

# POST

Absolute Partnership investigators discover 'surprisingly high defect rate'

## Poor practice from insurers is to blame for rise in rehabilitation fraud



By Mark Sands

[twitter.com/PostMarkSands](https://twitter.com/PostMarkSands)

[mark.sands@incisivemedia.com](mailto:mark.sands@incisivemedia.com)

Insurers are responsible for facilitating an uptick in rehabilitation fraud through a lack of scrutiny, according to professionals in the sector, amid suggestions inflated rehab costs are beginning to mirror those associated with credit hire.

The practice of over-billing for rehab costs to third-party claimants following a motor accident, or charging for care that has not taken place, is on the increase, according to sources.

"It is because there is an overflow from other areas that are becoming more difficult, like some personal lines motor fraud," one well-placed fraud professional told *Post*, estimating that up to 20% of rehab bills passed to insurers after motor accidents show some signs of fraud. "You might only be talking about £600 claims but if you are organised and systematised about it that can be a lot of money," they added.

Deborah Edwards, head of rehabilitation services at Broadspire, said the activity has been allowed to blossom by a desire to settle claims rapidly, and a lack of interest in the quality of service provided. She said: "There has been so much about the value of rehab that sometimes claims handlers end up just going with something that is put to them without really trying to properly check it out. These kinds of things may happen if you don't have the proper checks and balances in place."



**Pemberton:** more auditing necessary

The potential extent of fraud in the rehab space has been partially uncovered by private investigators at Absolute Partnership following the planned expansion of fraud-detection technology. An Absolute spokesman told *Post*: "We are piloting an extension of third eye screening with a few insurers and so far the defect rate has been surprisingly high, whether it be signs of collusion, inconsistent details or therapists who do not even seem to exist. The amounts are low enough to have been under the radar for many insurers, but the total industry cost is vast."

Argent Rehabilitation director Andrew Pemberton added: "I am aware of some insurers that don't want a treatment report, they only want the bill, and they might do very little auditing of the treatment those claimants they actually receive."

Pemberton claimed he is aware of rehab providers issuing pro forma invoices for regular treatment sessions that may never be needed by the claimant in question. "I have warned for years that, if the insurance industry doesn't get its

act together, it is breeding a problem similar to how it perceives credit hire, with inflated costs and unreasonable practices," he said.

In particular, Pemberton said some law firms have sought to establish themselves as "virtual rehabilitation companies" that order rehab on behalf of a claimant but add little value in their own right. "I don't believe there are many, if any, rehabilitation providers saying they have treated someone six times when they haven't, but if you can recover £55 in costs for physiotherapy that only cost £30 to arrange then some law firms are quite incentivised to order as many sessions as they can in these lean times," he added, noting there are no set costs for the provision of rehab services.

Criticism of insurers' role in burgeoning fraud in the sector comes after Aviva sought to push rehab-only compensation over cash settlements in minor personal injury claims. In July, the Norwich-based insurer proposed a system of insurers arranging and paying for claimants' rehab, regardless of whether the customer is at fault. It estimated cutting cash compensation for minor whiplash injuries could save £900m from the annual £2bn cost of whiplash claims in the UK.

Noting that Aviva audits on a monthly basis to ensure accuracy of billing in rehab, a spokesman for the insurer said: "In the majority of cases, insurers do not instruct rehab — this is usually done by claimant solicitors. So it does not

tally that insurers are responsible for any increase in rehab fraud.

"Most insurers will recognise the value such a service provides their customers; any insurer interested in holding on to its customers will see the benefits of providing a quality service if it wants to maintain or grow its book."

### Whiplash consultation

Meanwhile, the Ministry of Justice has published a new consultation on whiplash that focuses on issues around accreditation for medical experts. The consultation, which will run to 1 October, asks for feedback to a scheme that will initially be funded by the Association of British Insurers. Further costs are expected to be met by fees for accreditation, with schemes owned and established by those operating in the personal injury sector.

**Forum of Insurance Lawyers president David Johnson** told *Post* the proposals could bring additional benefits in tackling emerging fraud among rehab providers. He said: "If the new regime serves to sever the link between expert and provider so an expert who refers a claimant on for treatment cannot pass it to a treatment provider it has a financial link with, that should go some way to addressing the problem."

"Otherwise, the watchword is close scrutiny on all instances of billing and requests for payment for treatment."

The ABI declined to comment.

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