



Business Value:

- Leverages industry-proven fraud detection models to identify potential fraud before payment, reducing expensive recovery actions
 - Combines predictive modeling with rule-based modeling to enable organizations to apply policy to scientific models
 - Typically can have a return on investment of less than 12 months for full implementation
 - Increases number/quality of cases for investigation
 - Helps reduce the amount of fraud and error
 - Delivers proven outcomes with solution built on a rich portfolio of analytics capabilities
 - Accelerates time-to-value with short-term projects that support the long-term roadmap
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IBM Smarter Analytics Signature Solution – anti-fraud, waste and abuse

Detect suspicious transactions prior to payment, reduce loss from overpayments, and recommend method of intervention

The combination of the recent global recession, burgeoning populations and shifting demographics have put a strain on both consumers and organizations that manage payouts to claims processes ranging from government subsidies to car accidents or broken appliances. As a result, the prevalence and costs associated with fraudulent claims is on the rise.

Fraudsters hide “bad” behaviors amongst the hundreds of millions of claims submitted annually. Investigators are overburdened with case loads and lack the resources and technology to find fraud fast enough to prevent it, and then struggle to recoup it through the collections process.

As a result, in the US, fraudulent billings to health care programs, both public and private, are estimated between 3 and 10 percent of total health care expenditures.ⁱ But fraud is not limited to the US, by any means. The Association of Certified Fraud Examiners found evidence of fraud in 106 countries it recently investigated, more than 40% of them from outside the United States.ⁱⁱ

Organizations are already investing billions of dollars into anti-fraud measures. Payers are under great pressure to pay claims quickly, yet most are also under significant pressure to take out cost across the entire organization.

IBM has worked closely with organizations to develop the IBM Smarter Analytics Signature Solution – anti-fraud, waste and abuse. This sophisticated and comprehensive solution has both proactive and retrospective detection capabilities that helps detect fraud that occurs before a payment is made rather than after.



Fraud schemes are becoming more complex and difficult to identify and the losses cost enterprises billions of dollars annually:

- **\$226B** estimated loss due to healthcare fraud ⁱⁱⁱ
 - **25%** of all workers compensation claims are fraudulent ^{iv}
 - **\$79B** estimated loss in US due to insurance claims fraud ^v
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Leading-edge detection approach

Leading-edge organizations across multiple industries are implementing pre-payment fraud detection systems that not only detect overpayments, but also detect suspicious transactions prior to payment. These systems integrate existing fraud detection assets with new predictive capabilities and smarter business rules to enable organizations to measure fraud scientifically, and apply policy to it. Advanced systems are able to detect multiple behaviors and schemes simultaneously, and “learn” to detect new patterns as they emerge.

These systems help clients pay valid transactions faster and with greater certainty, which is a key component to customer satisfaction within payment processes. It also helps enable more efficient use of investigative resources, reduce investigation costs and increase the rate of return.

Pre-payment detection reduces costs

The IBM anti-fraud, waste and abuse solution is built on a pre-payment detection system that helps reduce costs and operating expenses in several ways, each of which increases the rate of return. The more sophisticated systems analyze both individual- and provider-level claims for suspected behavior patterns, expanding the reach of fraud detection. And by “learning” from the data analyzed, these systems are able to detect and protect against emerging fraud approaches.

The more efficient use of investigative resources can also reduce costs. These systems integrate with case management for better resource management and workload assessment. By returning an increased number of higher-quality cases with detailed analysis, investigators can focus resources, resulting in a positive return-on-investment from the diagnostic work. And by identifying potential claims fraud before payment reduces expensive recovery and collection actions. The typical return on investment is less than 12 months for most organizations implementing these advanced systems.

One state government stopped US\$1.6 billion in transactions prior to payment. A leading healthcare provider significantly reduced false positive rate from 79% to 29%, while an insurance company generated a 403 percent return on investment from reduction in claims payments.

Why it's smarter?

IBM Smarter Analytics Signature Solution - anti-fraud, waste and abuse combines the power of the IBM Global Business Services Fraud and Abuse Management System asset with pre-payment fraud detection capabilities from SPSS. It scores claims at the pre-payment stage in near real-time, and stops payments for high-risk cases while also enabling retrospective detection of overpayments. The solution is an adaptive system that “learns” from the latest data, protecting against emergent fraud approaches.



What makes the IBM anti-fraud, waste and abuse solution smarter is that it uses both historical data and predictive modeling in real-time. It uses analytics to manage the high volume of fraud cases identified by predicting the best action to resolve the fraud case. This solution also helps measure fraud exposure scientifically, to provide CFO's and CRO's with near real-time information on fraud risk.

IBM is not simply putting analytics into a client's business process but rather helping clients have analytics define their business processes. What does this mean? Instead of having rigid, pre-defined business processes that are influenced by analytics, we are using analytics to define adaptive business processes that change with client behavior.

Through the use of pre-payment and retrospective analysis capabilities, organizations can reduce fraud, identify wasteful and abusive practices, and ultimately take out cost by targeting processing resources in an optimal way.

IBM Smarter Analytics Signature Solutions

IBM Smarter Analytics is a holistic approach that turns information into insight and insight into business outcomes.

IBM Smarter Analytics Signature Solutions are a portfolio of outcome-based analytic solutions designed to address the most pressing industry and functional challenges clients are facing in today's evolving marketplace – a marketplace in which organizations need Smarter Analytics to stay ahead of their competitors.

The IBM Smarter Analytics Signature Solutions are built on the knowledge and experience of IBM's global team of researchers, consultants, sellers and software specialists. These solutions bring together the breadth and depth of IBM's intellectual capital, software, infrastructure, research, and consulting services to deliver break-away results to clients seeking to tackle key business challenges using Smarter Analytics. Signature Solutions represent a portfolio of proven innovation that has been implemented at clients worldwide, and brings the best of IBM capabilities together to deliver accelerated client value.

For more information

To learn more about how IBM Smarter Analytics can help you detect suspicious transactions and help reduce loss from fraud, waste and abuse, please contact your IBM representative.

Notes and sources

- 1 FBI Financial Crimes 2010-2011. <http://www.fbi.gov/stats-services/publications/financial-crimes-report-2010-2011/financial-crimes-report-2010-2011/Health>.
- 2 Report to the Nation on Occupation Fraud and Abuse, 2010. Association of Certified Fraud Examiners. <http://www.acfe.com/rtnn.aspx>
- 3 Healthcare – National Health Care Anti-fraud Association http://www.nhcaa.org/eweb/docs/nhcaa/PDFs/Member%20Services/Fighting%20Health%20Care%20Fraud_NHCAAJune2009.pdf
- 4 Worker's Compensation – US Chamber of Commerce. - http://www.insurancefraud.org/white_paper_measuring.htm
- 5 Revenue Loss - Association of Certified Fraud Examiners, http://www.insurancefraud.org/white_paper_measuring.htm



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