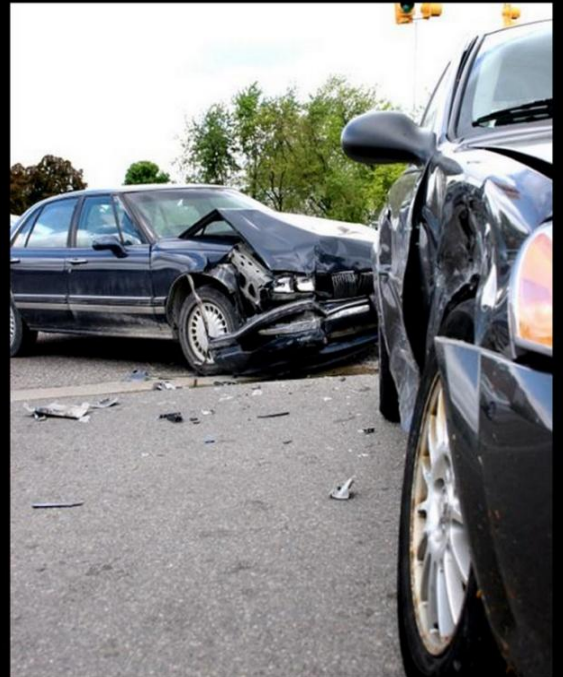




## The Division of Insurance Fraud



## Mission to Combat & Reduce PIP Fraud



August 27, 2012



The nature of fraud and theft crimes is evolutionary and uncertain. Criminal tactics are ever changing and constantly moving from one location to another, for convenience, ease of operation, increased patrol of areas, increased knowledge and training of local insurance and law enforcement, or simply to expand a successful, income producing, fraud scheme. The number of suspicious auto accidents that were staged or deliberately caused by criminals in Florida has increased dramatically the past several years, and is expanding throughout the state.

Insurance fraud scammers have turned Florida into the top state for staged accidents, particularly in the Miami and Tampa areas. The Insurance Information Institute is estimating that such fraud could cost up to \$1 billion in the Sunshine state this year.

### **The Division of Insurance Fraud’s Mission to Combat and Reduce PIP Fraud**\_\_\_\_\_

To safeguard the residents and visitors of Florida and their assets by aggressively fighting to reduce, with a goal of eliminating, fraudulent activities related to Personal Injury Protection insurance. This will be done through enforcement, education and advocacy with the cooperation of other law enforcement agencies and insurance companies.

#### **Goals:**

1. Target and close medical clinics involved in filing fraudulent PIP claims
2. Target and arrest the enablers who organize, finance and operate the “PIP Rings”
3. Develop and/or implement the latest technology to help identify enablers and organizations
4. Provide a professional, well educated, and well equipped team to combat PIP fraud by providing current, up to date training and the use of the latest technology and analytics for the Detectives and the Crime Intelligent Analysts
5. Develop standards and policy and procedures to attract high quality candidates for employees and retain them

### **Governor Scott Signs PIP Bill**\_\_\_\_\_

On May 4 in Jacksonville, Governor Rick Scott signed legislation to reform auto accident fraud in Florida, this year’s number one consumer protection issue. This meaningful legislation will lower the cost of auto insurance premiums for Florida drivers by limiting fraud in Personal Injury Protection (PIP) insurance. Accident fraud would have cost average Floridians over \$1 billion this year if PIP reform was not passed.

The new law aims to reform Florida’s broken personal injury protection (PIP) system by targeting staged accident fraud, strengthening billing practices so appropriate services are provided to those who need care, tightening requirements for clinic ownership and providing rate relief for Florida’s consumers.

In 1972, Florida passed the PIP law to make sure people injured in an auto accident would quickly get money to treat their injuries. The legislation provided that a driver’s insurance company pay up to \$10,000 to cover medical bills and lost wages after an accident, no matter who is at fault. There have been numerous attempts to tighten the law since then, and it briefly sunset in 2007 for three months before being reenacted.

As of January 1, 2013, the new legislation will require an accident victim to obtain treatment within 14 days in an ambulance or hospital, or from a physician, osteopathic physician, chiropractic physician or dentist. The full \$10,000 PIP benefit can be used only if it is determined that the insured has an

emergency medical condition. If not, the PIP benefit is limited to \$2,500. Massage therapists and acupuncturists were both eliminated from eligibility for PIP benefits and only certain medical providers will be eligible to treat PIP patients. The parts of the law that have already taken effect (July 1, 2012) includes that an insured must submit to an examination under oath. The bill also....

- Requires clinics to be licensed to treat auto crash passengers;
- Makes it a crime to run a clinic without a license;
- Requires a fraud warning on all clinic license forms;
- Revokes a provider's license for five years and boots the provider from the no-fault system for 10 years if convicted of insurance fraud;
- Allows insurers 90 days to investigate claims (up from 30 days). Insurers also must report suspected fraudulent claims to the state fraud unit;
- Requires police crash reports to list names and addresses of all passengers; and
- Creates a support agency under the CFO to accept grants and gifts to assist with investigating and prosecuting fraud.



The law also required that insurance companies reduce their PIP premiums at least 10% by October 1<sup>st</sup> or provide ample documentation why they cannot. It also requires companies to reduce PIP premiums 25% by the year 2014.

### **Florida Insurers Expect Efforts to Beat PIP Reforms**

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Payments to chiropractors and massage therapists for treating injured motorists soared over the past decade, a 251 percent increase in massage claims alone from 2007 to 2010, sending premiums for the no-fault auto insurance that paid for the treatment through the roof. So lawmakers looking to lower premiums for personal injury protection thought they had a quick fix. They voted to ban payments by PIP for massage and limit payments for non-emergency treatment, typically done by chiropractors, to \$2,500. The previous max was \$10,000.

Major Simon Blank, a 17-year veteran of the Department of Financial Service's fraud unit based in Palm Beach County, said most recent fraud cases started with staged accidents. Then they moved to clinics that specialize in PIP patients and can pull in more than \$1 million a year.

"Not a bad business to be in," said Blank, head of operations and investigations for the fraud unit, adding these clinics are unlikely to reform overnight. "We're just kind of keeping our eyes open and ears to the ground and trying to figure out new trends as they're developing."

But the ink on the bill isn't even dry yet, and insurers and consumer groups are already on the lookout for groups trying to scam the system. A Hollywood orthopedic surgeon sent letters to lawyers telling them he could offer immediate examinations to determine whether a patient had an "emergency" condition and refer him for follow-up treatment. A Tampa company has sent chiropractors a solicitation offering to provide a doctor to certify that a patient has an "emergency" medical condition. The chiropractor could then bill the insurance company up to the \$10,000 coverage limit.

## New PIP Scheme

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A Tampa company has sent fliers to chiropractors suggesting ways to capitalize on potential loopholes in new legislation aimed at denting the runaway fraud plaguing Florida's mandatory motor vehicle no-fault law.

The Tampa health care staffing agency is offering to send medical doctors or osteopathic physicians to chiropractors' offices to examine patients and fill out paperwork that could possibly qualify them as an "emergency" and eligible for the maximum \$10,000 personal injury protection benefit.



**Chiropractors. Don't miss out on your \$7500.00!**  
**We Have The Medical Doctors You Need Now!**

The legislation requires an accident victim to obtain treatment within 14 days in an ambulance or hospital, or from a physician, osteopathic physician, chiropractic physician, or dentist.

*"The full \$10,000 PIP medical benefit is available only if a physician, osteopathic physician, dentist, or a supervised physician's assistant or advanced registered nurse practitioner determines that the insured has an emergency medical condition."*

*Otherwise, the PIP medical benefit is limited to \$2,500.*

"Medical On Demand" can send a MD/DO to your facility to see your PIP patients. Our physician will do assessments, fill out and sign forms that state the insured has an emergency medical condition.

**Contact us today for details!!**

**Medical On Demand Staffing LLC**

Phone: 813-963-7097  
Fax: 813-963-7882

Email: [medicalondemand@yahoo.com](mailto:medicalondemand@yahoo.com)

"Chiropractors. Don't miss out on your \$7,500," the Medical on Demand Staffing solicitation promises. "We Have The Medical Doctors You Need."

Darrell Stollings, chief executive officer of the medical staffing and placement firm, said Wednesday that he's not trying to skirt conditions of the new legislation although he agreed that his flier (shown below) was an eye-catcher.

"We have physicians who are available to look at the patient to make sure that patient is medically needing of that (chiropractic) service," Stollings explained. "If not, they don't get that service."

Stollings' solicitation was faxed last week to chiropractors and physicians with the company's phone number and email address, less than three weeks after the Legislature narrowly agreed to pass the bill (HB 119) backed by Gov. Rick Scott.

## Dade County PIP Clinics Proved Deemed to have "Irregularities"

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State investigators are considering criminal charges after they found regulatory violations in 90% of the clinics that were observed. According to the Insurance Journal and a report by the Agency for Health Care Administration, during a recent 3-day probe, investigators discovered irregularities in 43 of 49 clinics. In one case, an insurance company providing personal injury protection (PIP) coverage was charged \$19,000 for massage therapy.



During the checks, investigators witnessed only 17 patients, while employees at some of the clinics noted that they have never even seen one. As one clinic staff stated, they hadn't even seen the owner or medical director in six months.

Spokeswoman Shelisha Coleman said the report will prompt the agency to take action and revoke the licenses of several entities and possibly file criminal charges. The investigation found that most of the Dade County clinics treated auto accident victims exclusively and that the primary treatment billed by them was for massage therapy. Investigators also found that many clinic owners had

no prior health care experience and reported they opened auto crash clinics after learning they could be a lucrative business venture.

Many of the clinics also had advertisements for law firms and attorneys who specialize in traffic accident litigation displayed, while in numerous instances some of the medical professionals at the clinics were employed without the required background screening. One man even kept his job despite being deemed ineligible after his background check

### **Miami-Dade County passes PIP Ordinance**

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On February 21, 2012 the Miami-Dade Board of County Commissioners voted on and passed a County ordinance setting forth registration requirements for medical providers who provide treatment to PIP patients. According to the County Commissioners the intent behind the ordinance is to “Prevent fraudulent automobile insurance claims which negatively affect both consumers and insurers within Miami-Dade County through the implementation of registration requirements for certain Personal Injury Protection Medical Providers, as defined below, operating in Miami-Dade County, which treat patients allegedly injured in automobile accidents and receive a major portion of the Personal Injury Protection Medical Provider’s income from personal injury protection insurance claims.”

### **Basic Schemes**

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The great majority of crashes are unintentional, but there are some committed purposely for the purposes of collecting PIP benefits. Criminals see staged crashes as an easy way to obtain money from insurance companies. They use paid witnesses, unethical attorneys and corrupt medical providers to promote and gain from the fraud. Here are some examples of the way staged accidents occur:

**Swoop and Squat:** The driver of Vehicle 1, who is in on the scheme, purposely drives a short distance in front of an innocent driver, when the driver of Vehicle 2, also in on the scheme, suddenly swoops in front of Vehicle 1. The driver of Vehicle 1 hits his brakes and causes a rear-end collision with the victim behind him.

**Drive Down:** When a driver is trying to merge into traffic, a scheming driver slows down and waves the victim forward. Once the victim proceeds, the schemer crashes into the victim’s vehicle and denies to law enforcement that he waved the other driver through and blames the crash on the other driver.

**Panic Stop:** The scheming driver of a vehicle drives in front of a victim. An observer in the schemer’s vehicle waits for the victim to take his eyes off the road, for example to text or talk to a passenger, then signals the driver to slam the brakes to create a rear-end collision.



Swoop and Squat



Panic Stop

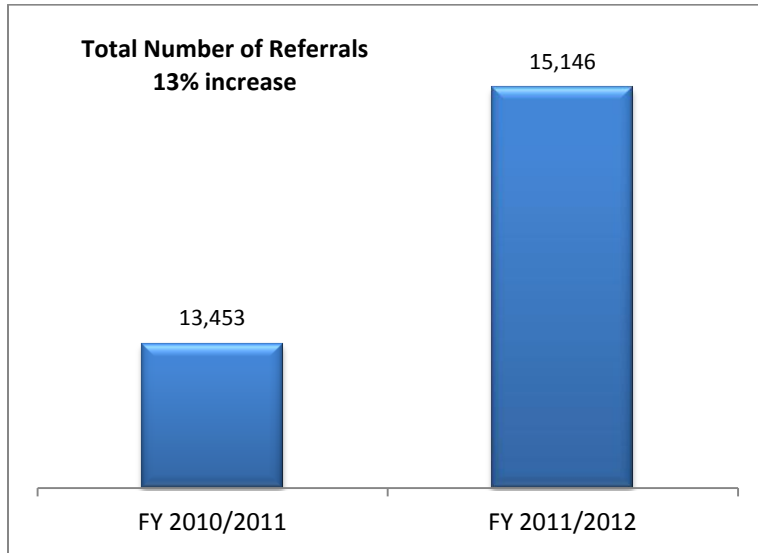


Drive Down

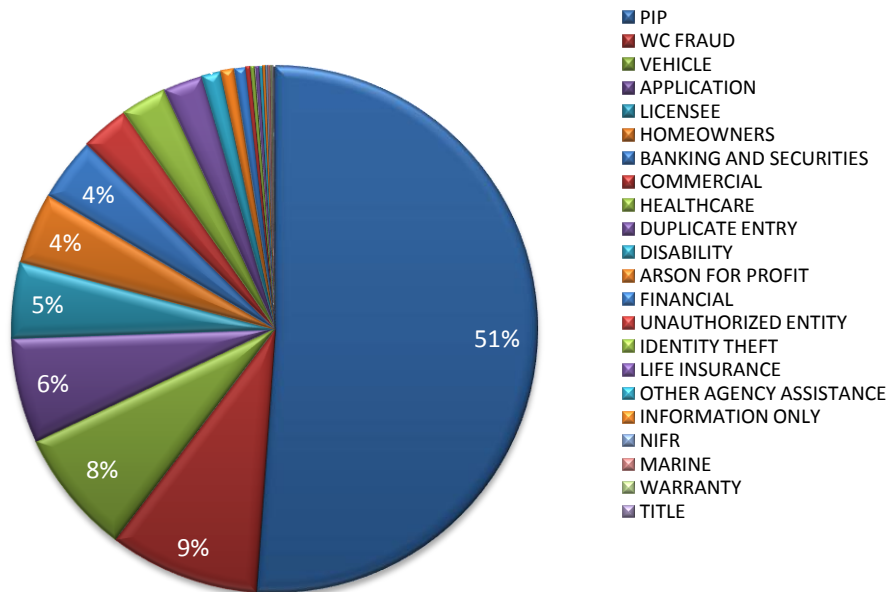
Posted on FHP's website is more information on staged crashes and how they affect motorists in Florida, the NICB and Florida Division of Insurance Fraud. The website address is <http://www.flhsmv.gov/fhp/misc/StagedCrashes.htm>.

**PIP Fraud Statistics**

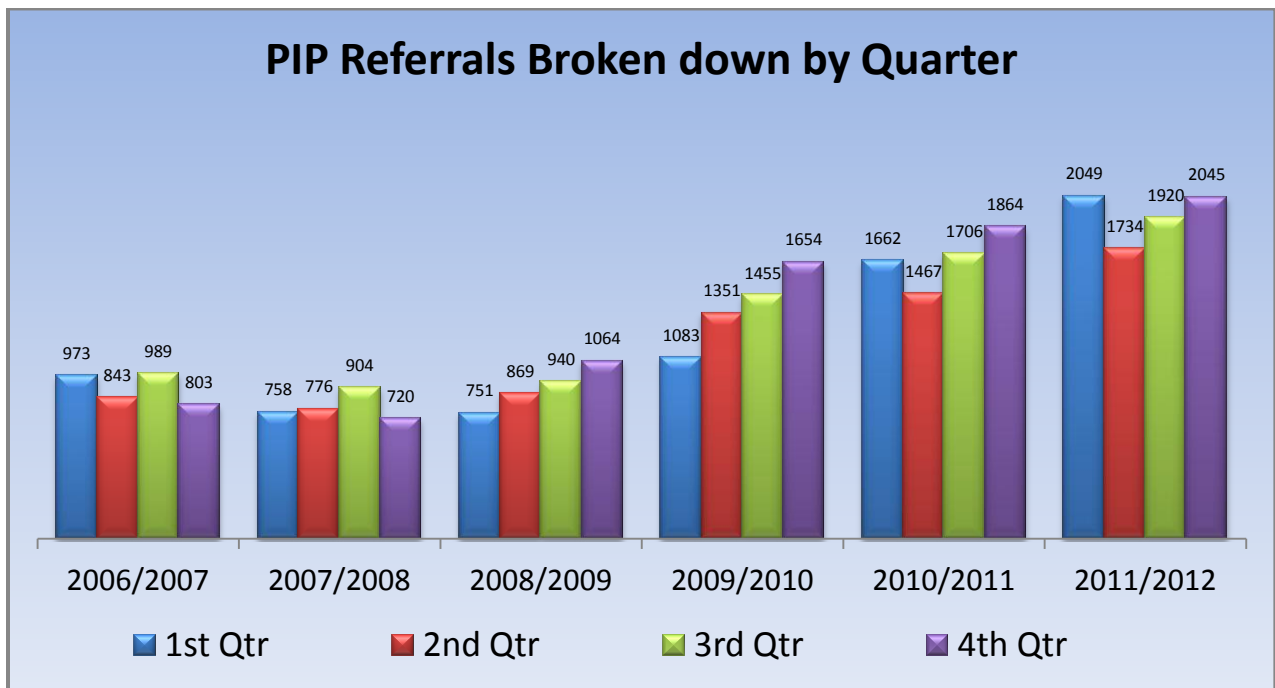
The Division has experienced continued growth in the number of insurance fraud related referrals over a ten year span; between FY 2001/2002 and 2011/2012, referrals increased 75.9%. Last Fiscal Year, the Division received 15,146 referrals, showing a 13% increase over the previous year.



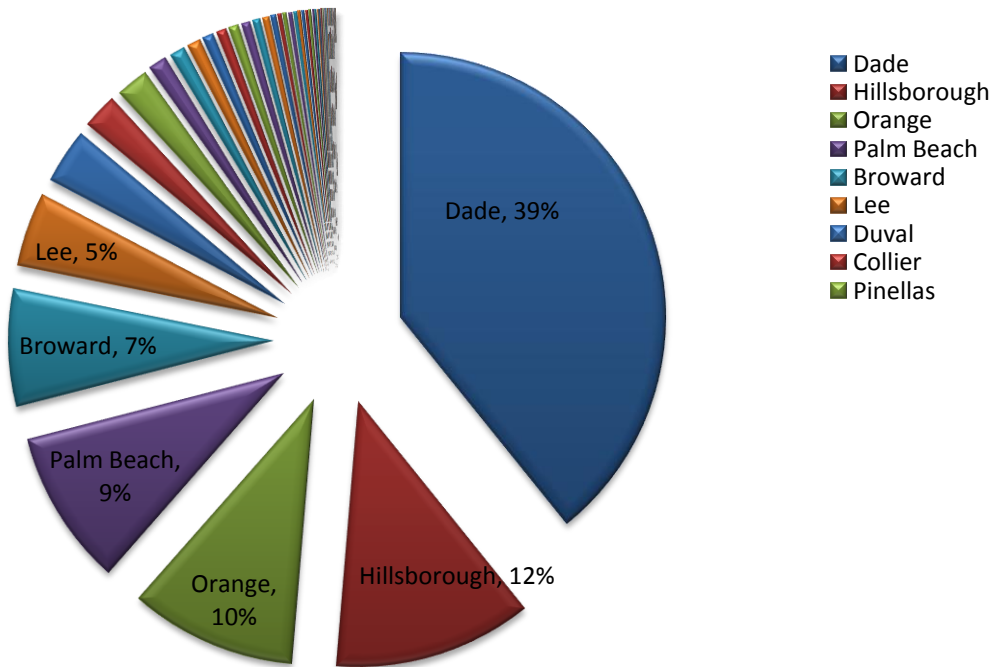
Of these referrals 7,748 were PIP Fraud referrals, accounting for 51% of the referrals received by the Division.



PIP Referrals Broken down by Fiscal Year/Quarter					
Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Grand Total
2003/2004	233	146	172	148	699
2004/2005	749	646	575	655	2625
2005/2006	718	513	1143	992	3366
2006/2007	973	843	989	803	3608
2007/2008	758	776	904	720	3158
2008/2009	751	869	940	1064	3624
2009/2010	1083	1351	1455	1654	5543
2010/2011	1662	1467	1706	1864	6699
2011/2012	2049	1734	1920	2045	7748



### PIP Referrals FY 2011/2012 (By County)

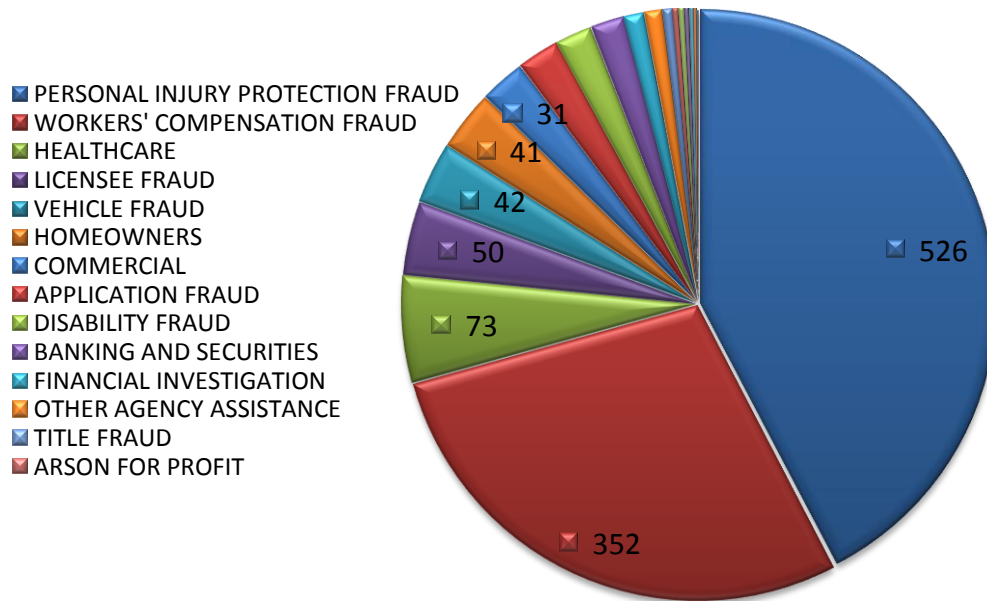


Last Fiscal Year, the top ten cities to receive the most PIP Fraud referrals were:

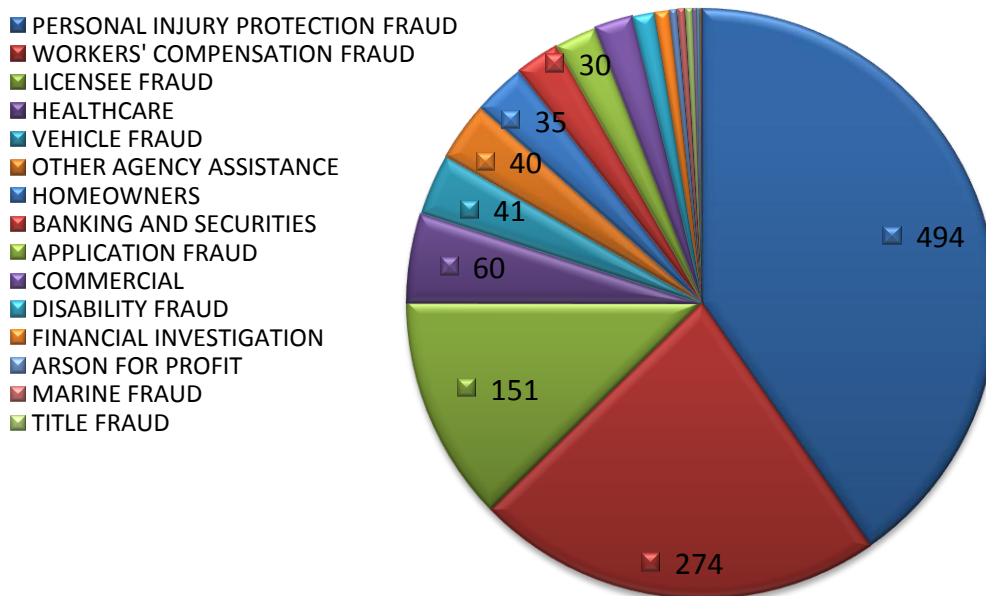
- Dade, 3039
- Hillsborough, 938
- Orange, 789
- Palm Beach, 736
- Broward, 553
- Lee, 350
- Duval 260
- Collier, 168
- Pinellas, 156
- Polk, 89



The Division of Insurance Fraud presented 526 individuals for prosecution for PIP Fraud last Fiscal Year. The majority of these cases presented for prosecution occurred in Dade, Palm Beach, Hillsborough, Orange and Broward County.



Over forty (40) % of the arrests made by Division detectives during Fiscal Year 2011/2012 were the result of Personal Injury Protection (PIP) fraud cases; certainly the use of surveillance in such complex cases has contributed to the Division's success. PIP arrests increased 39.4 % from 353 to 494 from FY 2010/2011 to FY 2011/2012.



## **The Division of Fraud's PIP Fraud Investigative Efforts**

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The Division of Fraud's PIP Fraud investigative efforts are enhanced through active participation with two Medical Fraud Task Forces, one in South Florida and one in Central Florida, headed up by the National Insurance Crime Bureau (NICB). Attendees include NICB agents, local, state, and federal law enforcement officers, and members of the insurance industry. The continued support of the Bureau of Crime Intelligence and Analytical Support contributed to greater participation by the Division; Crime Intelligence Analyst Supervisors and Crime Intelligence Analysts from ten (10) field offices across the state attend task force meetings regularly and contribute to joint task force initiatives.

Additionally, the Division of Insurance Fraud, the National Insurance Crime Bureau and the Florida Highway Patrol have collaborated to help stop staged crashes in Florida. The Florida Highway Patrol launched a new webpage on its site called "Protect Yourself Against Staged Crashes." The new site provides information, videos and links from its partners the Florida Division of Insurance Fraud (DIF) and the National Insurance Crime Bureau (NICB) regarding staged accidents and insurance fraud. Included are brochures from both DIF and NICB and data forecast reports from NICB. The website includes three informative videos of caused crashes, including the swoop and squat, the panic stop and the drive down. The new site also posts the hotline numbers for NICB (1-800-TEL-NICB) and DIF (1-800-378-0445). You may be eligible for a reward of up to \$25,000 for reporting fraud to DIF.

## **PIP Cases:**

### **July 2012-Chiropractor Among the Latest Arrests in Operation Sledgehammer Case**

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Eleven defendants, including a licensed chiropractor and massage therapist, were charged in a multi-million dollar staged accident fraud scheme in Palm Beach County. In total, the U.S. Attorney's Office has charged 26 defendants in less than 12 months as part of Operation Sledgehammer. Chiropractor Jennifer Adams, 38; massage therapist Moises Madrid, 40; Obelio Rodriguez, 43; Maria Molina, 41; Yuliet Tapanes, 25; Dagoberto Milian Lopez, 56; Amaurys Hernandez, 40; Gilda Garcia, 49; Javier De La Caridad Troncoso, 45; Ana Ovando, 42; and Janice Velez, 39, were each charged with one count of conspiracy to commit mail fraud. Defendant Rodriguez is at large and considered a fugitive. The defendants allegedly unlawfully profited by submitting fraudulent PIP claims for chiropractic and massage therapy treatments for individuals who had participated in staged automobile accidents. The defendants recruited individuals to participate, instructed them on how to conduct accidents and what to tell responding police officers, insurance company representatives and independent medical examination (IME) physicians. They also instructed them on how to collect police reports and what clinic to go to for treatment, even though the participants did not need treatment. Chiropractor Adams served as the named owner of the clinics, although the other defendants maintained financial control of the businesses. The clinics involved in the scheme were OVY Rehabilitation Medical Center, HHR Rehab Medical Center, Florida Chiropractic Center of Palm Beach Corp, Chiropractic Office of South Florida, Florida Mango Massage Therapy Center, New York Medical and Rehab Center and KCC. Wifredo A. Ferrer, United States Attorney for the Southern District of Florida, commended the investigative efforts of the FBI, IRS-CID, Defense Criminal Investigative Service, Florida Department of Financial Services Division of Insurance Fraud, and issued a special thanks to the National Insurance Crime Bureau (NICB) for its assistance in this investigation. The cases are being prosecuted by Assistant U.S. Attorney A. Marie Villafaña. *Victim companies include 21st Century, Affirmative, Agency, AIG National, Allied Property & Casualty, Allstate, American Vehicle, Ameriprise, Apollo Casualty, Assurance America, Bristol*

*West, Castlepoint, Corvel, Direct General, Esurance, Farmers, First Acceptance, Florida Farm Bureau, Geico, GMAC, Granada, Hallmark, Infinity, Infinity Indemnity, Kingsway Amigo, Liberty Mutual, Mapfre, Mendota, Mercury, Metlife, MGA, New Hampshire Indemnity, Occidental Fire & Casualty, Ocean Harbor, Peak Property & Casualty, PGCS, Praetorian, Progressive, Redland, Safeco, Security National, Seminole Casualty, Star Casualty, State Farm, Travelers, Unitrin, Victoria Fire & Casualty, and Windhaven.*

#### **June 2012-Clinic Owner, Chiropractor Charged in Naples PIP Fraud Takedown**\_\_\_\_\_

In April 2009, the Division of Insurance Fraud (DIF) and the Office of the Attorney General - Statewide Prosecutor, with the assistance of the National Insurance Crime Bureau (NICB) and insurance companies Direct General, Geico and Nationwide, began an investigation into criminal activities at a Naples accident clinic, Cardinal Chiropractic Center. The total amount of fraudulent billing discovered was in excess of \$100,000.

The investigation uncovered a large organized scheme to defraud insurance companies by submitting false medical treatment forms for treatments that were either not administered or were administered by employees who did not possess a valid Florida Department of Health (DOH) license. The fraudulent billings were related to motor vehicle accidents and the claims filed to the insurance companies for personal injury protection coverage.

The investigation revealed that the true owner of Cardinal Chiropractic Center was Feghens Delva. Delva allegedly paid two licensed chiropractors a monthly fee to pose as straw owners of the clinic to avoid the Florida Agency for Health Care Administration (AHCA) licensing requirements. These licensed chiropractors enabled this criminal enterprise to flourish. The following defendants were arrested: Clinic Owner Feghens Delva, Chiropractor Esmaeel Samaliazad, Massage Therapist James Greenhut, Office Manager Marie Stephania Zamy, and Patient Recruiter Guerold Dolcine. The case will be prosecuted by the Office of the Statewide Prosecutor.

These arrests come on the heels of another major investigation in Ft. Myers that resulted in federal indictments and a dozen arrests in March, and is part of the continuing crackdown by CFO Atwater's Division of Insurance Fraud and the National Insurance Crime Bureau in the fight against auto insurance fraud in Florida.

#### **May 2012-Clinic Owner, 15 Patients Charged in Miami PIP Scheme**\_\_\_\_\_

Florida Chief Financial Officer Jeff Atwater announced the arrest of a licensed massage therapist, a physician's assistant and 15 massage clinic patients for insurance fraud and grand theft. Judith Gonzalez, 39, owner of Flamingo Health Corp in Miami, allegedly billed Allstate and State Farm nearly \$250,000 in fraudulent insurance claims and coached patients on how to commit insurance fraud.

The Florida Department of Financial Services' Division of Insurance Fraud (DIF) and the Miami-Dade Police Department Public Corruption Investigations Bureau conducted an undercover investigation that revealed the ongoing insurance fraud scheme. Gonzalez directed undercover officers posing as patients to sign blank treatment forms and later coached them in preparation for any questions they might be asked by their insurance company. Gonzalez billed Allstate more than \$17,000 for treatment that the undercover patients did not receive.

Miami-Dade State Attorney Katherine Fernandez Rundle is prosecuting the cases and has been an important partner in fighting fraud in Miami-Dade. "Every dollar stolen in insurance scams like these comes out of the pockets of the people of my community and the pockets of the people of Florida," Rundle said. "I'm proud to have law enforcement partners like Chief Financial Officer Jeff Atwater and the Division of Insurance Fraud, who are working with us to get these thieves off of our streets."

Also arrested was physician assistant Hilda de la Pedraja, 69, who has been licensed in Florida since 1999. Fifteen other patients were also arrested for signing forms for treatments they never received at the clinic. Flamingo Health Corp billed State Farm more than \$227,000 for alleged treatment of these patients.

Gonzalez, a licensed massage therapist since 2006, previously owned and operated at least three other clinics in Miami including Fontainebleau Center Corp, Theramed Service Corp and Westchester Service Corp. DIF is investigating the activity of these other clinics and additional arrests are anticipated.

In addition to the Miami-Dade Police Department, the Division was also assisted by the U.S. Secret Service during the execution of a search warrant at Flamingo Health Corp. Both Allstate and State Farm also provided substantial assistance.

#### **April 2012-12 Arrested in Lee County's Operation Whiplash**

The Cape Coral Police Department wrapped up an undercover investigation into PIP fraud and staged crashes with 12 arrests last month. The investigation was conducted by the Cape Coral Police Department, U.S. Secret Service, the City of Miami Police Department, Hialeah Police Department, the Division of Insurance Fraud, IRS, U.S. Attorney's Office and the National Insurance Crime Bureau (NICB). Also assisting the investigation were several insurance companies including State Farm, Met Life, Sentry, Travelers, Allstate, Nationwide and Farmers.

In the 13-month investigation, detectives went undercover and infiltrated a sophisticated insurance fraud scheme. Participants staged traffic crashes, feigned injuries and sought medical treatment at a clinic, which would bill the insurance company for thousands of dollars per crash. The investigation discovered that two clinics, Xtreme Care Rehabilitation Center and C & A Family Rehab Center were allegedly operating in Cape Coral as unlicensed health care clinics since 2009.

Xtreme Care Rehabilitation Center, located in Cape Coral at 2002 Del Prado Blvd. S, Suite 100, was incorporated in December 2009, and listed chiropractor Stephen Lovell as the president and sole officer. Lovell has been licensed in Florida as a chiropractor since August 1986 and as a physician's assistant since February 2007.

C & A Family Rehab Center, located in Cape Coral at 1401 Viscaya Parkway, Suite 4, was incorporated in September 2009 and listed chiropractor William A. Hall as the president and sole officer. Hall has been licensed in Florida as a chiropractor since July 1994.

Neither clinic was licensed by or had been issued an exemption by the Agency for Health Care Administration (AHCA).

The investigation resulted in the federal indictments of 12 individuals at all levels of the criminal organization, including staged crash recruiters, massage therapists, clinic owners and a chiropractor. Hundreds of thousands of dollars in assets were also seized. The investigation continues and additional arrests are anticipated.

In one indictment involving activity at Xtreme Care Rehabilitation Center, chiropractor Stephen M. Lovell, 54, clinic owners Francisco Huici Fernandez, 39, and Ernesto Diaz, 30, staged accident recruiter Joanna Capote, 23, office managers Karen Carmona Jackson, 29, and Jeanine Lastres Huici, 41, massage therapists Marylda Santana, 21, and Sonia Arroyo, 52, and receptionist Indra Lemus Castellanos, 19, were charged with conspiracy to commit health care fraud and mail fraud, health care fraud, mail fraud and conspiracy to commit money laundering and money laundering. In a separate indictment involving activity at C & A Family Rehab Center, clinic owners Abel de Jesus Perez, 43, and Francisco Huici Fernandez, 39, massage therapists Victor Caballero Duarte, 22, and Marylda Santana, 21, and receptionist Adrian Perez, 21, were charged with conspiracy to commit health care fraud and mail fraud, health care fraud, mail fraud and conspiracy to commit money laundering.

Each of the counts in the two indictments carry a maximum penalty of 20 years in federal prison. The U.S. Attorney's Office has called this investigation the largest, most successful of its kind, and the agency will recommend it as a template for other investigations to follow in the future.