid a court battle over allegations about a decade's worth of fraudulent invoices. A whistleblower alerted officials to reports exaggerating the amount of Medicare reimbursement the hospital was entitled to. The company says it's all a big mistake.

The 1998 Harvard study cited a GAO estimate that nearly a quarter of all home care agencies, the majority of which are for-profit, commit fraud. In one example, prosecutors alleged HCA subsidiary Columbia Homecare broke anti-kickback laws when it bought home care facilities owned by Olsten Corporation – a company active in Canada under its new name Gentiva.

According to the Reporter, "Olsten sold the facilities for less than their fair market value in exchange for management contracts….[and] Olsten charged excessive management fees to make up the purchase price, and Columbia Homecare passed [on] these fees to the government."

Keeping corporations out of health care

The evidence is clear – for-profit care is prone to fraud. Fighting to ensure all health care services are publicly funded and delivered will guarantee that every penny of health care spending goes to care – not fraud or corporate profits.

* All dollar figures are US$, with the exception of the Kings' Medical Centre fraud.

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