



NEW YORK STATE SENATOR

Martin J. Golden

Fraud Costs NY Praises Cuomo, Lawsky for Tackling No-Fault Auto Insurance Fraud Head-On

MARTIN J. GOLDEN March 8, 2012

Governor and Superintendent Vow to Crack Down on Medical Mills

NEW YORK, NY March 8, 2011 – Fraud Costs NY – a statewide coalition of elected officials law enforcement, business groups and community groups committed to reforming New York’s broken no-fault auto insurance system - today praised Governor Andrew M. Cuomo and Superintendent of Financial Services Benjamin M. Lawsky for vowing to crack down on no-fault auto insurance fraud by attacking it at the crux of the problem and targeting unscrupulous medical mills and crooked doctors.

“Governor Cuomo’s decision to prioritize no-fault auto insurance reform signals a new day in the fight against fraud,” said Kings County District Attorney and Fraud Costs NY member Charles J. Hynes. “I look forward to working with the governor on this critical issue to ensure that law enforcement officials have increased time and the necessary tools to pursue and weed out this fraud in order to keep our streets safe and our consumers protected.”

“Efforts to curb auto insurance fraud are beginning to take shape here in New York,” said New York State Senator Martin J. Golden. “I commend Governor Cuomo and Superintendent Lawsky for taking the lead on this critical issue. By going after the corrupt medical providers at the top of these sophisticated fraud schemes, we can finally begin to reform our state’s broken no-fault auto insurance system and protect honest ratepayers from being ripped off. We must continue to make these reforms one of our priorities this year.”

Senator James L. Seward, Chair of the Senate Insurance Committee, said, “I applaud Superintendent Lawsky and stand ready to support him in his fight to crack down on no-fault fraud and the criminals who profit from this illegal enterprise. Activating this powerful tool to decertify doctors who cheat the system is long overdue. I sponsored this reform in 2005 and am pleased the Superintendent is taking steps to implement it - helping fight fraud and get insurance rates under control.”

Several prominent members of New York’s business community have also joined Fraud Costs NY in the call for reforms, arguing that rampant fraud has pushed insurance premiums beyond the reach of many small business owners who are consequently forced to pass on the ensuing costs to their customers by way of increased prices for goods and services.

“New York’s business community and consumers throughout the state will be relieved to learn that Governor Cuomo is leading the fight to curb no-fault auto insurance fraud,” said Queens Chamber of Commerce Executive Director Jack Friedman. “Targeting fraudulent medical clinics is a positive first step towards cutting the unnecessary costs which many small business owners are forced to shoulder as a result of this criminal activity.”

Today’s press conference comes on the heels of the largest no-fault auto insurance fraud bust-up in New York’s history in which 36 individuals were arrested for participating in a scheme that is estimated to have defrauded the state’s no-fault system and honest ratepayers for more than \$279 million.

The recent arrests reflect a growing problem concerning health care and no-fault auto insurance fraud in the state, particularly in New York City. A recent study of personal injury protection (PIP) claims performed by the Insurance Research Council (IRC) showed that claimed losses for medical expenses, lost wages and other expenses related to injuries from auto accidents in the New York City area have risen 70 percent over the past decade – surpassing the 49 percent increase in medical care inflation over the same period. Furthermore, the average claimed loss per PIP claimant in the New York City area was more than double the average loss among claimants from the rest of the state - \$15,086 compared with \$6,870.

Statewide, nearly one in four (23 percent) claims in the study involved the appearance of claim abuse. Claims from the New York City area were more than four times as likely to involve apparent abuse, 35 percent compared with 8 percent in the rest of the state. The

study identified Brooklyn and Queens as particular hotspots for abuse. More than half (52 percent) of apparent abuse claims stemmed from accidents occurring in either Brooklyn or Queens, while these two boroughs accounted for only 28 percent of all claims in the study.

A new report from the National Insurance Crime Bureau (NICB) also highlights New York's growing auto insurance fraud problem. The report shows a 10 percent rise in all suspicious claims since 2008 and a 21 percent increase in questionable bodily injury and personal injury protection claims since 2010. The NICB report also found that in 2010, 83 percent of all New York questionable claims were associated with personal automobile insurance and that "faked/exaggerated injury" followed by "excessive treatment" and "staged/caused accident" were the most common types of suspicious claims.

In addition to going after medical mills to ensure that medical providers who have committed no-fault fraud are prohibited from receiving future payments under the system and are subject to civil penalties, Fraud Costs NY also supports a reform agenda that would:

- Make it a Class D and E Felony to act as a 'Runner' and steer people to no-fault medical clinics or lawyers in exchange for monetary payments;
- Make it a Class C felony to stage an accident;
- Require medical providers to submit disputed no-fault claims to arbitration;

- Combat excessive medical charges by requiring health care providers to submit evidence that all services billed were medically necessary;
- Modify the “30-day rule” to allow more time for investigation into suspicious claims.

“Governor Cuomo has been a champion for reform, leading the State Legislature to stand up and protect taxpayers throughout New York,” said Kristina Baldwin, co-spokesperson for Fraud Costs NY and vice president for Property Casualty Insurers Association of America. “I commend Governor Cuomo and Superintendent Lawsky for tackling no-fault auto insurance fraud head-on and cracking down on the unscrupulous medical mills and doctors who perpetuate this fraud to the tune of hundreds of millions of dollars each year.”

Ellen Melchionni, co-spokesperson for Fraud Costs NY and president of the New York Insurance Association said, “While most medical providers throughout the state are law-abiding and provide excellent care, there is also an entire industry of crooked doctors determined to defraud New York’s no-fault system and consumers. This critical first step toward reform will help to provide consumers with financial relief at a time when they need it most.”