Workers' Comp

Ask The Pharmacist: 5 Medication-Related Fraud Signs Work Comp Adjusters Should Know

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What can I do to identify questionable pharmacy activity on a claim?

Pharmacy fraud represents one of the fastest-growing cost drivers in workers' compensation claims. While most health care providers operate with integrity, fraudulent prescribing patterns can inflate claim costs by thousands of dollars, sometimes without adjusters noticing until significant damage has occurred. While adjusters aren't required to prove fraud or make clinical decisions, they can spot warning signs, ask better questions and escalate questionable prescriptions for clinical review. Understanding current fraud indicators and the red flags that come with them can enable adjusters to identify suspicious activity early, reduce costs and ultimately serve injured employees better. Here are five medication-related patterns that should prompt a closer look.

1. Telehealth Prescription Mills

The rise of telehealth has created significant vulnerabilities in workers' comp pharmacy. Some online providers operate with minimal clinical oversight, issuing high-cost prescriptions after brief virtual visits, sometimes without reviewing the patient's medical history or conducting any physical examination. These operations often target workers' comp patients specifically because benefits are generous and claims are less scrutinized than commercial insurance.

Red Flags To Watch For

- Prescriptions from out-of-state telehealth providers with no documented connection to the injured employee's treatment team or injury location
- Multiple prescriptions issued in rapid succession

- Prescriptions for expensive specialty medications or brand-name drugs after a single telehealth encounter

How It Impacts the Claim

When the prescriber is not connected to the claim, medications may be added without a full view of the injury, current treatment plan, functional goals or other prescriptions. That can increase pharmacy spend and create safety concerns, especially if the injured employee is already taking other medications.

2. Kickback Schemes and Financial Arrangements

Kickback arrangements between prescribers and pharmacies represent a significant concern. A provider receives financial incentives, disguised as “consulting fees,” “speaker honorariums,” “marketing partnerships,” or other payments, to preferentially prescribe certain medications or use specific pharmacies. These arrangements are illegal under anti-kickback statutes but can be difficult for adjusters to detect. What makes this trend particularly problematic is that it often involves multiple parties: a telehealth provider, a specialty pharmacy and potentially other intermediaries working in concert.

Red Flags To Watch For

- Unusually high volume of prescriptions from a single provider going to a single pharmacy
- Prescriptions consistently routed to pharmacies not conveniently located to the injured employee
- Prescriptions for expensive specialty medications that lack clinical justification

How It Impacts the Claim

Repeated provider-pharmacy patterns make it harder to determine whether the medication was selected because it was clinically appropriate, available and cost effective. They also lead to higher costs when brand-name or specialty medications are used without documented medical need.

3. High-Cost Topical Medications

Topical medications have become a significant cost driver in workers’ comp, with some injured employees receiving multiple expensive topical formulations simultaneously, often costing $200-$500 per month or more. While topical medications can play a legitimate role in pain management, this category has become vulnerable to overutilization and inappropriate prescribing.

Red Flags To Watch For

- Injured employees prescribed several different brand-name topical medications for the same body part or injury
- Topicals prescribed without documented trial of lower-cost Topical Nonsteroidal Anti-Inflammatory (NSAIDs) drugs or other standard-of-care options first
- Prescriptions for expensive brand-name topicals when generic or lower-cost alternatives are available and clinically appropriate
- Early refills suggesting either overuse or that the medication isn’t being used as prescribed
- Creams for anti-aging, skin brightening, or other non-work-related conditions billed to workers’ comp

Why Topicals Are Particularly Vulnerable to Fraud

Topical medications often fall into a clinical gray area. There's limited robust evidence for many premium topical formulations, making it difficult for adjusters to challenge prescriptions on clinical grounds. Additionally, topical medications are often perceived as "low-risk" compared to other medication classes, leading to less scrutiny. Prescribers exploit this perception to justify high costs and frequent prescribing.

How It Impacts the Claim

High-cost topicals increase pharmacy spend without supporting recovery if they are not tied to the accepted injury, supported by documentation or used after standard options were considered.

4. Duplicate Therapy and Polypharmacy

One prevalent trend is the prescribing of multiple medications that serve the same therapeutic purpose. An injured employee might receive two different NSAIDs, multiple muscle relaxants, or overlapping antidepressants, often from different providers who aren't communicating. While some duplication occurs unintentionally, sophisticated fraudsters deliberately exploit fragmented care to bill for unnecessary medications.

Red Flags To Watch For

- Claims with more than 5-7 concurrent medications for a single injury, especially when dosing schedules overlap or when multiple medications from the same drug class are prescribed

How It Impacts the Claim

Duplicate therapy increases costs and creates safety risks. It also makes it harder to tell whether a medication is helping the injured employee recover or simply adding complexity to the claim.

5. Medication Cycling

This trend involves "cycling" medications where prescribers rotate between different agents in the same class to avoid triggering pharmacy system alerts. A patient might be on one muscle relaxant for two months, then switched to another, then back to the first. Each switch appears clinically justified in isolation, but the pattern suggests the provider is circumventing safeguards. Additionally, some fraudsters coordinate with multiple prescribers across different specialties to obtain duplicate prescriptions.

Red Flags To Watch For

Prescriber-Level Indicators:

- Telehealth or out-of-state providers with a high volume of workers' comp prescriptions
- Prescribers with multiple state medical board complaints or restrictions
- Providers with no workers' comp experience suddenly treating many work-related injuries
- Prescribers who resist peer review or clinical justification requests
- High-volume prescribers of expensive brand-name medications relative to their specialty

Claim-Level Indicators:

- Rapid escalation in medication costs early in the claim lifecycle
- Frequent medication changes without documented clinical rationale
- Multiple expensive topical medications prescribed for the same injury or body part
- Topical prescriptions without documented trial of standard-of-care topical NSAIDs first
- Claims with pharmacy costs exceeding typical benchmarks for the injury classification
- Multiple fills of the same medication before the previous supply is exhausted
- Prescriptions for medications inconsistent with the injury type

Pharmacy-Level Indicators:

- Unusually high concentration of workers' comp claims at a single pharmacy
- Billing for brand-name medications when generics are available and appropriate

How It Impacts the Claim

Frequent medication changes make pharmacy costs rise quickly. They also hide duplicate therapy or make it difficult to determine whether the injured employee is improving. If the claim file does not explain why medications keep changing, the pattern should be reviewed.

What Adjusters Can Do if Red Flags Appear

While a red flag doesn't automatically mean fraud, it indicates a prescription pattern needs more review. As an adjuster, your role is to identify unusual activity, request documentation and involve the right clinical or compliance resources. When a medication doesn't appear to match the accepted injury, treatment plan or claim history consider the following:

1. **Request Clinical Justification:** Don't hesitate to ask prescribers why specific medications such as expensive brand-name products or multiple topicals were chosen, especially in numerous medication situations. Ask specifically what standard-of-care options were tried first.
2. **Question Topical Prescriptions:** For any expensive topical medication, ask:

    - Has a standard topical NSAID been tried?
    - Is there clinical evidence for this specific product?
    - Why is a premium brand necessary rather than a lower-cost alternative?

3. **Verify Prescriber Credentials:** Check state medical board websites and the National Practitioner Data Bank (NPDB) for complaints or restrictions. Verify that telehealth providers are properly licensed in the state where the injured employee resides.
4. **Document Everything:** Keep detailed notes on prescriber behavior, claim patterns and any communications regarding concerns.
5. **Report Suspected Fraud:** Contact your compliance department or state insurance fraud bureau. Many states have dedicated workers' comp fraud units.
6. **Talk to Your Pharmacy Benefit Management (PBM) Clinical Team:** Your PBM has experience identifying suspicious prescribing patterns and can help you navigate suspected prescription fraud, waste and abuse.

Staying Ahead of Questionable Prescribing

Medication fraud in workers' compensation can be difficult to spot because questionable activity often looks like routine prescribing at first. Adjusters can help protect the claim by watching for patterns, asking for documentation and involving clinical resources when prescriptions do not clearly support the accepted injury or recovery plan.

When in doubt, ask for a review. Clinical justification should be available for expensive, unusual or repeated prescriptions. By working with a PBM clinical team, such as ScriptAdvisor®, adjusters can help control unnecessary pharmacy costs while supporting appropriate care for injured employees.

This information is meant to serve as a general overview and any specific questions should be fully reviewed with a health care professional such as the prescribing doctor or dispensing pharmacist.

Do you have a workers' compensation or auto-related pharmacy question? Send us an email at AskThePharmacist@enlyte.com.

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