

# INGENIX<sup>®</sup>

## UnitedHealthcare Prevents Fraudulent Claims Payments and Saves Nearly \$125 Million with Ingenix Prospective Fraud Detection Solutions

### Highlights

- A unique multi-dimensional prospective fraud detection strategy has yielded a 755 percent return-on-investment and a 370 percent savings improvement in its first year of implementation.
- Using advanced analytics techniques, Ingenix rapidly reviews UnitedHealthcare's incoming claims—about a million claims daily—to uncover aberrant billing patterns that indicate possible fraud and abuse before claims are paid.
- Clinical and investigative experts review suspicious claims to better understand the patient as well as the diagnosis and prescribed treatments so that complex coding relationships can be validated.
- Leveraging technology, Ingenix helps UnitedHealthcare pay the right claims from the right providers at the right time.



UnitedHealthcare, a leading health insurer offering consumer-oriented benefit plans and services to more than 25 million consumers, continually seeks new ways to help control the costs of health care. It recognized that reducing health care fraud and abuse presented a significant opportunity to improve integrity of claims payments and stop inappropriate charges.

Ingenix has operated UnitedHealthcare's effective retrospective fraud investigation and recovery program since 1996. Recognizing that the integrity of paid claims could be improved, UnitedHealthcare and Ingenix teamed to develop a new claims review strategy in late 2004. The health plan wanted to develop a program that would break new ground and significantly reduce error, abuse, and fraud. Leveraging Ingenix technology and investigative resources, UnitedHealthcare set out to review the accuracy and appropriateness of claims before payment. This new approach would:

- Detect suspect claims. Some government and law enforcement agencies assess the loss to fraud as high as 10 percent of payers' annual expenditures—collectively, as much as \$170 billion each year. Most health plans, however, detect only a fraction of fraudulent claims. UnitedHealthcare believed that, with greater vigilance and a broader payment integrity program, it could prevent more fraud and better control health care costs on behalf of its members.
- Achieve greater savings by preventing payment of fraudulent claims. Many health plans scrutinize claims from providers known to be suspicious, but process all other claims and simply conduct post-payment fraud investigations

**“Ultimately, our goal is provide better health care to our members and this program has achieved that in full. Preventing more fraud helps us control the cost of health care and direct our resources to making quality health care accessible to our members.”**

— David Popik, UnitedHealthcare  
Fraud and Abuse Manager

and recoveries. Post-payment investigation, prosecution and recovery is typically a lengthy, labor-intensive process that yields relatively low return-on-investment. UnitedHealthcare believed that preventing payment of fraudulent claims would yield much greater return-on-investment than this traditional “pay and chase” approach.

- Leverage technology to enable prompt payment of accurate claims. While UnitedHealthcare wanted to prevent fraud and abuse, it also valued its health care provider network and did not want to unnecessarily delay reimbursement of accurate claims. The health plan challenged Ingenix to apply advanced analytics technology to help pay the right claims from the right providers at the right time, while accurately detecting potential fraud and abuse.

## Solutions

Ingenix launched a unique multi-dimensional pre-payment fraud detection strategy for UnitedHealthcare in May 2005. Using advanced analytics techniques, Ingenix rapidly reviews UnitedHealthcare’s incoming claims—about a million claims daily—to uncover aberrant billing patterns that indicate possible fraud and abuse.

Accurate claims flow through the system for prompt reimbursement. Suspicious claims are escalated to Ingenix’ experienced clinical and investigative teams for thorough review. Trained Ingenix nurses, doctors and other practitioners may request and review medical records to better understand which diagnoses were made and which treatments were offered so that coding relationships can be validated. Experienced Ingenix investigative teams gather information and advise the health plan on detected fraud cases that should be prosecuted or escalated to law enforcement agencies including the Federal Bureau of Investigation.

These investigative teams funnel their findings back to the Ingenix analytics office so that confirmed aberrant billing patterns can be coded into Ingenix software tools and for automatic application to future incoming claims. This powerful integrated approach enables UnitedHealthcare and Ingenix to make the fraud detection process more robust and accurate as more claims are reviewed.

Ingenix and UnitedHealthcare continue to improve the innovative program and are looking at new areas for detecting and preventing fraudulent claims. Together, the companies are applying new techniques and technologies to uncover more aberrant billing patterns and fraud schemes. Medical identity theft, organized crime and prescription drug fraud continually present new opportunities for fraud prevention and resulting cost savings. UnitedHealthcare will use its leadership in this and other areas to continue to look at ways to improve claims payment integrity and hold down the cost of health care.

## Results ↙

The results have been dramatic. UnitedHealthcare has realized a cumulative two-year net benefit of approximately \$125 million and an ROI of 755 percent from the new program, driven by reductions in payouts due to fraudulent, erroneous, and abusive claims, for both traditional health plans and self-funded employee benefit plans. The program improved UnitedHealthcare’s fraud prevention results by 370 percent in a single 18-month period. As a result of the partnership, UnitedHealthcare has become a national leader in helping control the health care costs by reducing fraud and abuse.

Benefits of the new program exceed the immediate, measurable financial results.

**“Ingenix’ Prospective Fraud Detection Services have been an outstanding success for us. The innovative approach detects abuse before claims are paid out and we have seen dramatic savings as a result. The program is a true partnership and Ingenix continues to find ways to work with us to control the cost of health care.”**

— David Popik, UnitedHealthcare  
Fraud and Abuse Manager

The following chart provides a detailed financial analysis:

### PROJECT SUMMARY (DIFFERENTIAL)

ROI	755%
Total Net Benefit	\$125,000,000

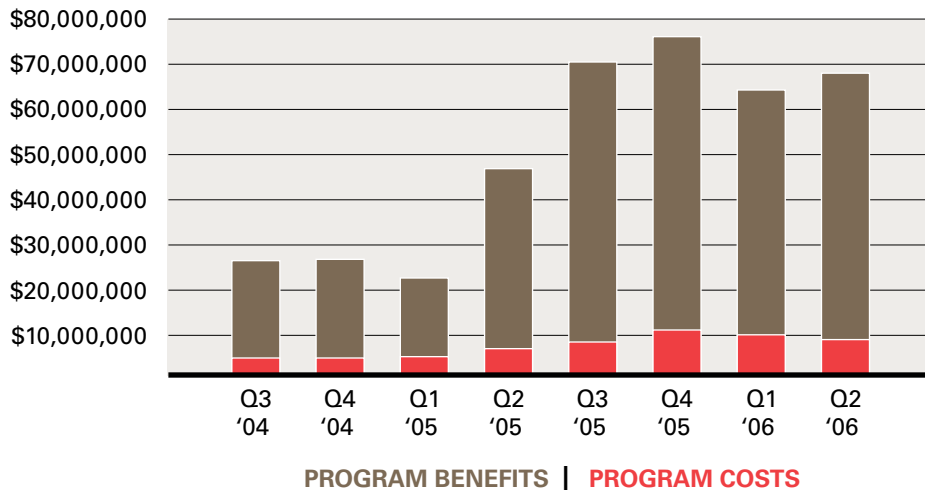
Project Costs	Before	After	Differential
Program Costs	\$21,000,000	\$37,000,000	\$16,000,000
Gross Savings	\$99,000,000	\$239,000,000	\$140,000,000
<b>Total Net Benefits</b>	<b>\$78,000,000</b>	<b>\$202,000,000</b>	<b>\$124,000,000</b>

Financial Analysis	Before	After	Differential
ROI	374%	540%	755%
Benefit Cost Ratio	\$4.74 : \$1	\$6.40 : \$1	\$8.55 : \$1
<b>Total Net Benefit</b>	<b>\$78,000,000</b>	<b>\$202,000,000</b>	<b>\$124,000,000</b>

### Return on Investment

ROI (return on investment) is the percentage return expected over a specified period of time. ROI is the total benefit divided by the total costs. This ROI metric is good for assessing the multiplier provided by the benefits relative to the total investment and costs.

The differential ROI, differential benefit cost ratio, and the total net benefit are the result of the relative difference between the before and the after situation. Only an extra \$16 million was spent, but an additional savings of \$140 million was made. This change shows that ~78 percent more was invested, but the return more than doubled (140%).



## About UnitedHealthcare

UnitedHealthcare provides a full spectrum of consumer-oriented health benefit plans and services, helping more than 25 million individual consumers nationwide achieve improved health and well-being through various health service systems. It arranges access to quality, affordable care with more than 500,000 physicians and care professionals and 4,600 hospitals across America. UnitedHealthcare is one of the businesses of UnitedHealth Group (NYSE: UNH), a diversified Fortune 50 health and well-being company.

## About Ingenix

Ingenix delivers Intelligence for Health Care, uniting the brightest minds to improve the health care through information and technology. Ingenix serves more than 250,000 diverse health care clients including insurance companies, federal/state agencies, pharmaceutical and biotech firms, Fortune 500 enterprises, hospitals and physicians within the health care community. Ingenix is one of the businesses of UnitedHealth Group (NYSE:UNH), a diversified Fortune 50 health and well-being company. For more information about Ingenix and its products and services, please visit [www.ingenix.com](http://www.ingenix.com).

Numbers cited within this document are approximate.

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