



COVID-19: Fraud risks in healthcare sector





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.

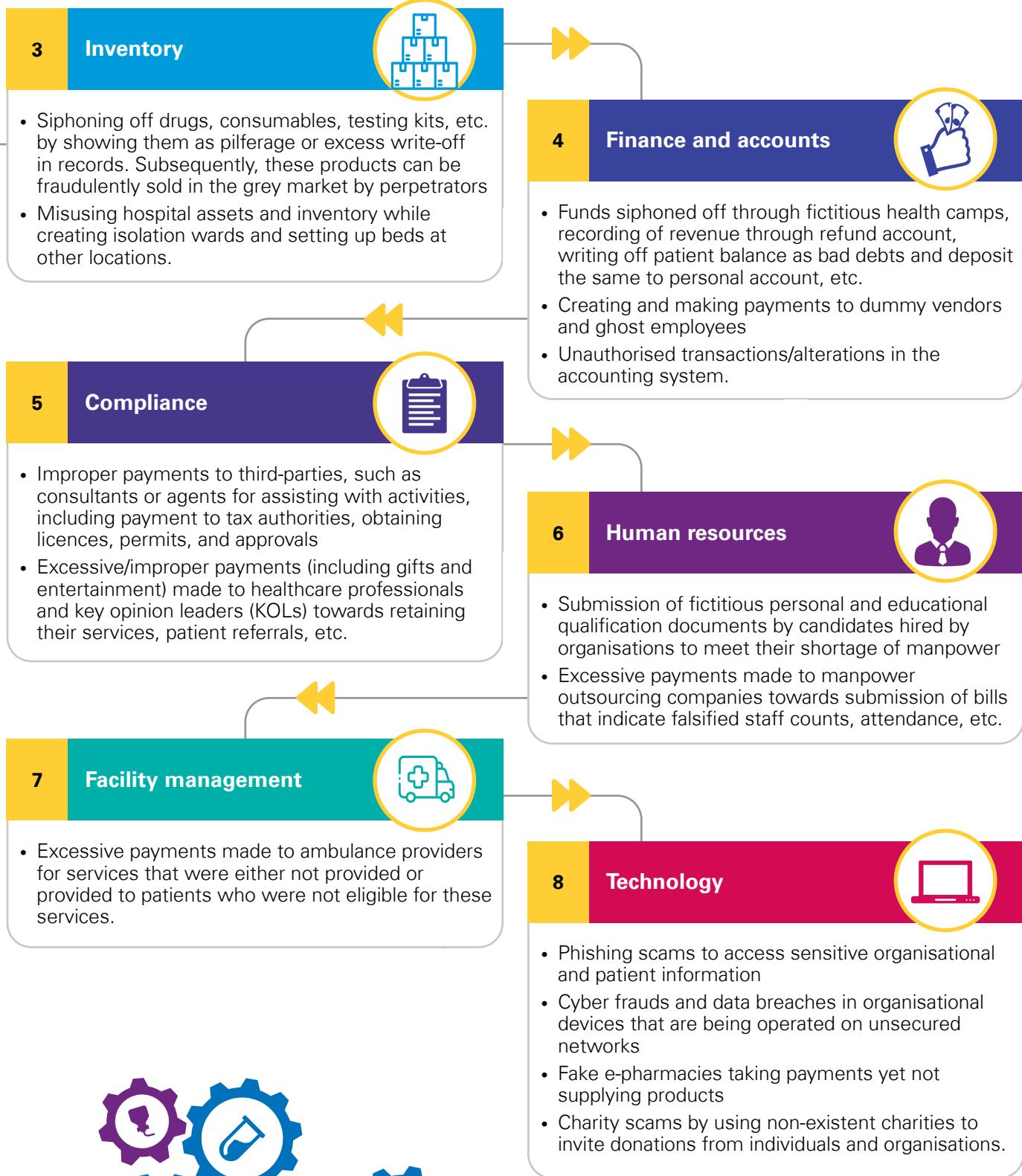
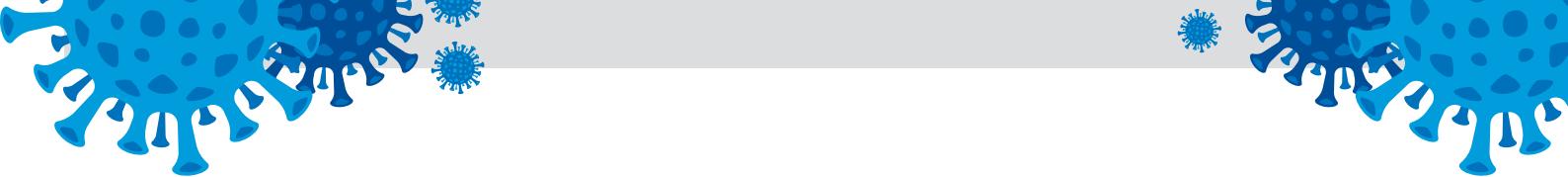
Due to the fear of economic slowdown and paranoia amongst the masses, a fraudster within or outside the organisation can take advantage of the vulnerability of the situation. Typical fraud scenarios in the healthcare sector emerging out of the current situation are mentioned below.

Current and potential fraud risks

| 1 | Procurement and other expenses | 2 | Revenue |
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| | <ul style="list-style-type: none">Profiteering by vendors and distributors by overcharging for essential products, such as rapid testing kits, PPEs, ventilators and consumablesDistress and/or large purchase of essential products may lead to purchase from unauthorised vendors/one-time vendors without adequate due diligence and may lead to agreeing on upfront payments with themPurchase of essential products from international vendors through local third-party intermediaries at potentially high prices with minimal due diligence to meet increased demandsPotential collusion/kickbacks/conflict of interest by introducing new vendors to manage supply of essential products and support staffPotential collusion between vendors and employees leading to excessive payments towards renting of equipment without adequate cost-benefit analysis, vis-à-vis outright purchaseIncreased demand may lead to purchase of damaged, expired/near expiry or counterfeit products. | | <ul style="list-style-type: none">Potential kickbacks or commissions received by an employees by colluding with patients and misusing the schemes, discounts and aids provided by the government, such as the Pradhan Mantri Jan Arogya Yojana (PM-JAY) and Central Government Health Scheme (CGHS)Overbilling patients by way of billing for services not rendered, false or unnecessary issuance of prescription drugs, entering incorrect codes.Mismatch in the consumables and services charged to inpatients and outpatients vis-à-vis the inventoryCash collected for services rendered but not recorded in the systemUnauthorised alterations/deletions in the billing system leading to siphoning off cash collected from patients before the day-end reconciliationFalse medical insurance claims submitted through billing for a non-covered services as a covered services, overutilisation of services, etc.Potential kickbacks or commission for patient referralsGhost patients in patient assistance programmes (PAPs). |

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.





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.

KPMG in India contacts:

Vijay Chawla

Partner and Head

Risk Advisory

T: +91 80 6833 5509

E: vschawla@kpmg.com

Jagvinder S. Brar

Partner and Head

Forensic Services

T: +91 124 336 9469

E: jsbrar@kpmg.com

Sanjay Singh

Partner - Deal Advisory

Head - Life Sciences sector

T: +91 22 3090 1840

E: sanjaysingh@kpmg.com

Harsha Razdan

Partner and Head

Consumer Markets and

Internet Business

T: +91 22 6134 9663

E: harsharazdan@kpmg.com

Sudesh Shetty

Partner

Forensic Services

T: +91 22 6134 9703

E: sashetty@kpmg.com

home.kpmg/in



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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011
Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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