

**INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

GRANT AWARD AGREEMENT

Fiscal Year 2017-18

Disability and Healthcare Insurance Fraud Program

The Insurance Commissioner of the State of California hereby makes award of funds to **Fresno County**, Office of the District Attorney, in the amount and for the purpose and duration set forth in this grant award.

This grant award consists of this agreement and the application for the grant which is made a part hereof. By acceptance of the grant award, the grant award recipient agrees to administer the grant project in accordance with all applicable statutes, regulations and Request-for-Applications (RFA).

Duration of Grant: The grant award is for the program period, **July 1, 2017** through **June 30, 2018**.

Purpose of Grant: This grant award is made pursuant to the provisions of California Insurance Code Section 1872.85 and shall be used solely for the purposes of enhanced investigation and prosecution of disability and healthcare insurance fraud cases.

Amount of Grant: The grant award agreed to herein is in the amount of **\$183,653**. This amount has been determined by the Insurance Commissioner. However, the actual total award amount for the county is contingent on the collection and the authorization for expenditure pursuant to the Government Code Section 13000 et seq. The grant award shall be distributed pursuant to Section 1872.85 of the Insurance Code.

Official Authorized to Sign for Applicant/Grant Recipient _____ Name: Lisa A. Smittcamp Title: District Attorney Address: 2220 Tulare Street, Suite 1000 Fresno, CA 93721 Date: _____	DAVE JONES Insurance Commissioner _____ Name: George Mueller Title: Deputy Commissioner Date: _____
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I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purposes of this expenditure.

Crista Hill, Budget Officer, CDI

Date

CALIFORNIA DEPARTMENT OF INSURANCE FRAUD DIVISION



DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM

**REQUEST FOR APPLICATION
FISCAL YEAR 2017-2018**

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**GRANT APPLICATION CHECKLIST and SEQUENCE
FISCAL YEAR 2017-2018**

THE APPLICATION MUST INCLUDE THE FOLLOWING:

	<u>YES</u>	<u>NO</u>
1. GRANT APPLICATION TRANSMITTAL (FORM 02) completed and signed by the district attorney?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. PROGRAM CONTACT FORM (FORM 03) completed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Original or certified copy of the BOARD RESOLUTION (FORM 04) included? If NOT, the cover letter must indicate the submission date.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. TABLE OF CONTENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. The County Plan includes:		
a) COUNTY PLAN QUALIFICATIONS (FORM 05)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) STAFF QUALIFICATIONS (FORM 06(A))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) ORGANIZATIONAL CHART (FORM 06(B))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) PROGRAM REPORT (DAR OR FORM 07)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) COUNTY PLAN PROBLEM STATEMENT (FORM 08)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) COUNTY PLAN PROGRAM STRATEGY (FORM 09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. Projected BUDGET (FORMS 10-12) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
a) LINE-ITEM TOTALS VERIFIED?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) PROGRAM BUDGET TOTAL (FORM 12) matches amount requested on FORM 02?	<input type="checkbox"/>	<input type="checkbox"/>
7. EQUIPMENT LOG (FORM 13) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. JOINT PLAN (Attachment A) completed and signed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. CONFIDENTIAL CASE DESCRIPTIONS (Attachment B) Is all content readable? A partial narrative is not acceptable.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. ELECTRONIC VERSION (CD/DVD) included?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

GRANT APPLICATION TRANSMITTAL

DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM

Grant Period: July 1, 2017 to June 30, 2018

Office of the District Attorney, County of Fresno,
hereby makes application for funds under the Disability and Healthcare Insurance
Fraud Program pursuant to Section 1872.85 of the California Insurance Code.

Contact: Edith Treviso

Address: Office of the District Attorney

2220 Tulare Street, Suite 1000, Fresno, CA 93721

Telephone: (559) 600-2120

(1) New Funds Being Requested: \$ 349,191.00

(2) Estimated Carryover Funds: \$ 85,000

Jeffrey Dupras, Assistant District Attorney Stephen Rusconi, Business Manager

(3) *Program Director*

(4) *Financial Officer*


(5) *District Attorney's Signature*

Name: Lisa A. Smittcamp

Title: District Attorney

County: Fresno

Address: 2220 Tulare Street, Suite 1000

Fresno, CA 93721

Telephone: (559) 600-3141

Date: 5-31-2017

**DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM
PROGRAM CONTACT FORM
FISCAL YEAR 2017-2018**

1. Provide contact information for the person with day-to-day operational responsibility for the program, who can be contacted for questions regarding the program.

a. Name: Edith Treviso

b. Title: Chief of Financial Crimes

c. Address: 2220 Tulare Street, Suite 1000

d. Fresno, CA 93721

e. E-mail address: etreviso@co.fresno.ca.us

f. Telephone Number: (559) 600-2120 Fax Number: (559) 600-4400

2. Provide contact information for the District Attorney's Financial Officer.

a. Name: Stephen Rusconi

b. Title: Business Manager

c. Address: 2220 Tulare Street, Suite 1000

d. Fresno, CA 93721

e. E-mail address: srusconi@co.fresno.ca.us

f. Telephone Number: (559) 600-4447 Fax Number: (559) 600-4100

3. Provide contact information for questions regarding data collection/reporting.

a. Name: Edith Treviso

b. Title: Chief of Financial Crimes

c. Address: 2220 Tulare Street, Suite 1000

d. Fresno, CA 93721

e. E-mail address: etreviso@co.fresno.ca.us

f. Telephone Number: (559) 600-2120

g. Fax Number: (559) 600-4100

BOARD OF SUPERVISORS RESOLUTION
FISCAL YEAR 2017-2018

The Resolution from the Board of Supervisors authorizing Fresno County to enter into a Grant Award Agreement with the California Department of Insurance will be forwarded no later than December 31, 2017.

**COUNTY PLAN: QUALIFICATIONS
FISCAL YEAR 2017-2018****QUESTIONS**

Answer the following questions to describe your experience in investigating and prosecuting disability and healthcare insurance fraud cases during the last two (2) fiscal years as specified in the California Code of Regulations, Title 10, Section 2698.97.1.

1. What areas of your disability and healthcare insurance fraud operation were successful and why?
 - Detail your program's successes for the 2015-2016 and 2016-2017 fiscal years ONLY. Include information you believe made your program successful.
 - It is not necessary to list every case that was worked during

The Fresno County District Attorney's Office Disability and Healthcare Fraud Unit (hereinafter referred to as Fraud Unit) has participated in the Disability and Healthcare Program since 2014.

Fiscal Year 2015-2016

In Fiscal Year 2015 – 2016, the Fraud Unit focused outreach towards federal law enforcement and insurance special investigation units (hereinafter referred to as SIU).

The Deputy District Attorney (hereinafter referred to as DDA) participated in a monthly Healthcare Fraud Working Group led by the United States Attorney's Office, Eastern District. The working group commenced in November 2015 and included federal law enforcement, assistant US attorneys, deputy district attorneys, and California Department of Health Care Services investigators (hereinafter referred to as CDHCS). The group discussed current investigations and coordinated investigative efforts. The foundation of the working group created a consistent line of communication between all the agencies involved in investigating and prosecuting healthcare fraud. The goal was that this consistent communication would lead to case referrals.

The DDA attended the bi-monthly SIU Roundtable at the Fresno California Department of Insurance Office (hereinafter referred to as CDI). At those meetings, current insurance fraud trends were discussed, including healthcare insurance fraud. The DDA met investigators from several insurance companies at the meetings. The DDA received healthcare fraud training during these roundtables.

The DDA also focused on establishing working relationships with healthcare investigators at the Federal Bureau of Investigation (hereinafter referred to as FBI) and CDHCS in order to facilitate case referrals. The Fraud Unit reviewed a case for filing from DHCS. The case involved possible pharmacy fraud committed by a registered nurse and medical technician in a doctor's office. The medical technician made templates for false prescriptions. The RN signed the prescriptions in exchange for the medical technician obtaining an expensive medication for the RN. The DDA has been in communication with the DHCS investigator since case inception. This case was filed during Fiscal Year 2016-2017.

The Fraud Unit successfully collected restitution in disability and healthcare insurance fraud cases. Often in criminal prosecutions a restitution order was made at the time of sentencing. In the three investigated and prosecuted cases from Fiscal Year 2014-2015, full restitution was collected prior to plea.

Fiscal Year 2016-2017

The DDA was reassigned to another Unit in July, 2016. The Fraud Unit made the decision to use the 2016-2017 funding for a Senior Investigator since healthcare fraud cases are very time consuming with voluminous records to be reviewed before a filing decision can be made by the prosecutor. When an investigation is completed, the case will be assigned to a DDA who will bill their hours to the Fraud Unit's budget.

Senior District Attorney Investigator Shelly Sweeton (hereinafter referred to as SDAI) was assigned to the Fraud Unit in November 2016. She currently has three open investigations. The first one involves the owner of a lingerie company upcoding for mastectomy bras on almost every patient. The records reviewed show that the provider is billing for silicone prosthesis that are in fact only foam or fiber-filled. The provider also billed for non-covered products including underwear and swimsuits. The estimated loss is between \$200,000 and \$300,000. This investigation involves interviewing patients who did not receive the correct product and reviewing billing records and patient files. It is anticipated that criminal charges will be filed during Fiscal Year 2017-2018.

The second investigation involves billing for services not rendered. The reporting party became suspicious when a claimant said that the clinic treated her for services not rendered. Clinic bills and records were reviewed with the patient and it showed that many services billed for were not received. This investigation is at the beginning stages. The next step will be to determine if this was a one-time occurrence or a pattern of improper billing.

A third investigation was opened based on data analytics that showed a physician billing for a patient on every day of the year. This case is in the early stages of the investigation

An additional open investigation is being handled by the FBI. It involves a physician who billed for services rendered when he was out of the country.

The services were actually provided by mid-level practitioners but billed at the

higher rate. The FBI's investigation is concluding and it is anticipated that criminal charges will be filed in Fiscal Year 2017-2018.

The pharmacy fraud case referred by DHCS discussed above was filed this fiscal year. It is currently in court pending preliminary hearing. The DDA who filed the case billed his time to the Fraud Unit budget. He has experience in healthcare fraud and has worked in the auto fraud and workers' compensation fraud units.

2. Specify any unfunded contributions (i.e., financial, equipment, personnel, and technology) and support your county provided to the disability and healthcare insurance fraud program.

The Fresno County District Attorney's Office contributed unfunded supervisory and accounting support to the Fraud Unit.

A Chief Deputy District Attorney and a Bureau of Investigations Commander to supervise the work performed by the assigned DDA and SDAI were also provided at no cost to the Fraud Unit budget.

A Senior Budget Analyst who maintained control of grant monies and assisted with the preparation of the budget section of this grant application was also not charged to the budget. The analyst maintains a record of all monies spent on behalf of the program.

Legal assistants also perform secretarial duties at no cost to the Program.

The assigned DDA works in the same building as the other CDI grant prosecutors. In this environment, the assigned DDA can roundtable cases and share ideas with other prosecutors in the same field of expertise.

3. Detail and explain the turnover or continuity of personnel assigned to your disability and healthcare insurance fraud program. Include any rotational policies your county may have.

In February 2015, DDA Stephanie Baldovi was assigned to the Fraud Unit. She was reassigned in July 2016. During Fiscal Year 2015-2016 there was no SDAI assigned to the Fraud Unit. The previous SDAI Verl Tharp was reassigned in August 2015. Since August 2015 a SDAI had not been assigned to the Fraud unit because of budgetary concerns.

As discussed above the decision was made to use the 2016-2017 funding for a SDAI. SDAI Shelly Sweeton was assigned to the Fraud Unit in November 2016. She has been a peace officer since 1988. She worked for the Grover Beach PD from 1988 to January 2001. She was an investigator for the Santa Barbara County District Attorney's Office from 2001 to August 2007.

After joining the Fresno County District Attorney's Office in 2007 she was assigned to the Sexual Assault Unit for 5 years, Homicide for 3 years and Auto Fraud for one year before coming to the Fraud Unit. Since her arrival she has opened several significant investigations as discussed above.

The Fresno County District Attorney's Office is committed to retaining and maintaining consistent personnel in the Fraud Unit. It is important to have continuity of personnel to work ongoing cases, create and maintain relationships with law enforcement and CDI, and to build the knowledge necessary to be successful.

4. List the governmental agencies you have worked with to develop potential disability and healthcare insurance fraud cases.

Federal Bureau of Investigation and United States Attorney's Office

In Fiscal Year 2015-2016, the Fraud Unit established a working relationship with the FBI and the United States Attorney's Office. There are monthly meetings of the Healthcare Fraud Working Group at the Eastern District United States Attorney's Office. DHCS investigators and DDAs from the Workers' Compensation Fraud Unit also attend the working group. The SDAI also attends when possible. The working group serves networking and educational purposes. It allows the members to foster working relationships with federal law enforcement. The case discussion educates all members of the trends in healthcare fraud at the federal and local levels.

California Department of Healthcare Services

The Fraud Unit has developed a working relationship and case referral system with the investigator from DHCS. A provider fraud case involving a registered nurse and medical technician discussed above was recently filed which was referred by DHCS.

Fresno Police Department

In Fiscal Year 2014-2015, the Fraud Unit met with financial crimes detectives to discuss the grant and facilitate case referrals. Subsequently, the Fraud Unit received two referrals. The Fraud Unit has maintained contact with the Fresno PD financial crimes unit.

Kern County District Attorney's Office

The Fraud Unit will coordinate resources with the Kern County District Attorney's Office Healthcare Fraud Unit. On the bigger investigations it is more efficient for counties to assist each other in an effort to streamline investigations. The SDAI assisted Kern County this fiscal year reviewing medical records seized from a search warrant.

5. Were any frozen assets distributed in the current reporting period? (Assets may have been frozen in previous years.) If yes, please describe. If no, state none.

None.

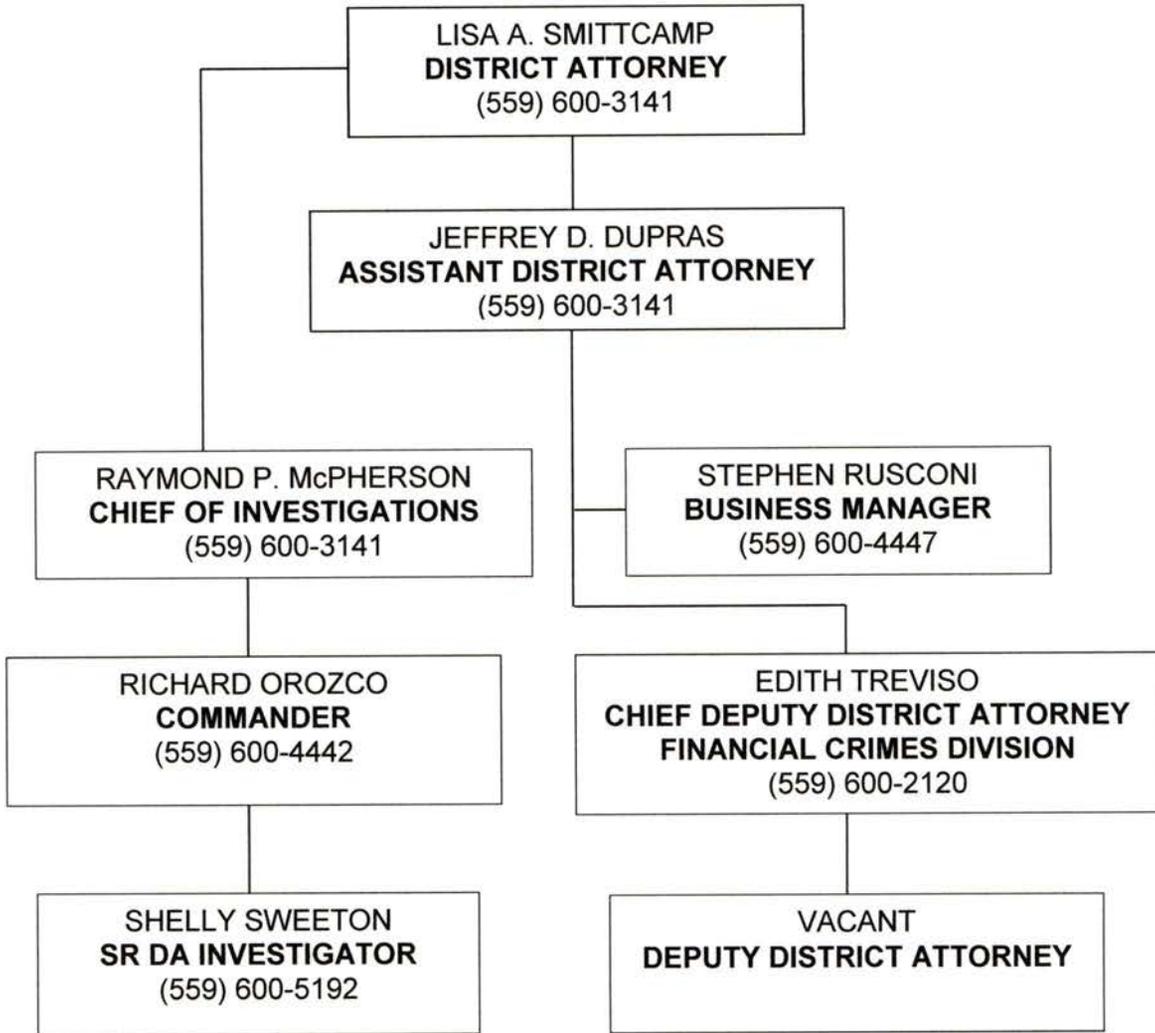
**COUNTY PLAN: STAFFING
FISCAL YEAR 2017-2018**

COUNTY OF <u>FRESNO</u>		
Prosecutors	% Time	Time With Program Start Date/End Date
None- when a case is filed the DDA bills his/her time to the Fraud Unit budget		

COUNTY OF <u>FRESNO</u>		
Investigators	% Time	Time With Program Start Date/End Date
Shelly Sweeton	100%	November 2016-present

**COUNTY PLAN: ORGANIZATIONAL CHART
FISCAL YEAR 2017-2018**

ORGANIZATIONAL CHART



**COUNTY PLAN: DISTRICT ATTORNEY PROGRAM REPORT
FISCAL YEAR 2017-2018**

FORM 7 is submitted online

**STATISTICAL INFORMATION WILL BE CAPTURED
FROM JULY 1, 2016 TO MAY 31, 2017**

COUNTY PLAN: PROBLEM STATEMENT FISCAL YEAR 2017-2018

PROBLEM STATEMENT

Describe the types and magnitude of disability and healthcare insurance fraud (e.g., billing fraud, disability, embezzlement, identity theft, pharmacy, surgery center, unlawful solicitation) relative to the extent of the problem specific to your county. Use local data or other evidence to support your description.

The current conditions in Fresno County create an environment where disability and healthcare fraud can thrive. The drought, which has been present for several years, an uncertain economy, and unique population characteristics of Fresno County make it a fertile environment for its consumers to become victims of disability and healthcare insurance fraud.

Fresno County is part of Central California's Farm Belt. Its economy is robust, agriculturally focused and dependent. In 2012, Fresno County ranked number one in the nation in agricultural sales at \$4.9 billion.¹ The effects of five consecutive years of drought are still being felt by the farming industry in Fresno County. In April 2016, the U.S. Bureau of Reclamation announced a five percent water allocation to Westside farmers.² As a result, approximately 200,000 acres of land were not farmed.³ In 2014, at least 410,000 acres were lost to fallowing, \$800 million lost in farm revenues, and \$447 million spent in additional pumping costs in the Central Valley.⁴ It is estimated that the 2014 drought caused a statewide loss of \$2.2 billion and 17,100 seasonal and part-time jobs.⁵

The unemployment rate in Fresno County is higher than the national and state rates. In March 2017, unemployment in Fresno County was 10.3% compared to the state unemployment rate of 4.9% and national rate of 5.1%.⁶

The combined factors of the extended drought and high unemployment contribute to an uncertain economic future for many Fresno County residents. This uncertainty will force some residents to take risks in order to make ends meet. Individuals filing a disability or healthcare claim may seize the opportunity to obtain more money and security through misrepresentations and fraud.

¹ "2012 Census of Agriculture County Profile, Fresno County," U.S. Department of Agriculture National Agricultural Statistics Service (USDA-NASS)

² "Valley's Westside farmers seethe over tiny water allocation from feds," The Fresno Bee (April 1, 2016), <http://www.fresnobee.com/news/state/california/water-and-drought/article69443782.html> (Accessed 5/11/16)

³ Ibid.

⁴ "Economic Analysis of the 2014 Drought for California Agriculture," R. Howitt, J. Medellin-Azaura, D. MacEwan, J. Lund, D. Sumner, UC Davis Center for Watershed Sciences (July 2014), p. 15

⁵ Ibid, p. ii

⁶ "Fresno Metropolitan Statistical Area (MSA), Fresno County," (April 15, 2016) State of California Employment Development Department <http://www.labormarketinfo.edd.ca.gov/file/1fmonth/frsnSpds.pdf> (Accessed 5/13/16)

Medical providers and industry professionals with a decreasing client base may turn to billing fraud to make ends meet.

Additionally, two population characteristics in Fresno County suggest that its citizens could be more susceptible to fraud than citizens of other counties. In Fresno County: 1) approximately 43.7% of Fresno County's population speaks a language other than English in the home and 2) the number of college educated adults over 25 with a bachelor's degree or higher is 19.5%, compared to the state average of 30.7%.⁷

These population characteristics play a role in billing fraud cases, where fraud is committed by sophisticated professionals behind closed doors. It is difficult for law enforcement to detect this type of fraud without civilian assistance. Oftentimes, the fraud is discovered by a consumer who reviews billing invoices and discovers the discrepancy. With a large consumer base that speaks English as a second language and is not college educated, Fresno County is a jurisdiction where providers can take advantage. Believing their clientele is less likely to report or question fraudulent behavior, unscrupulous providers will commit billing fraud with a sense of impunity. Provider and medical fraud schemes often originate in Southern California and make their way to Fresno County. In these cases, skillful fraudsters send accomplices to Fresno County to carry out their fraudulent schemes while remaining undetected in Southern California. Frequently, the injured people in these cases are Spanish speaking and unable to take an active role in their treatment or question billing practices.

Healthcare spending will continue to increase in the future. America's total health spending is approximately \$2.7 trillion or 17% of Gross Domestic Product (GDP).⁸ By 2024, it is estimated that health care spending will account for 19.6% of GDP.⁹ The Affordable Care Act and the aging baby boomer population have led to an influx of capital into the healthcare industry. This increase in capital has attracted fraudsters and created incentives for medical industry professionals to commit insurance fraud. A 2012 study published in the Journal of the American Medicine Association (JAMA), estimated between \$82 billion and \$272 billion in 2011 was lost due to health care fraud or spent in law enforcement efforts to catch the fraudsters.¹⁰ It is vital that local law enforcement agencies obtain the industry knowledge and professional connections necessary to prosecute healthcare insurance fraud effectively. Over half of Californians, close to 14 million, obtain health care coverage through private carriers in group or individual plans.¹¹

⁷ "State and County Quick Facts, Fresno County, California" (2009-2013) U.S. Census Bureau , <http://quickfacts.census.gov/qfd/states/06/06019.html> (Accessed 5/14/15)

⁸ "The \$272 Billion Swindle," The Economist (May 2014), <http://www.economist.com/news/united-states/21603078-why-thieves-love-americas-health-care-system-272-billion-swindle> (Accessed 5/14/15)

⁹ "National Health Care Expenditure Projections 2014 – 2024," Centers for Medicare and Medicaid Services (2014), <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html> (Accessed 5/16/16)

¹⁰ "Eliminating Waste in US Health Care," DM. Berwick & AD. Hackbarth, The Journal of the American Medical Association (April 11, 2012)

¹¹ "The Private Insurance Market in California 2013," California Health Care Foundation (February 2015), <http://www.chcf.org/publications/2015/02/data-viz-health-plans> (Accessed 5/14/15)

By investigating and prosecuting fraud in the private health insurance realm, local law enforcement can ensure that the premiums paid by millions of Californians will be kept at fair and reasonable amounts.

Further evidence of the existing problem in Fresno County is illustrated by information from the California Department of Insurance. In 2013, 2014, and 2015, Fresno County received 123 suspected fraudulent claims (SFCs) for healthcare and disability fraud including forty-five claims in 2013, forty-five claims in 2014, and thirty-three claims in 2015.

A new trend in Fresno County is compounding pharmaceutical fraud. The fraud scheme involves combining rather standard pharmaceutical ingredients into a different package which is technically a new drug. The price can be set as high as the fraudulent entity wants and often has no relation to the cost of the component drugs.

Homeland Security has an ongoing investigation at the Cherry Auction (held every week in Fresno County) into the illegal sales of pharmaceuticals. Drugs have been found that are mislabeled or counterfeit. The Fraud Unit is coordinating efforts with Homeland Security to participate in the Cherry Auction sweeps. The same activity has occurred during the Hmong New Year celebration in Fresno County.

COUNTY PLAN: PROGRAM STRATEGY FISCAL YEAR 2017-2018

PROGRAM STRATEGY

1. Explain how your county plans to resolve the problem described in your problem statement. Include improvements in your program.

For Fiscal Year 2017 – 2018, the Fraud Unit is requesting funding for a full time SDAI and a half time DDA. The SDAI will spend the necessary time to investigate healthcare insurance fraud cases. As discussed above there are 3 open investigations. Once these investigations are completed, the DDA can prosecute the cases. During Fiscal Year 2016-2017 there was not a DDA assigned to the Fraud Unit. The case that was filed was handled by a DDA who billed his time to the Fraud Unit budget. Rather than have cases filed by different DDAs, it will provide more continuity to the program to have a dedicated DDA who can work with the SDAI and learn the nuances of healthcare fraud.

During fiscal year 2015 – 2016, the Fraud Unit formed working relationships with the FBI, the US Attorneys' Office and DHCS. There are open lines of communication between the Fraud Unit and these law enforcement agencies. The DDA and SDAI will continue to attend the monthly meetings of the Healthcare Fraud Working Group at the US Attorneys' Office. The Fraud Unit can assist in joint healthcare investigations where appropriate. The SDAI assisted the FBI with their investigation discussed above by securing records from the insurance companies that were needed to prove the fraud.

During Fiscal Year 2017 – 2018, the Fraud Unit will coordinate with Kern County who also has a Healthcare and Disability Fraud Program. Sharing resources will enhance each county's ability to finish investigations in a timely manner.

The Fraud Unit will also make efforts to meet individually with Healthcare SIUs. Building individual working relationships with SIU investigators will educate industry professionals on the type of cases the Fraud Unit investigates and prosecutes. This communication will increase suspected fraud case referrals to the Fraud Unit.

Healthcare provider fraud is unique and complex. Health care industry terminology, procedures, and trade practices are not known to the standard experienced criminal investigator or prosecuting attorney. It is a specialized area of criminal prosecution. The law enforcement connections and relationships made in this last fiscal year will be carried forward by the Fraud Unit. The SDAI and DDA will continue to work with CDI investigators to identify and develop cases from fraud referrals.

2. What are your plans to meet the announced goals of the Insurance Commissioner? A copy has been provided for your reference.

- If these goals are not realistic for your county, please state why they are not, and what goals you can achieve. What is your strategic plan to accomplish the goals?

With a full time investigator, the Fraud Unit can devote needed resources to the investigation of medical provider fraud cases which have the highest impact on the healthcare system. As discussed above these investigations are labor- intensive. The Fraud Unit will continue to coordinate with other agencies who are working to combat healthcare fraud in Fresno County.

The Fraud Unit will meet with individual SIUs to build connections necessary for the successful referral, investigation, and prosecution of healthcare insurance fraud cases. The Fraud Unit will continue its participation in the working group discussed above and the CDA SIU roundtables. It is important for the Fraud Unit to have a network of resources that can assist staff in identifying and investigating complex billing fraud schemes.

The Fraud Unit will conduct outreach meetings with healthcare professional organizations, including pharmacy associations, to discuss fraud trends. Through outreach with various medical professionals, the Fraud Unit will learn more about the industry and learn how to identify fraudulent conduct in specific practice areas.

3. What goals do you have that require more than a single year to accomplish?

The investigation and prosecution of medical provider cases will take longer than one year to accomplish. These cases often require multiple search warrants for business records and forensic review of evidence seized. Some cases may require surveillance or an undercover operation. The Fraud Unit will work with CDI to find ways to streamline the larger investigations. For example, the Fraud Unit will determine if search warrants are absolutely necessary to investigate a case or if the case can be investigated and proven by the use of governmental agency records and witnesses. If any case takes longer than one year to investigate, the Fraud Unit will move forward into the second year to follow the case to its conclusion.

4. Training and Outreach

List the **training received** by each county staff member in the disability and healthcare fraud unit **during Fiscal Years 2015-2016 and 2016-2017**.

In Fiscal Year 2015-2016 and 2016-2017 DDA Stephanie Baldovi received the following training:

- November 2015: CDI Healthcare 404, Building Blocks Healthcare Fraud Investigations, Tulare
- February 2016: Fresno County Women Lawyers MCLE "HIPAA, High-tech, and Data Security: A discussion of data breach notification laws and HIPAA, and how they affect handling of sensitive and personal

information during litigation” Heather Hughes, J.D. CHPC, US Legal Support

- March 2016: Fresno County CDI SIU Roundtable Training “eFD-1 Submissions, Review Process, and Other Topics” CDI Sgt. Jose Sanchez and CDI Captain Eric Charlick
- March 2016: CDI Insurance Fraud Grant Program Workshop, Central California
- May 2016: Fresno County CDI SIU Roundtable Training “Sleep Apnea Evaluation and Treatment” Arnold Rugama, M.D.

In Fiscal Year 2016-2017 SDAI Shelly Sweeton received the following training:

- April 2017: NIFCIA Monterey
- May 2017: Strategy for Medical Fraud Investigations
- May 2017: Healthcare and Provider Fraud

Describe what kind of training/outreach **you provided in Fiscal Year 2016-2017** to local Special Investigative Units, as well as, public and private sectors to enhance the investigation and prosecution of disability and healthcare insurance fraud. Also describe any coordination with the Fraud Division, insurers, or other entities.

In Fiscal Year 2016 – 2017, the Fraud Unit established connections with local law enforcement to discuss the investigation of healthcare fraud. As mentioned above, the Fraud Unit has ongoing relationships with several working groups that discuss ongoing trends, investigations, and coordinate investigative efforts. SDAI participated in the bi-monthly SIU Roundtable.

Describe what kind of training/outreach **you plan to provide in Fiscal Year 2017-2018**.

In Fiscal Year 2017 – 2018, the Fraud Unit will focus on outreach to healthcare and insurance industries. The Fraud Unit will also conduct outreach with medical professionals and organizations. By conducting discussion groups with medical professionals, the Fraud Unit staff will learn upcoming trends and become familiar with standards and vocabulary specific to the medical industry. The Fraud Unit will seek to obtain similar information in other practice areas and utilize that information in the investigation and prosecution of healthcare insurance fraud.

Additionally, the Fraud Unit will form and build relationships with individual healthcare SIUs. These relationships will facilitate case referrals and strengthen the investigation of cases.

In its outreach efforts, the Fraud Unit will coordinate with CDI. The SDAI is housed with the CDI detective who is assigned to Healthcare and Disability Fraud. This allows for the sharing of expertise as well as the ability to assist with each other’s investigations.

5. Describe the county's efforts and the district attorney's plan to obtain restitution and fines imposed by the court to the Disability and Healthcare Fraud Account.

The Fraud Unit's practice is to collect restitution prior to a plea whenever possible. The collection of restitution prior to plea ensures that restitution is paid to the victims.

There is also the option to obtain a restitution order pursuant to Penal Code §1214 which allows victims to enforce the restitution order as a civil judgment if the defendant fails to pay full restitution during the term of probation.

The Fraud Unit maintains a database of all restitution orders on criminal convictions. Payments are made directly to our Unit, which we document and then forward to the victim(s). If a payment is missed, staff immediately sends a notification letter to the defendant(s) reminding him/her of the obligation.

If the letter is unsuccessful, staff contacts the Probation Department and the defendant's attorney and calendars a Probation Violation hearing.

6. Identify the performance objectives that the county would consider attainable and would have a significant impact in reducing disability and healthcare insurance fraud.

Projection:

- a. 6 new investigations will be initiated during FY 2017-2018
- b. 3 new prosecutions will be initiated during FY 2017-2018

7. If you are asking for an increase over the amount of grant funds awarded last fiscal year, please provide a brief description of how you plan to utilize the additional funds.

<u>\$ 349,191.00</u> FY 2017-2018 Grant REQUEST	<u>\$ 183,653.00</u> FY 2016-2017 Grant AWARD	<u>\$ 165,538.00</u> FY 2017-2018 Increase Requested
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Utilization Plan:

The additional funds requested will be used to fund a halftime DDA that is dedicated to prosecuting healthcare fraud cases.

**DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM
BUDGET: PERSONNEL SERVICES
FISCAL YEAR 2017-2018**

COUNTY NAME: FRESNO

A. PERSONNEL SERVICES: Salaries and Employee Benefits	COST
<u>(1) SENIOR DISTRICT ATTORNEY INVESTIGATOR:</u>	
This individual devotes 100% of time to this program.	
Annual salary:	\$ 87,682
<u>Benefits:</u>	
Retirement: (\$87,682 @ .8840)	\$77,511
OASDI: (\$87,682 *.0765)	\$6,708
Health Ins- Annual:	\$7,386
Unemployment-Annual:	\$51
Workers Comp-Annual:	\$784
Admin Fee- Annual:	\$105
	\$ 92,545
 <u>(1) DEPUTY DISTRICT ATTORNEY IV:</u>	
This individual devotes 50% of time to this program.	
Annual salary: (\$117,686 * 50%)	\$58,843
<u>Benefits:</u>	
Retirement: (\$117,686 @ .6583) * 50%	\$38,736
OASDI: (\$117,686 *.0765) * 50%	\$4,501
Health Ins-Annual:	\$7,386
Unemployment-Annual:	\$51
Workers Comp-Annual:	\$784
Admin Fee- Annual:	\$105
	\$ 51,563
 <u>Membership Dues:</u>	
California Board Dues	\$380
CDAIA	\$25
	\$ 405
 <u>SUMMARY:</u>	
Salaries	\$146,525
Benefits	\$144,108
Dues	\$405
TOTAL	\$291,038
 A. PERSONNEL SERVICES TOTAL	 \$ 291,038

**DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM
PROGRAM BUDGET: OPERATING EXPENSES
FISCAL YEAR 2017-2018**

COUNTY NAME: FRESNO

B. OPERATING EXPENSES	COST
<u>MOBILE COMMUNICATIONS:</u>	\$ 5,000
<u>LIABILITY INSURANCE:</u>	\$ 300
<u>MAINTENANCE-EQUIPMENT:</u>	\$ 200
<u>OFFICE EXPENSE:</u>	\$ 2,000
<u>POSTAGE:</u>	\$ 500
<u>DATA PROCESSING:</u>	\$ 6,000
<u>PROFESSIONAL & SPECIALIZED SERVICES:</u>	\$ 3,000
<u>PUBLICATIONS:</u>	\$ 150
<u>RENTS & LEASES - BUILDINGS:</u>	\$ 9,000
<u>FACILITY MAINTENANCE:</u>	\$ 500
<u>SMALL TOOLS:</u>	\$ 1,500
<u>MILEAGE:</u>	\$ 350
<u>TRANSPORTATION, TRAVEL, & EDUCATION:</u>	\$ 5,000
<u>TRANSPORTATION & TRAVEL - FLEET:</u>	\$ 10,000
<u>INDIRECT COSTS: (10% * Salaries (\$146,525))</u>	\$ 14,653
B. OPERATING EXPENSE TOTAL	\$ 58,153

DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM PROGRAM BUDGET: EQUIPMENT FISCAL YEAR 2017-2018	
COUNTY NAME: FRESNO	
C. EQUIPMENT	<i>COST</i>
C. EQUIPMENT TOTAL	\$ -
D. PROGRAM BUDGET TOTAL	\$ 349,191

ATTACHMENT "A"
JOINT PLAN

ATTACHMENT "A"

JOINT INVESTIGATIVE PLAN

I. STATEMENT OF GOALS

The purpose of the Joint Plan is to create a framework by which the Fresno County District Attorney (DA) and the California Department of Insurance - Fresno Regional Office (CDI) will effectively work together to combat disability and healthcare fraud. Given the limited resources available, it is imperative not to duplicate efforts. It is also essential to use the resources of both agencies to their fullest potential. For example, if a case crosses county lines, the DA'S Office will request assistance from CDI.

II. RECEIPT AND ASSIGNMENT OF CASES

CDI will provide the DA'S Office with a list of all Suspected Fraudulent Claims and Completed Referrals received on a monthly basis.

If CDI determines it has the resources to investigate a case, the Captain of CDI, or his designee, will contact the Deputy District Attorney (DDA) to make sure the case has not been assigned to a DA Investigator. If it is determined that CDI will conduct the investigation, both the DDA and CDI detective will discuss a litigation plan. They will work together to develop a litigation plan, to determine the charges to be filed, and interviews to be conducted. During the initial meeting, timelines will be established for the completion of the investigation and priorities will also be set. The DDA will be apprised of all aspects of CDI's investigation.

III. INVESTIGATIONS

By working together at the outset of a case, there will be no duplication of effort. Open communication will exist between both offices, which is the key to investigating the cases as expediently and efficiently as possible. CDI agrees to house one or more DA investigator(s), dependent on availability of space, to work with a designated CDI disability and healthcare investigator. This is designed to maximize resources, foster open communication and avoid duplication of efforts.

When CDI investigates a case, the detective and DDA will meet within 60 days of the case assignment to discuss the litigation plan. This 60 day timeline may be extended on an as needed basis by agreement between the DDA and CDI. The detective will apprise the DDA of his/her progress on a monthly basis. He/She will contact the DDA at any time in order to review the litigation plan and make changes if needed.

The CDI Captain, or his/her designee, and the DDA will meet quarterly to discuss any issues or problems with the joint investigation of cases. Changes can be made to the agreement if necessary.

IV. UNDERCOVER OPERATIONS

In the event that an undercover operation occurs during this grant period, both the CDI Captain, or his designee and the Chief DDA will meet to develop a litigation plan which will identify the direction of the investigation, address relative investigative issues, define the responsibilities of both agencies and provide a method to resolve disagreements. When it becomes necessary, the Chief DDA or her designee will provide written authorization to CDI to conduct surreptitious recordings pursuant to Penal Code Section 633.

V. CASE FILING REQUIREMENTS

Cases presented to the DA's Office for filing will contain sufficient evidence to prove guilt beyond a reasonable doubt. This will include verification that witnesses are available and willing to testify, and all available documentation needed to prove the fraud has been obtained. Witnesses will be interviewed pursuant to Proposition 115 whenever feasible.

If interpreters were used, they will be identified and interviewed if possible. It is difficult to state a more definitive list of requirements for filing, since each case is different. Ongoing discussions between the detective and the DDA will determine what additional investigation is needed.

The DA's Office will provide CDI with a filing decision in writing within 30 days of the case submission. Certified Court Minute Orders on all disability and healthcare fraud convictions in Fresno County will be provided to CDI on a quarterly basis.

VI. TRAINING

The CDI Fresno Regional Office and the DA's Office will continue to work together to educate the community on ways to combat disability and healthcare fraud. Any requests for training received by CDI will be communicated to the DA's Office and vice versa. In this way both offices will conduct outreach together.

VII. PROBLEM RESOLUTION

With CDI and the DA's Office working in a "team concept", it will be easier to resolve problems in an expedient manner. This will also reduce any potential breakdown in communications between offices.

In the event a conflict develops between detectives and prosecutors, using the open lines of communication established, the detectives and prosecutors will seek an early resolution. If a resolution cannot be achieved at this level, the

immediate supervisors shall meet jointly with the detectives/prosecutors to seek resolution. It is anticipated that most, if not all, conflicts will be resolved by this step. If a conflict persists then the Captain of CDI and the Chief DDA shall meet and confer.

VIII. OTHER

Both CDI and the DA's Office will assist each other in the following additional ways:

- 1) Storing evidence.
- 2) Sharing specialized equipment.
- 3) The service of search warrants, arrest warrants and/or subpoenas, and
- 4) In any other way necessary to accomplish our common goal of deterring disability and healthcare insurance fraud.

IX. CONCLUSION

The Fresno County DA's Office and CDI agree to work together to investigate and prosecute disability and healthcare fraud in Fresno County by working impact cases while at the same time maintaining a balanced case load. Both agencies agree that anti-fraud efforts must be conducted in a cost effective and efficient manner with professionalism and productivity being the overriding principles governing the relationship. Both agencies further agree that the ultimate goal is to reduce the overall occurrence of healthcare fraud in Fresno County. In practical terms, both departments are currently undertaking the above procedures. This document clarifies this coordination and serves as a guide and resource document for future reference.



EDITH TREVISIO
Chief Deputy District Attorney
Fresno County District Attorney's Office

Date: 5-11-17



ERIC CHARLICK
Captain
California Department of Insurance
Fraud Division, Fresno Regional Office

Date: 5/11/17