



ORGANIZED CRIME

Highly Organized, Billions in Fraud

AGENDA

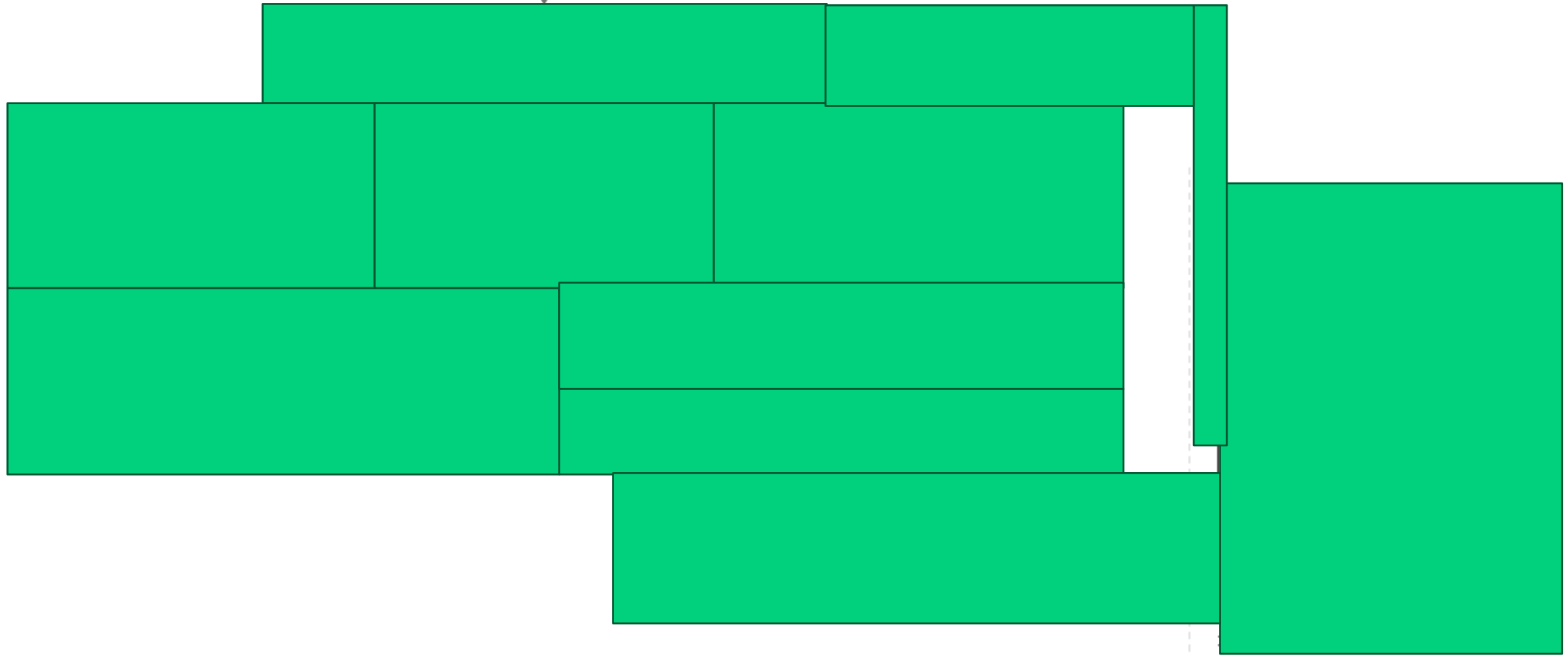
01	Advanced Business Structures <ul style="list-style-type: none">- Layering- Related Parties
02	Related Party Transactions
03	Cost Report Manipulation
04	Fraud <ul style="list-style-type: none">- Upcoding- Length of Stay- 3-Day Rule- UPL- Mortgage / Rent- Understaffing
05	What's Needed <ul style="list-style-type: none">- Ownership Transparency Legislation- Financial Transparency Legislation- Attorney General Prosecution



ADVANCED BUSINESS STRUCTURES

Layers upon layers

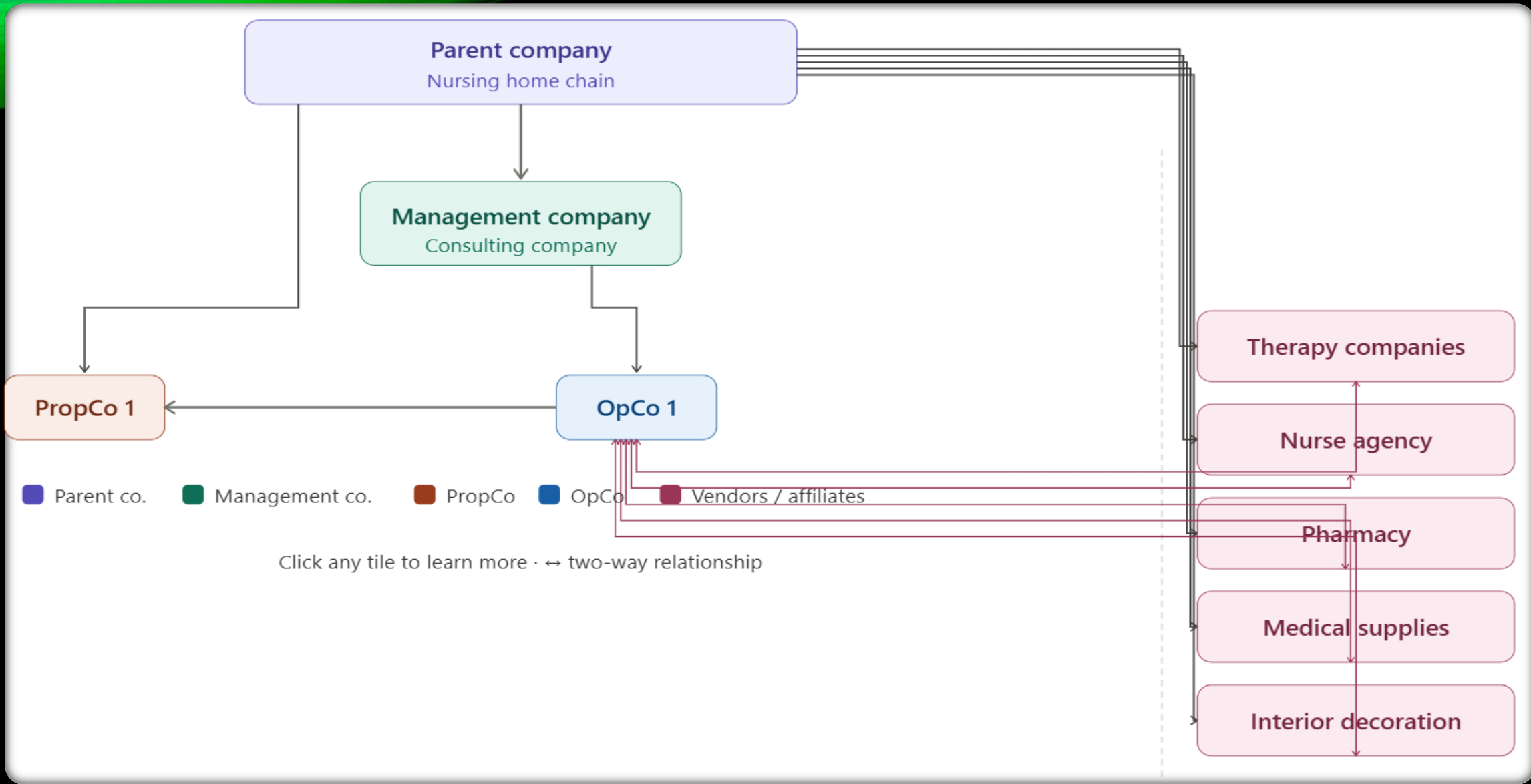
Private equity / REITs / owners
Capital, governance & ultimate authority






RELATED PARTY TRANSACTIONS

Three Card Monty





COST REPORT MANIPULATION

Tip of the tentacle

INCOME STATEMENT

Total Patient Revenues	20,635,720
Less: contractual allowances for discounts on patient's accounts	-6,553,448
Net Patient Revenues	14,082,272
Less: Total operating expenses	-13,049,878
...	
Net Income	1,032,394

FIX THE INCOME STATEMENT

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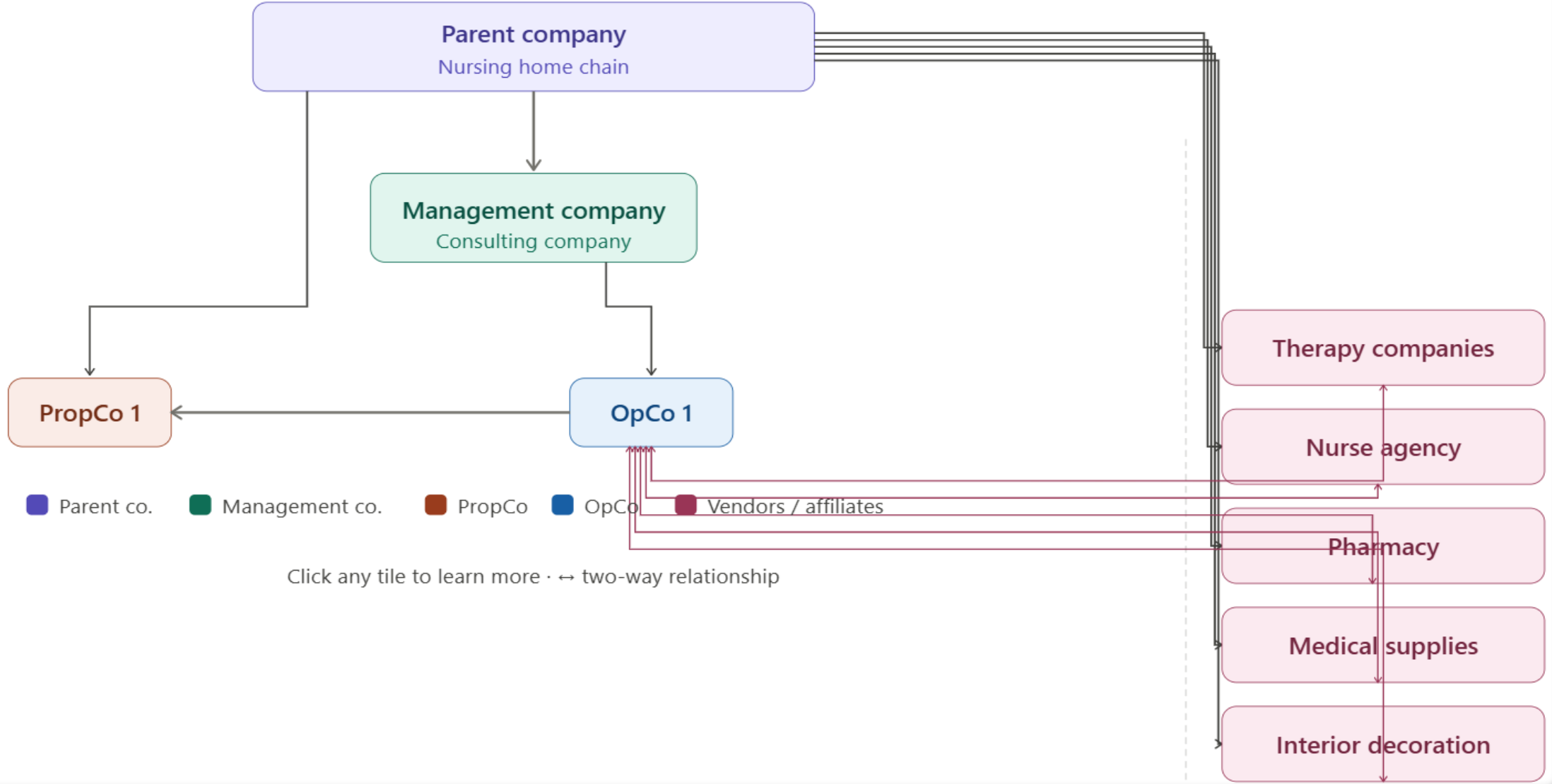
- Goal: Reduce the income to \$0 or to a loss
- Tools:
 - Revenue
 - Reduce the revenue by \$1,000,000+ and it's fixed
 - Very difficult to do this, impractical
 - Expenses
 - Increase the expenses by \$1,000,000+ and it's fixed
 - Very very easy to do this

INCOME STATEMENT

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FRAUD

Everything they touch is fraud

UPCODING FRAUD

1) What drives higher reimbursement?

2) Code as many residents as possible to reflex that condition.

UPCODING

RUG IV

- 1) Therapy
- 2) Everyone needed “Ultra High” or “Very High” rehabilitation.

*On Oct. 1, 2019, half the LTC therapists in the country were laid off.

PDPM

- 1) Psych Diagnosis
- 2) Everyone has “depression” or “schizophrenia”.

*Overall prevalence of schizophrenia amongst the entire over 60 years of age population is 0.1% to 0.5%.

** Very late onset of schizophrenia, after age 65, is uncommon. Estimated to be under 0.1% of that age group.

MEDICARE
LENGTH OF
STAY FRAUD

1) Reimbursement is daily, and Medicare is the best pay source.

2) Keep Medicare residents as long as possible.

LENGTH OF STAY (GOOD)

	2021	2022	2023
Title V	0	0	0
Title XVIII (Medicare)	24.33	29.14	29.55
Title XIX (Medicaid)	912.71	684.45	1087
Total	58.11	58.05	64.18

LENGTH OF STAY (NOT GOOD)

	2021	2022	2023
Title V	0	0	0
Title XVIII (Medicare)	47.17	52.24	66.47
Title XIX (Medicaid)	342.95	112.42	115.03
Total	79.67	77.79	85.01

3-DAY RULE FRAUD

1) During COVID the 3-Day hospital rule was suspended.

2) Code as many residents as possible as needing isolation and COVID exposure measures.

UPL FRAUD

1) Medicaid Upper Payment Limits Programs

2) At least a half-dozen schemes, including cost report manipulation.

MORTGAGE /
RENT FRAUD

1) What is rent?

2) Redefine what a
“mortgage” means.

RENT (CMS PUB. 15-1, CHAPTER 1)

The capital-related costs cost centers for buildings/fixtures and movable equipment include depreciation, leases and rentals for the use of facilities and/or equipment, interest incurred in acquiring land and depreciable assets used for patient care, insurance on depreciable assets used for patient care, and taxes on land or depreciable assets used for patient care.

NOT RENT (CMS PUB. 15-1, CHAPTER 1)

Excluded from this category are rental lease payments for repairs and/or maintenance, interest expense incurred to borrow working capital or for any purpose other than the acquisition of land or depreciable assets used for patient care, general liability on depreciable assets, or taxes other than those assessed on the basis of some valuation of land or depreciable assets used for patient care.

MORTGAGE / RENT FRAUD



1) Get an appraisal for a mortgage that not only includes the land and building (depreciable assets, the PropCo) but includes the value of the operation (the OpCo).



2) Bank makes a loan (mortgage) for the value of the appraisal. (PropCo and Opco)



3) PropCo leases the property to the facility as a “triple net lease”.

- Property Taxes
- Building Insurance
- Maintenance and Repairs
- Mortgage

UNDERSTAFFING FRAUD

1) Agree to staff to acuity, get paid for acuity.

2) Staff well below acuity.

UNDERSTAFFING FRAUD

PBJ Data								Anticipated Minimum Staffing				Over/Under Anticipated Minimum			
Provider	Quarter	Days	AIDE	LPN	RN	Lic Nurse	Total	RN	LPN	Aide	Total	RN	LPN	Aide	Total
425305	2023 Q1	90	2.19	0.96	0.41	1.37	3.56	1.01	0.74	2.74	4.49	-0.60	0.22	-0.55	-0.93
425305	2023 Q2	91	2.1	0.93	0.4	1.33	3.43	1.01	0.75	2.76	4.53	-0.61	0.18	-0.66	-1.10
425305	2023 Q3	92	2.03	1.06	0.46	1.51	3.55	1.02	0.76	2.78	4.56	-0.56	0.30	-0.75	-1.01
425305	2023 Q4	92	2.06	1.04	0.48	1.52	3.58	0.96	0.68	2.66	4.30	-0.48	0.36	-0.60	-0.72

UNDERSTAFFING FRAUD

Provider	Quarter	PBJ Data						Recommended Staffing				Over/Under Recommended			
		Days	AIDE	LPN	RN	Lic Nurse	Total	RN	LPN	Aide	Total	RN	LPN	Aide	Total
425305	2023 Q1	90	2.19	0.96	0.41	1.37	3.56	1.06	0.77	3.53	5.36	-0.65	0.19	-1.34	-1.80
425305	2023 Q2	91	2.1	0.93	0.4	1.33	3.43	1.06	0.78	3.54	5.38	-0.66	0.15	-1.44	-1.95
425305	2023 Q3	92	2.03	1.06	0.46	1.51	3.55	1.06	0.79	3.54	5.39	-0.60	0.27	-1.51	-1.84
425305	2023 Q4	92	2.06	1.04	0.48	1.52	3.58	1.03	0.72	3.49	5.25	-0.55	0.32	-1.43	-1.67



WHAT'S NEEDED

First Steps

1) Better Ownership Data

- Trace the ownership to anyone who has a 5% ownership share or greater

2) Consolidated, Audited, Financial Statements

- Consolidated – from the top of the chain down, capturing all related parties
- Audited by third-party CPA

3) Attorney General Prosecutions

- Civil Prosecutions
- Criminal Prosecutions

FIRST STEPS

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