

# Health Care

# Market Facts

## What Does Health Care Fraud Really Cost?

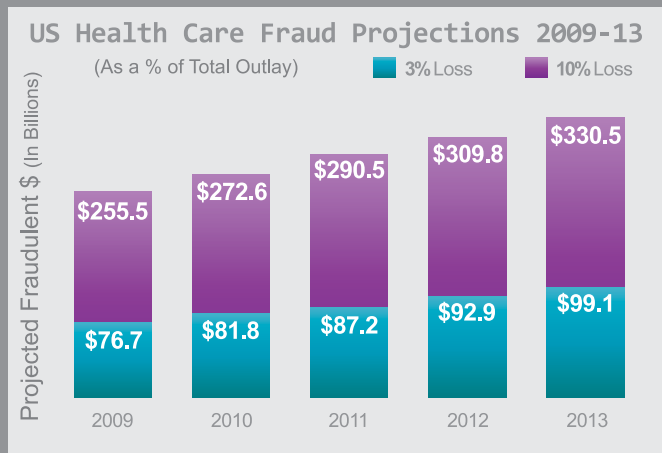
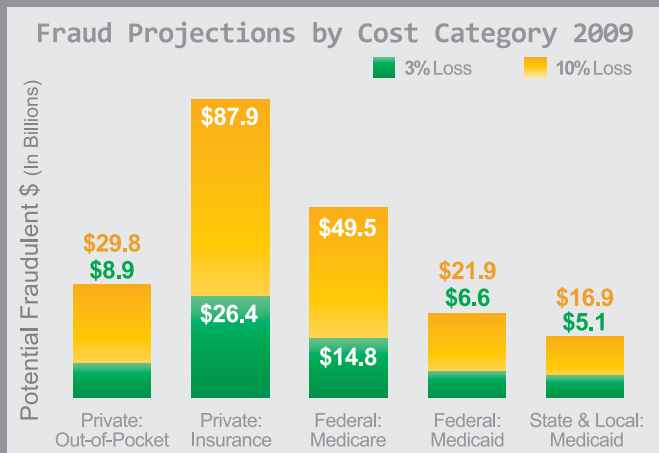
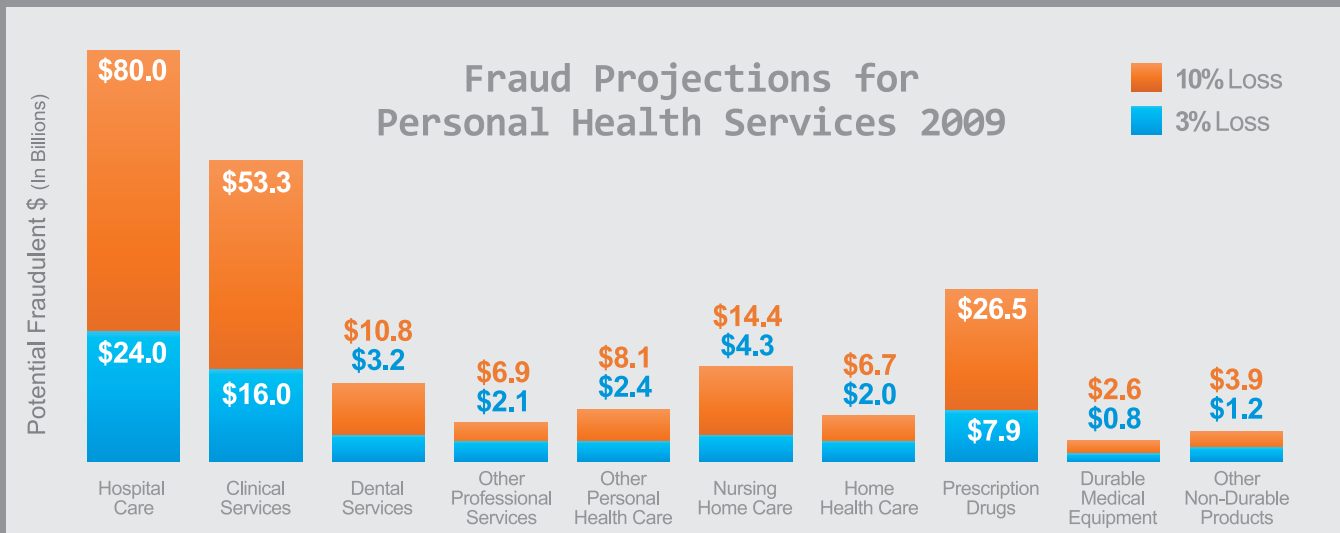
**M**ost commercial and public payors know that fraud and abuse leads to fewer patient benefits, higher premiums, inaccurate patient histories, and other collateral damage. What's less known is the total cost of fraud nationwide and how those costs trend over the coming years.

Quantifying the annual losses attributed to health care fraud and abuse remains a difficult proposition. Given the covert nature of fraud, a definitive number remains elusive, and polling the perpetrators isn't a viable option.

According to the National Health Care Anti-Fraud Association (NHCAA), 3 to 10 percent of the nation's annual health care outlay is lost to fraud and abuse. With CMS health care spending projections of \$2.5 trillion in 2009, the fraud and abuse problem is valued somewhere

between \$77 and \$255 billion for 2009. The fact that fraud estimates span a range of \$178 billion says a lot about the nature of fraud and our inability to accurately quantify it.

Despite the difficulty projecting fraud, one thing is concrete: As the "baby boomer" generation continues to age and health expenditures increase, the fraud and abuse problem will grow in the absence of adequate prevention methods. Assuming current fraud loss and health care spending rates continue, the health care fraud problem could reach a staggering \$330 billion by 2013. While the cost of fraud will continue to remain somewhat of an enigma, no one can argue — even by conservative estimates — that fraud is a problem that no payor can afford to ignore.



\*Not all cost categories are represented in the above displays. Figures based on NHCAA and CMS.