

Tightening the net on fraud, waste, and abuse

How a comprehensive anti-FWA strategy protects injured persons and workers' compensation and auto no-fault systems

Unnecessary medical procedures. Medication overprescribing. Inflated costs that strain employers, payers, and providers alike. These are just a few of the ways that medical and pharmaceutical fraud, waste, and abuse (FWA) can inflict both clinical and financial harm across the workers' compensation and auto no-fault industries. For injured persons, the consequences may be even more serious — delayed recovery, inappropriate treatment, and increased health risks that undermine the core purpose of helping injured persons recover safely.

Over the past decade, Optum Workers' Comp and Auto No-Fault (Optum) has made combating FWA a strategic priority. Through the development of advanced programs, proprietary system features, and robust reporting, Optum has built a multi-layered approach designed not only to identify improper practices after they occur, but to prevent them before harm is done. By combining real-time transaction monitoring with population-level and individual evaluations of injured persons, physicians, and pharmacies, the Optum anti-FWA program uncovers high-risk behavior and enables timely intervention.

This proactive, prevention-first mindset is critical in a system where even small inefficiencies can escalate into significant costs and inappropriate care can have lasting consequences for injured people.

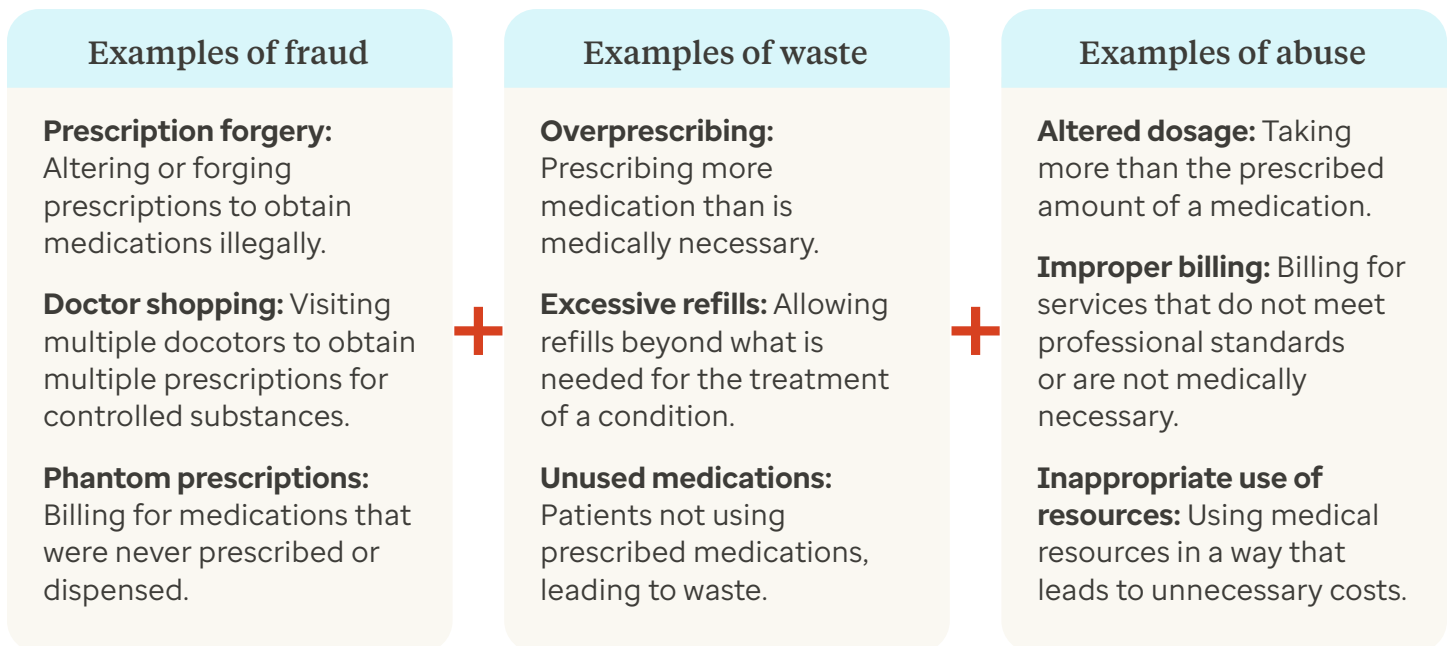


Fraud, waste, or abuse? Understanding the differences

Although often grouped together, fraud, waste, and abuse represent distinct forms of improper conduct in healthcare, which differ in intent and severity.¹

Fraud involves intentional deception to obtain an inappropriate benefit. It requires three elements: a deliberate misrepresentation or dishonest action, carried out by a person or entity, with knowledge that the action could result in improper gain. Examples include billing for services not rendered or falsifying medical documentation.

Waste refers to the overutilization of services or practices that result in unnecessary costs, often without malicious intent. In pharmaceuticals, waste may include dispensing medications that are never taken, prescribing drugs that are ineffective for a condition, or choosing expensive brand-name medications when equally effective generics are available without a valid medical reason.



Abuse includes practices that bend the rules, such as upcoding or billing for services that do not meet recognized standards of care. While abuse may lack clear intent to deceive, it still leads to improper payments, unnecessary services, and increased system costs. Understanding these distinctions is essential for designing effective detection and prevention strategies — because not all risks require the same response.



The clinical and financial impact of FWA

From a clinical standpoint, FWA undermines the fundamental goal of workers' compensation and auto no-fault coverage: enabling injured persons to receive appropriate care and recover efficiently. Financial incentives tied to certain treatments can distort clinical decision-making, leading to unnecessary or even harmful care. In the pharmaceutical space, misuse of prescription drugs has contributed to serious public health consequences, including increased treatment admissions and overdose deaths over the past two decades.

FWA can also delay an injured person's recovery or return to full wages. For example, workers' compensation benefits typically replace only a portion of regular income and are subject to state-specific caps. When claims raise red flags, such as questionable treatment patterns, claims professionals may initiate additional reviews.² This slows approvals and extends the claim duration. For injured persons, FWA can also introduce privacy and security risks, including compromised medical records or misuse of insurance information.³

For payers and employers, the financial burden is substantial. In 2022, the Coalition Against Insurance Fraud estimated that insurance fraud cost U.S. consumers more than \$300 billion annually⁴, with approximately \$30 billion tied to workers' compensation fraud alone.⁵ The Insurance Research Council estimates that excess payments due to fraud represent 13-17% of total auto injury claim dollars, with higher concentrations in no-fault states.⁶ To counteract these losses, payers must invest heavily in verification, investigation, and peer review — resources that could otherwise support faster care delivery and improved outcomes.

Using a multi-pronged approach to detect and prevent FWA

Just as organizations rely on layered cybersecurity defenses, Optum uses a multi-dimensional strategy to detect, deter, and address FWA. At its core is the integration of artificial intelligence, machine learning, clinical expertise, cross-functional evaluation, and strategic payer participation, creating a tighter net that increases both accuracy and effectiveness.

Accountability at the point of sale

The Optum proprietary adjudication system plays a critical role in real-time prevention. Using clinically informed, rules-driven checks, it evaluates prescriptions against state and client formularies, medication guidelines, morphine milligram equivalent (MME) thresholds, quantity limits, and days' supply rules. When anomalies are detected, the system triggers alerts, blocks, or edits before dispensing occurs. This saves time for the claims professional and minimizes the risk of overpayment.

Medication formularies and prospective drug utilization review

At the point of sale, our signature and customized formularies — including first-fill, injury-based, state-specific, auto, and client-specific formularies — promote safe, effective, and cost-efficient medication use. Pharmacists receive clinical messaging that highlights potential abuse indicators such as early refill attempts, unusual dosing, or prescriber restrictions.

When prescriptions require exceptions, prior authorization is sent to the claims professional through our secure online claims management portal, VitalPoint®, to ensure medications are reviewed and approved before dispensing, adding an additional layer of oversight and patient safety.

Identifying risk before costs escalate

Beyond real-time checks, the Optum Predictive Analytics program identifies high-risk claims early, using one of the industry's largest datasets combined with clinical benchmarks. Algorithms evaluate pharmacy transactions across 37 risk factors, producing a single Risk Score that signals potential concern.

Displayed directly in the VitalPoint portal, the Risk Score highlights injured persons at risk for delayed recovery, poorer outcomes, and higher claim costs. By flagging these claims early, claims professionals can engage medical resources sooner — often transforming high-cost trajectories into more efficient, clinically appropriate resolutions.



Real-time checks for inappropriate prescribing at the pharmacy

- *Is the medication on the relevant formulary for the injury or condition?*
- *Does the medication pass all drug utilization review criteria?*

Retrospective analysis and reporting

Optum also conducts retrospective evaluations to identify patterns that may indicate FWA. Historical pharmacy claims are analyzed for excessive billing, duplicate transactions, and inappropriate prescribing behavior. Pharmacists review claims as part of opioid monitoring programs, focusing on indicators such as long-term opioid-only treatment, multiple prescribers, and excessive duration of use.

Comprehensive reporting tools, including Prescription History Reports, Prescriber Profiling, and MicroStrategy dashboards, allow clients to spot outliers at the injured person, provider, or program level. Thresholds can be adjusted to balance sensitivity and false positives, ensuring alerts drive meaningful review rather than unnecessary disruption.

Clinical and regulatory expertise in action

However, intelligent analysis of the data alone does not stop FWA. So, we pair our data analytics with clinical and regulatory expertise grounded in nationally recognized guidelines from organizations such as the Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), American College of Occupational and Environmental Medicine (ACOEM), ODG by MCG, and state workers' compensation and auto no-fault authorities. The Optum Pharmacy & Therapeutics Committee regularly reviews medication guideline updates, and the Public Policy & Regulatory Affairs team continuously monitors public policy and regulatory changes to ensure compliance.

Through our Clinical Center of Excellence, Optum also engages directly with providers when concerns arise. Drug utilization reviews, comprehensive medical record evaluations, and clinician-to-prescriber outreach work together to support vigilant efforts to correct issues and prevent recurrence.

Tightening the net: A real-world example

A recent workers' compensation investigation into a Texas specialty pharmacy illustrates the value of this comprehensive approach. Optum identified concerning prescribing patterns involving brand-name Flector® patches marked "brand medically necessary." Through clinical outreach, we confirmed that at least one injured worker continued receiving patches even after discontinuing care with the prescriber. Following direct engagement with both the pharmacy and provider, the prescribing activity ceased. The investigation curbed the use of brand-name Flector patches, which were approximately \$600 monthly for 60 patches. In addition, the reversals for three claimants who were no longer receiving the brand-name Flector patches in the mail totaled \$15,837.





The value of a comprehensive anti-FWA program

A strong anti-FWA strategy delivers meaningful benefits across the system:

- **For payers:** Lower costs, cleaner provider networks, stronger regulatory compliance
- **For claims professionals:** Provides tools that accelerate claim processing, enhance accuracy, and reduce workload associated with manually identifying suspicious activity
- **For providers:** Reduced claim rework, fewer payment inaccuracies, strengthened trust and reputation
- **For injured persons:** Higher-quality care, efficient use of healthcare resources, and greater confidence in the system supporting their recovery

By tightening the net through technology, analytics, and human expertise, our comprehensive anti-FWA program helps protect what matters most: patient safety, system integrity, and sustainable outcomes for everyone involved.

Sources

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4. [Insurance Fraud Costs the U.S. \\$308.6 Billion Annually](#) | CAIF
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