



COVID-19: Fraud risks in healthcare sector



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The COVID-19 pandemic has overwhelmed India's healthcare systems. In order to tackle and contain the pandemic, the Ministry of Health & Family Welfare has issued several guidelines encouraging healthcare service providers to develop and/or expand their existing capabilities. It is, therefore, essential that the public as well as private healthcare providers proactively engage in the expansion of existing infrastructure and appoint third parties for sample collection, screening, and tracking of suspected patients.

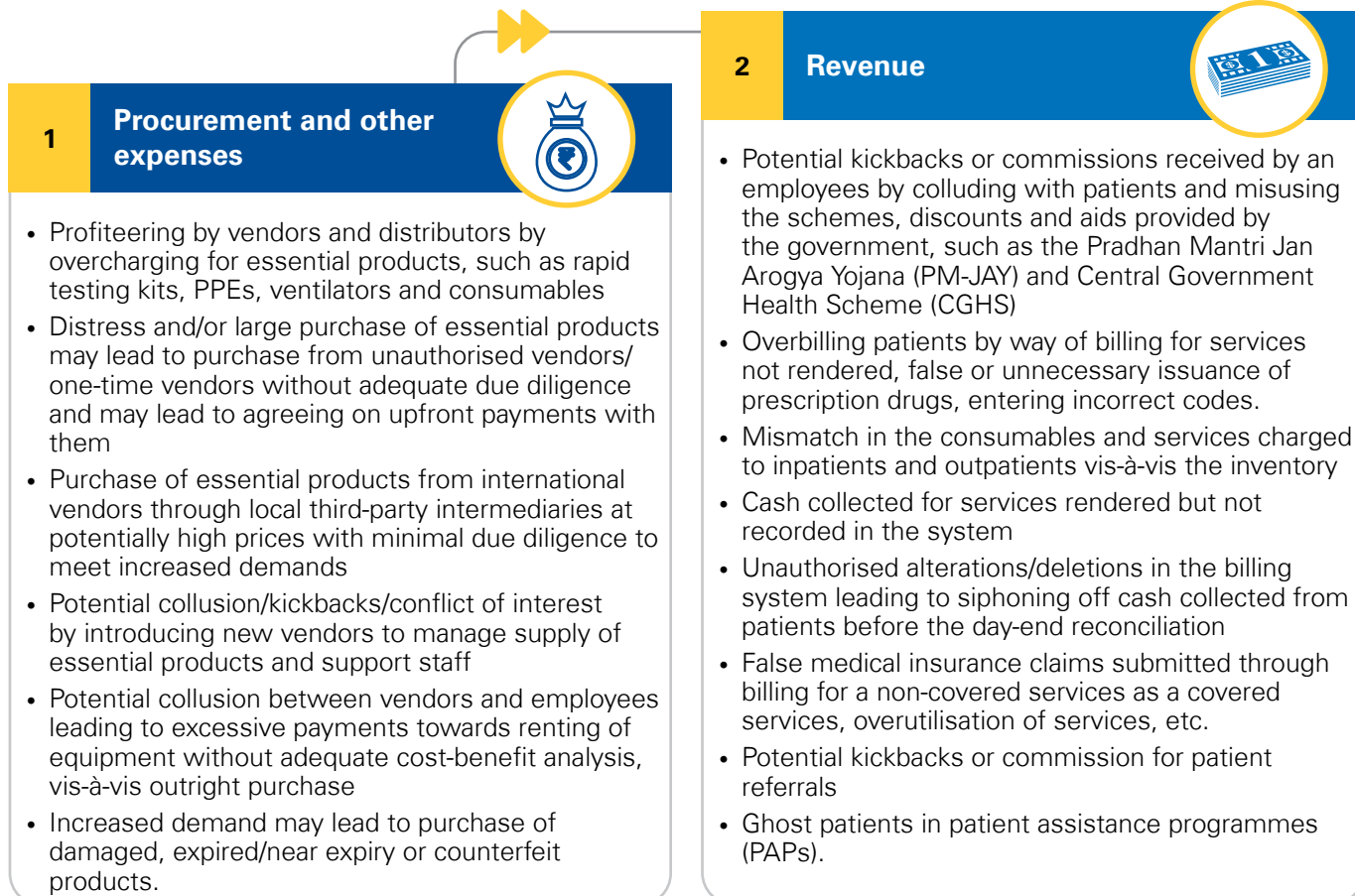
Due to social-distancing norms, ban on foreign travel, restricted local travel and inhibition for visiting hospitals for regular check-ups or elective surgery, the healthcare sector has been witnessing huge losses in revenue. Unfortunately, instead of focussing on developing continuity strategies, hospitals are facing financial stress with a need to potentially reconfigure their entire system. The evolving challenges of the COVID-19 pandemic have tested the healthcare system to its extreme.

Due to the fear of economic slowdown and paranoia amongst the masses, a fraudster within or outside the organisation can take advantage of the vulnerability of the situation. Typical fraud scenarios in the healthcare sector emerging out of the current situation are mentioned below.

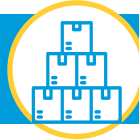
Some of these challenges include the following:

- Severely impacted availability of crucial supplies, such as ventilators, personal protective equipment (PPE), medicines (including prescriptions drugs) and medical oxygen equipment.
- Increased working capital credit requirements, emanating from the pressure for enhanced healthcare infrastructure and bed capacity.
- Identification and tie-ups with vendors for setting up clinics and isolation and sample-collection centres in a short duration.
- Training of healthcare professionals regarding COVID-19 patient-handling protocols issued by the Indian Council of Medical Research (ICMR).
- Recruitment of new employees/staff to manage and develop comprehensive health measures.

Current and potential fraud risks



3 Inventory



- Siphoning off drugs, consumables, testing kits, etc. by showing them as pilferage or excess write-off in records. Subsequently, these products can be fraudulently sold in the grey market by perpetrators
- Misusing hospital assets and inventory while creating isolation wards and setting up beds at other locations.

4 Finance and accounts



- Funds siphoned off through fictitious health camps, recording of revenue through refund account, writing off patient balance as bad debts and deposit the same to personal account, etc.
- Creating and making payments to dummy vendors and ghost employees
- Unauthorised transactions/alterations in the accounting system.

5 Compliance



- Improper payments to third-parties, such as consultants or agents for assisting with activities, including payment to tax authorities, obtaining licences, permits, and approvals
- Excessive/improper payments (including gifts and entertainment) made to healthcare professionals and key opinion leaders (KOLs) towards retaining their services, patient referrals, etc.

6 Human resources



- Submission of fictitious personal and educational qualification documents by candidates hired by organisations to meet their shortage of manpower
- Excessive payments made to manpower outsourcing companies towards submission of bills that indicate falsified staff counts, attendance, etc.

7 Facility management



- Excessive payments made to ambulance providers for services that were either not provided or provided to patients who were not eligible for these services.

8 Technology



- Phishing scams to access sensitive organisational and patient information
- Cyber frauds and data breaches in organisational devices that are being operated on unsecured networks
- Fake e-pharmacies taking payments yet not supplying products
- Charity scams by using non-existent charities to invite donations from individuals and organisations.



How can KPMG in India help?



Fraud investigations

Remotely develop a case-specific rapid action plan that emphasises confidentiality above all and helps clients find and assess the relevant facts concerning alleged or suspected fraud, misconduct or other improprieties, such as violation of laws, regulations and organisational policies.



Proactive fraud analytics

Proactive forensic data analytics comprises a set of tools, technologies and procedures that are used for implementing an appropriate response for fraudulent activities and consists of both preventive and detective solutions. We can help create customised fraud-response modules and dashboards of vulnerable areas.



Compliance offerings

Assist clients to build a compliance culture and programme that is driven by strategy embedded in the organisation's governance, planning and operations. KPMG in India has extensive experience in assisting healthcare providers in developing an effective compliance programme identifying high-risk areas and performing monitoring to test effectiveness.



Fraud risk management

Developing a framework for anti-fraud policies, systems and controls.



Cybersecurity investigation

Assess client's cyber security readiness and maturity, rapid cyber incident response, containment of threats, monitor cyber threats and test cyber controls.

Fair market value investigations

Investigations related to regulation that demands that the payment made for goods and services is reasonable and represents a fair market value for that product or service.



Corporate intelligence and third-party due diligence services

Perform due diligence on new vendors and intermediaries that are dealing with the organisation to establish genuineness of such vendors before conducting business with them.



Employee background verification

Assist in screening prospective employees across levels through various categories of checks to suit the compliance needs of the organisation.



Dispute advisory services

Assist in the resolution of commercial and contract disputes.

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