

DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION

**FALSIFICATION OF STATE INSURANCE FORMS
AND SUBSEQUENT SUBMISSION OF IMPROPER CLAIMS
ON BEHALF OF AN INELIGIBLE RECIPIENT**

JANUARY 1997

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January 28, 1997

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
and
The Honorable John Ferguson, Commissioner
Department of Finance and Administration
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is a special report on our review of falsification of state insurance forms by Ms. Mary K. Andrews, Middle Tennessee Mental Health Institute Psychiatric Technician II, Department of Mental Health and Mental Retardation, and subsequent improper payments of insurance claims totaling \$54,384.50 on behalf of her ex-spouse, Mr. William F. Andrews.

During our review, Ms. Andrews admitted listing Mr. Andrews as her legal spouse on state insurance forms dated April 19, May 7, and September 7, 1990, even though they were not married. As a result of this misrepresentation, the State of Tennessee Comprehensive Medical and Hospitalization Program (hereinafter referred to as the State Plan) paid \$54,384.50 in medical benefits on behalf of Mr. Andrews for which he was not entitled. Of this amount, \$1,598.66 was paid directly to Ms. Andrews through reimbursements for medication Mr. Andrews purchased.

Ms. Andrews' employment with the institute was terminated for gross misconduct effective August 9, 1996. Since Ms. Andrews' termination was for gross misconduct, she was required to forfeit her accumulated annual leave balance of 131.1 hours.

The Honorable W.R. Snodgrass
January 28, 1997
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On June 14, 1996, this matter was referred to the District Attorney General's office, Twentieth Judicial District (Davidson County), for possible criminal prosecution.

Pursuant to an arrangement with the District Attorney General's office, on October 25, 1996, Ms. Andrews signed a restitution agreement with the Department of Finance and Administration. According to the restitution agreement, the Tennessee Consolidated Retirement System will assign Ms. Andrews' monthly retirement benefits (\$432) to the Division of Insurance Administration until her debt of \$54,384.50 is paid in full. At the rate of \$432 per month, Ms. Andrews' debt will be paid in full in January 2007. After that time, Ms. Andrews will be entitled to her retirement benefits.

In addition, on November 14, 1996, an Agreed Order was filed in the Davidson County Criminal Court which placed Ms. Andrews on Pre-Trial Diversion. This order required Ms. Andrews to serve three years on supervised probation and to perform 240 hours of public service work.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/trs

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Special Report

Department of Mental Health and Mental Retardation Falsification of State Insurance Forms and Subsequent Submission of Improper Claims on Behalf of an Ineligible Recipient January 1997

REVIEW OBJECTIVES

The objectives of the review were to determine whether Ms. Mary K. Andrews, Middle Tennessee Mental Health Institute Psychiatric Technician II, Department of Mental Health and Mental Retardation, falsified state insurance forms and inappropriately enrolled her ex-spouse, Mr. William F. Andrews, in her state insurance plan; to determine the amount the State of Tennessee Comprehensive Medical and Hospitalization Program (hereinafter referred to as the State Plan) paid in medical benefits on behalf of Mr. William Andrews for which he was not entitled; and to refer our findings to the Department of Mental Health and Mental Retardation, the Office of the State Attorney General, and the Office of the District Attorney General.

RESULTS OF THE REVIEW

During our review, Ms. Mary K. Andrews admitted listing her ex-spouse, Mr. William F. Andrews, as her legal spouse on state insurance forms she signed even though they were not married. As a result of this misrepresentation, the State Plan paid \$54,384.50 in medical benefits on behalf of Mr. Andrews for which he was not entitled. Of this amount, \$1,598.66 was paid directly to Ms. Andrews in the form of reimbursement for medication Mr. Andrews purchased. Ms. Andrews' employment with the institute was terminated for gross misconduct effective August 9, 1996. Ms. Andrews did not appeal this decision. Since Ms. Andrews' termination was for gross misconduct, she was required to forfeit her accumulated annual leave balance of 131.1 hours.

On June 14, 1996, this matter was referred to the District Attorney General's office, Twentieth Judicial District (Davidson County), for possible criminal prosecution.

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In addition, on November 14, 1996, an Agreed Order was filed in the Davidson County Criminal Court which placed Ms. Andrews on Pre-Trial Diversion. This order required Ms. Andrews to serve three years on supervised probation and to perform 240 hours of public service work.

"Audit Highlights" is a summary of the report. To obtain the complete Medicaid report which contains all findings, recommendations, and management comments, please contact

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JANUARY 1997

INTRODUCTION

On June 5, 1996, Mr. Joe Werner, Department of Finance and Administration Director of Audit Services, notified the Division of State Audit by memorandum of an apparent falsification of state insurance forms by Ms. Mary K. Andrews, Middle Tennessee Mental Health Institute Psychiatric Technician II, and subsequent payments of improper claims totaling \$54,384.50 on behalf of her ex-spouse, Mr. William F. Andrews, during the period March 25, 1992, through March 27, 1996.

According to the memorandum, as a result of a recent eligibility audit of the state-administered health insurance plans, it was discovered that Ms. Andrews apparently had inappropriately enrolled her ex-spouse to her state insurance plan. Staff of the Department of Finance and Administration determined that Ms. Andrews properly removed her ex-spouse from her insurance plan on October 1, 1988, following their September 29, 1988, divorce. However, on April 19, May 7, and September 7, 1990, Ms. Andrew completed forms to reinstate Mr. Andrews to her insurance plan even though they were not married. These forms were signed by Ms. Andrews and indicated that Mr. Andrews was her legal spouse.

The Division of State Audit began a review of the matter on June 7, 1996.

OBJECTIVES OF THE REVIEW

The objectives of the review were

1. to determine whether Ms. Mary K. Andrews, Middle Tennessee Mental Health Institute Psychiatric Technician II, falsified state insurance forms and inappropriately enrolled her ex-spouse, Mr. William F. Andrews, in her state insurance plan;
2. to determine the amount the State of Tennessee Comprehensive Medical and Hospitalization Program (hereinafter referred to as the State Plan) paid in medical benefits on behalf of Mr. William Andrews for which he was not entitled; and

3. to refer our findings to the Department of Mental Health and Mental Retardation, the Office of the State Attorney General, and the Office of the District Attorney General.

SCOPE OF THE REVIEW

Our review included an examination of state insurance forms signed by Ms. Andrews on April 19, May 7, and September 7, 1990; a printout of medical claims paid by the State of Tennessee on behalf of Mr. William F. Andrews for the period March 25, 1992, through March 27, 1996; and divorce documents of Mr. William F. Andrews and Ms. Mary K. Andrews. Our review also included discussions with Ms. Gail Cantrell, Manager, Plan Integrity, Division of Insurance Administration; Mr. Joe Werner, Director of Audit Services, Department of Finance and Administration; Ms. Elaine Higgins, Internal Auditor, Department of Finance and Administration; Mr. Bob Fields, Director of Internal Audit, Department of Mental Health and Mental Retardation; Mr. Joe Carobene, Superintendent, Middle Tennessee Mental Health Institute; and Mr. John Moore, Assistant Attorney General, Enforcement Division. We interviewed Ms. Andrews on June 11, 1996.

DETAILS OF THE REVIEW

In February 1996, the Division of Insurance Administration, in conjunction with the Department of Finance and Administration's Internal Audit Division and the State Comptroller's Office, began a special eligibility audit of the State of Tennessee Comprehensive Medical and Hospitalization Program. This program consists of three components: the State Plan, the Local Government Plan, and the Local Education Plan. A random sample of 200 participants from each of the three plans was selected, and a questionnaire was sent requiring them to provide information on dependents covered under their plan.

In addition to the three samples, a similar questionnaire was mailed to 581 participants whose insurance claims from January 1 through March 31, 1995, exceeded \$20,000 for themselves or their dependents. Since the State Plan records indicated payments totaling \$54,384.50 for Mr. William F. Andrews, he was selected as a dependent whose eligibility was to be verified. On March 27, 1996, the Division of Insurance Administration sent a questionnaire to Ms. Mary Katherine Andrews, the insurance plan participant who listed Mr. Andrews as a dependent. According to the questionnaire completed by Ms. Andrews, she divorced Mr. William Andrews on September 29, 1988. Based on this information, Mr. Andrews was not eligible to receive medical benefits under Ms. Andrews' insurance plan.

Ms. Elaine Higgins, Department of Finance and Administration Internal Auditor, contacted Ms. Andrews in April 1996 to obtain additional information regarding her questionnaire. According to Ms. Higgins, Ms. Andrews confirmed that she was not married to Mr. Andrews.

Review of State Insurance Change/Enrollment Forms Submitted by Ms. Andrews

After our office was notified of Mr. Andrews' apparent ineligibility, we reviewed information relative to Ms. Andrews' 1988 divorce and State Plan claims made on behalf of Mr. Andrews after their divorce. We found that on September 29, 1988, a Final Divorce Decree was filed in the Davidson County Circuit Court effectuating the divorce between Mary K. Andrews and William F. Andrews. Ms. Andrews properly completed an "Employee Group Insurance Program Dependent Listing Card" to terminate her ex-spouse from her insurance plan coverage on October 1, 1988. Ms. Andrews listed "divorce" as the reason for this action.

However, on April 19, 1990, Ms. Andrews completed a "Group Late Applicant Evidence of Good Health Statement" to reinstate Mr. William F. Andrews to her health insurance plan by listing him as her husband. Ms. Andrews was required to complete this form in order to add a dependent to her plan because the enrollment period had expired. Ms. Andrews signed this form certifying that the answers given by her were "true and correct." On April 25, 1990, the application was approved by Provident Life Insurance Company which allowed Ms. Andrews to enroll Mr. Andrews in her state insurance plan.

On May 7, 1990, Ms. Andrews completed a state "Employee Group Insurance Plan Enrollment Card" in which she listed Mr. Andrews as her spouse. This card contained a statement that "any benefits that are provided for a dependent listed on a State insurance enrollment card who is not eligible for coverage with the Plan, must be refunded to the Plan." Ms. Andrews signed this card indicating that the information she had provided was correct and effectuating insurance coverage for Mr. Andrews.

On September 7, 1990, Ms. Andrews was requested by the Division of Insurance Administration to complete a dependent list to update the automated Tennessee Insurance System. This system is used by the division for more accurate reporting of employee insurance data to the various insurance vendors. The form completed and signed by Ms. Andrews states, "I confirm that all of the information provided above is accurate. I understand that misrepresentation may constitute fraud and may subject me to loss of benefits through the State Group Insurance Program." Once again, Ms. Andrews listed Mr. Andrews as her spouse even though they were not married.

Interview with Ms. Andrews on June 11, 1996

Staff of the Division of State Audit interviewed Ms. Andrews on June 11, 1996. During her interview, Ms. Andrews admitted falsifying state insurance forms on April 19, May 7, and September 7, 1990, when she added Mr. Andrews to her plan even though they were not married.

Ms. Andrews told us that she and Mr. Andrews had intended to remarry in 1990, and therefore she added him to her policy. However, according to Ms. Andrews, she and Mr. Andrews never remarried. Ms. Andrews stated that she understood that she was responsible for adhering to the state insurance guidelines on presenting true and accurate information on enrollment forms. However, she apparently disregarded these guidelines when she signed state insurance documentation indicating that she was married to Mr. Andrews.

Ms. Andrews admitted receiving Explanation of Benefit statements from Blue Cross and Blue Shield which detailed medical payments made on behalf of Mr. Andrews. Thus, Ms. Andrews knew Mr. Andrews was obtaining medical benefits through her insurance plan. Ms. Andrews further admitted submitting pharmacy printouts, which documented Mr. Andrews' cash purchases of medication, to Blue Cross and Blue Shield for reimbursement and stated that she spent the reimbursed money for personal expenses. The total amount of these reimbursements was \$1,598.66.

Ms. Andrews stated that she would be willing to repay the \$54,384.50 improperly obtained on behalf of her ex-spouse and requested that an arrangement be made by which payments could be deducted from her paychecks.

Conclusion

Ms. Andrews' actions violate *Tennessee Code Annotated*, Section 39-14-133. This statute states,

Any person who intentionally presents or causes to be presented a false or fraudulent claim, or any proof in support of such claim, for the payment of a loss, or other benefits, upon any contract of insurance coverage . . . is punished as in the case of theft.

In a July 2, 1996, letter to Ms. Andrews, Mr. Byron T. Cooper, Middle Tennessee Mental Health Institute Personnel Director, recommended that she be separated from employment at the institute for conduct unbecoming an employee in state service and falsification of an official document relating to or affecting employment. Following a July 30, 1996, predetermination hearing on the matter, Ms. Andrews' employment with the institute was terminated for gross misconduct effective August 9, 1996. Ms. Andrews did not appeal this decision. Since Ms. Andrews' termination was for gross misconduct, she was required to forfeit her accumulated annual leave balance of 131.1 hours.

On June 14, 1996, this matter was referred to the District Attorney General's office, Twentieth Judicial District (Davidson County), Tennessee, for possible criminal prosecution.

Pursuant to an arrangement with the District Attorney General's office, on October 25, 1996, Ms. Andrews signed a restitution agreement with the Department of Finance and Administration. According to the restitution agreement, the Tennessee Consolidated Retirement

System will assign Ms. Andrews' monthly retirement benefits (\$432) to the Division of Insurance Administration until her debt of \$54,384.50 is paid in full. At the rate of \$432 per month, Ms. Andrews' debt will be paid in full in January 2007. After that time, Ms. Andrews will be entitled to her retirement benefits.

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