U.S. Department of Justice
Office of Justice Programs
National Institute of Justice

NATIONAL INSTITUTE OF JUSTICE

Data Resources Program

Controlling Fraud in Small Business Health Benefits Programs in the United States, 1990–1996

ICPSR 2627

Robert Tillman

User Guide and Machine-Readable Codebook

Inter-university Consortium for Political and Social Research

CONTROLLING FRAUD IN SMALL BUSINESS HEALTH BENEFITS PROGRAMS IN THE UNITED STATES, 1990-1996

(ICPSR 2627)

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First ICPSR Version
May 1999

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> Tillman, Robert. CONTROLLING FRAUD IN SMALL BUSINESS HEALTH BENEFITS PROGRAMS IN THE UNITED STATES, 1990-1996 [Computer file]. ICPSR version. Jamaica, NY: St. John's University [producer], 1997. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 1999.

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SUMMARY

The focus of this project was insider fraud -- crimes committed by the owners and operators of insurance companies that were established for the purposes of defrauding businesses and employees. The quantitative data for this collection were taken from a database maintained by the National Association of Insurance Commissioners (NAIC), an organization that represents state insurance departments collectively and acts as a clearinghouse for information obtained from individual departments. Created in 1988, the Regulatory Information Retrieval System (RIRS) database contains information on actions taken by state insurance departments against individuals and firms, including cease and desist orders, license revocations, fines, and penalties imposed. Data available for this project include a total of 123 actions taken against firms labeled as Multiple Employer Welfare Arrangements or Multiple Employer Trusts (MEWA/MET) in the RIRS database. Variables available in this data collection include the date action was taken, state where action was taken, dollar amount of the penalty imposed in the action, and disposition for action taken.

GENERAL STUDY OVERVIEW

STUDY IDENTIFICATION

CONTROLLING FRAUD IN SMALL BUSINESS HEALTH BENEFITS PROGRAMS IN THE UNITED STATES, 1990-1996

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Award No. 95-IJ-CX-0030

KEY WORDS

Disposition, fraud, white collar crimes

PURPOSE OF THE STUDY

The wave of fraud in the small business health industry began in the late 1970s and has roots in two broad structural changes that affected the availability of health insurance in the United States. During this period, most large insurance companies left the market as many large corporations began to set up their own insurance plans and as Health Maintenance Organizations (HMOs) and other managed care networks began to make significant inroads into the health care market. Particularly hard hit was the small group market comprised of employees of small companies and self-employed individuals. Small business owners saw their health insurance costs rise dramatically and many were unable to find insurance for their employees at any cost. The second change provided the means for committing fraud in the small group market. In 1974, Congress passed the Employment Retirement Income Security Act (ERISA), the primary purpose of which was to safeguard employee pension plans. While ERISA's provisions were intended to make it easier for employers, labor unions, and other organizations to provide health benefits to employees, the unintended effect was to open the doors to con artists who saw in these provisions the legal loopholes that would become the vehicles for massive fraud. The focus of this data project was insider fraud -- crimes committed by the owners and operators of insurance companies that were established for the purposes of defrauding businesses and employees. The main questions addressed were: (1) What are the larger structural causes of fraud in the small business health insurance industry? (2) What are the principal forms that it takes? and (3) What policy changes have been or might be effected that would reduce fraud in the industry?

METHODS

STUDY DESIGN

One of the problems that has hindered research on white-collar crime has been the general lack of systematically-collected quantitative data. The National Association of Insurance Commissioners (NAIC) represents state insurance departments collectively and acts as a clearinghouse for information obtained from individual departments. The quantitative data for this collection were obtained from a NAIC database, the Regulatory Information Retrieval System (RIRS). Created in 1988, the RIRS database contains information on actions taken by state insurance departments against individuals and firms, including cease and desist orders, license revocations, fines, and penalties imposed. Data available for this project include a total of 123 actions taken against firms labeled as Multiple Employer Welfare Arrangements or Multiple Employer Trusts (MEWA/MET) in the RIRS database.

SOURCES OF INFORMATION

Quantitative data on regulatory actions taken by state insurance departments were obtained from the Regulatory Information Retrieval System (RIRS), a computerized database maintained by the National Association of Insurance Commissioners. Data from the RIRS database are not counts of criminal events, persons, or firms suspected of criminal activity. Rather, the data describe regulatory actions taken for a variety of reasons, including operating as illegal, unlicensed insurers. The data do not include actions taken by agencies other than state insurance departments. In addition, the reliability and accuracy of the data are difficult to estimate since the data were collected to aid investigators, not to conduct statistical analysis, and therefore systematic checks of their reliability were not performed. Nonetheless, the RIRS data represent the best available source of data on regulatory actions taken against licensed and unlicensed health insurers nationwide and provide rough measures of insider health insurance fraud.

SAMPLE

All state insurance department actions taken against firms labeled as MEWA/METs in the RIRS database were included in this study. While this category clearly refers to only one of the three small business health insurance organizational forms, many entities designated as MEWA/MET were in fact employee-leasing firms or

purported labor unions, or their related health plans. On the other hand, a number of actions taken against fraudulent plans did appear in the RIRS data but these entities were not coded as MEWA/METs. The exclusion of these entities from the counts produces an undercount of actions taken against small business health insurance firms. The study began with a focus on three states -- California, Texas, and Florida -- where small business health insurance fraud had been particularly common and its consequences most severe. However, it soon became clear that the criminal schemes operated nationwide and, while many of their victims may have been located in these three states, the individuals behind the schemes may have been located elsewhere. Thus, the scope of the study was expanded to provide a national perspective.

RESPONSE RATES

Not applicable.

DATE(S) OF DATA COLLECTION

1997

SUMMARY OF CONTENTS

DESCRIPTION OF VARIABLES

Variables available in this data collection include the date action was taken, state where action was taken, dollar amount of the penalty imposed in the action, and disposition for action taken.

PRESENCE OF COMMON SCALES

None.

UNIT OF OBSERVATION

State insurance department action.

EXTENT OF PROCESSING

ICPSR performed checks for undocumented codes, converted hardcopy documentation to machine-readable form and reformatted it, and generated SAS and SPSS data definition statements for this collection.

EXTENT OF COLLECTION

This data collection contains one data file, a user guide and codebook in one PDF file, and SAS and SPSS data definition statements.

DATA COLLECTION NOTES

The user guide and codebook are provided as a Portable Document Format (PDF) file. The PDF file format was developed by Adobe Systems Incorporated and can be accessed using PDF reader software, such as the Adobe Acrobat Reader. Information on how to obtain a copy of the Acrobat Reader is provided through the ICPSR Website on the Internet.

FILE SPECIFICATIONS

PART NUMBER: 1
FILE STRUCTURE: rectangular
CASE COUNT: 123
VARIABLE COUNT: 6
RECORD LENGTH: 50
RECORDS PER CASE: 1

RELATED PUBLICATION

Tillman, Robert. "Controlling Fraud in the Small Business Health Insurance Industry" (Executive Summary). Washington, DC: United States Department of Justice. National Institute of Justice, 1998.

FINAL REPORTS AND OTHER PUBLICATIONS

The National Criminal Justice Reference Service (NCJRS) was established in 1972 by the National Institute of Justice (NIJ), of the U.S. Department of Justice, to provide research findings to criminal justice professionals and researchers. NCJRS operates specialized clearinghouses that are staffed by information specialists who supply a range of reference, referral, and distribution services. Final reports and other publications describing research conducted on a variety of criminal justice topics are available. Publications can be obtained from NCJRS at NIJ/NCJRS, Box 6000, Rockville, MD, 20850, 800-851-3420 or 301-251-5500. The URL for the NCJRS homepage is:

http://www.ncjrs.org

DATA RESOURCES PROGRAM ON THE INTERNET

The National Institute of Justice Data Resources Program (DRP) makes datasets from NIJ-funded research and evaluation projects available to the research community and sponsors research and training activities devoted to secondary data analysis. Datasets are archived by the National Archive of Criminal Justice Data (NACJD) at the Inter-university Consortium for Political and Social Research (ICPSR) at the University of Michigan.

The NACJD maintains a World Wide Web site with instructions for transferring files and sending messages. Criminal justice data funded by the Department of Justice are available via the Internet at this site at no charge to the user. NACJD may be contacted at NACJD/ICPSR, P.O. Box 1248, Ann Arbor, MI, 48106-1248, 800-999-0960 or 734-998-9825. The URL for the NACJD homepage is:

http://www.icpsr.umich.edu/NACJD

Controlling Fraud in the Small Business

Health Insurance Industry

CODEBOOK

Report of Grant# 95-IJ-CX-0030
January, 1998

National Institute of Justice
Office of Justice Programs
United States Department of Justice

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INTRODUCTION

Given the general lack of attention given to white-collar crime by law enforcement agencies, obtaining systematic data on any type of white-collar crime is often a difficult task. In the area of insider health insurance fraud, the task is made even more difficult by the fact that no single federal agency is responsible for monitoring these crimes and collecting data on them. Despite the involvement of the U.S. Department of Labor, primary jurisdiction often falls to state insurance departments, in which relatively few resources are devoted to collecting data.

To some extent, the National Association of Insurance Commissioners (NAIC) represents state insurance departments collectively and acts as something of a clearinghouse for information obtained from individual departments. Since 1988, the NAIC has been inputting information into its Regulatory Information Retrieval System (RIRS) computerized data base. The RIRS data set contains information on actions taken by state insurance departments against individuals and firms. Included in the data set is information on cease and desist orders, license revocations, fines and penalties imposed, etc. Importantly, the RIRS data base was created to provide information to state insurance departments and others on individuals and individual companies, and not to generate statistical information. As a result, the validity and completeness of information from the system cannot be assumed. Nonetheless, the RIRS data represent the best available source of data on regulatory actions taken against licensed and unlicensed health insurers nationwide.

The RIRS data are updated monthly, so that the counts of events occurring over a given period of time may change as new information is added. The data used in the report were based on the RIRS data set as of February, 1997.

The RIRS data contain codes indicating the type of entity against which an action was taken. One of these categories in "MEWA/MET." While this category clearly refers to only one of the three organizational forms being considered here, in fact, many of the entities designated as "MEWA/MET's" were in fact employee-leasing firms or purported labor unions, or their related health plans. On the other hand, a number of actions taken against fraudulent plans did appear in the RIRS data but these entities were not coded as "MEWA/MET's." The exclusion of these entities from the counts produces an undercount of actions taken against the kinds of entities of concern here. Nonetheless, even with these imperfections, the data can provide rough estimates of scope and trends.

The RIRS data base recorded 123 actions taken between January 1, 1990 and December 31, 1996 against entities that were coded "MEWA/MET's."

The data were originally provided by the NAIC on CD-ROM and accessed with Microsoft Access and were eventually stored as a fixed-format, ASCII (text) file.

DESCRIPTION OF VARIABLES FOR ICPSR 2627

CONTROLLING FRAUD IN SMALL BUSINESS HEALTH BENEFITS PROGRAMS
IN THE UNITED STATES, 1990-1996

NAME	VARIABLE LABEL	BEG COL	END COL	FMT
IDNAICRE	A unique number assigned to each action.	1	8	F8
	[Note: The original identification numbers were replaced with sequentially-assigned unique numbers by ICPSR.]			
DATEACT	The date the action was taken.	9	16	A8
PENALTY	Dollar amount of the penalty imposed in the action.	17	35	F19
	0 No penalty			
CONTCTST	State where action was taken.	36	38	A3
IDENTITY	A unique number assigned to each entity against which an action was taken.	39	46	F8
IDACTION	The disposition for action taken. Coded as follows.	47	50	F4
	3001 License, Denied			
	3003 License, Suspended			
	3006 License, Revoked			
	3009 License, Probation			
	3012 License, Reinstatement			
	3014 License, Surrendered			
	3016 License, Other			
	3021 Cert of Auth, Denied			
	3023 Cert of Auth, Suspended			
	3026 Cert of Auth, Revoked			
	3029 Cert of Auth, Probation			
	3031 Cert of Auth, Reinstatement			
	3034 Cert of Auth, Surrendered			
	3036 Cert of Auth, Other			
	3040 Cease & Desist			
	3045 Consent Order			
	3050 Temp Restrain Order			
	3055 Reprimand			
	3060 Hearing Waiver			
	3065 Show Cause			
	3070 Re-exam			
	3075 Rescission of			
	3078 Restitution			
	3080 Supervision			

NAME	VARIABLE LABEL	BEG COL	END COL	FMT
IDACTION (cont.)				
	3085 Rehabilitation			
	3090 Liquidation			
	3095 Conservatorship			
	3100 Receivership			
	3101 Ancillary Receivership			
	3102 Monetary Penalty			
	3103 Aggregate Monetary Penalty			
	3104 Settlement			
	3105 Disposition, Other			