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Challenges in Managing the Risk of Money Laundering in Healthcare Organizations

Abstract: *The health sector is one of the most organisationally complex systems, making it potentially vulnerable to various forms of financial abuse, including money laundering. This vulnerability is heightened by the complex flows of funds between healthcare institutions, insurance companies, medical equipment suppliers, and pharmaceutical companies. In this context, it is noted that healthcare organisations can be targeted by perpetrators who may engage in money laundering, among other abuses. This paper examines potential risks associated with money laundering in healthcare organisations and associated detection mechanisms. The theoretical foundations of money laundering are presented, along with examples of fraudulent activities that have facilitated it. The purpose of the paper is to analyse the money laundering phenomenon in healthcare organizations through the lens of risks and detection mechanisms. The results indicate the need for a multidisciplinary approach in combating money laundering, as well as for comprehensive risk management, including preventive and detective measures related to money laundering in healthcare organizations.*

Keywords: *money laundering, risks, prevention, detection, health care organizations*

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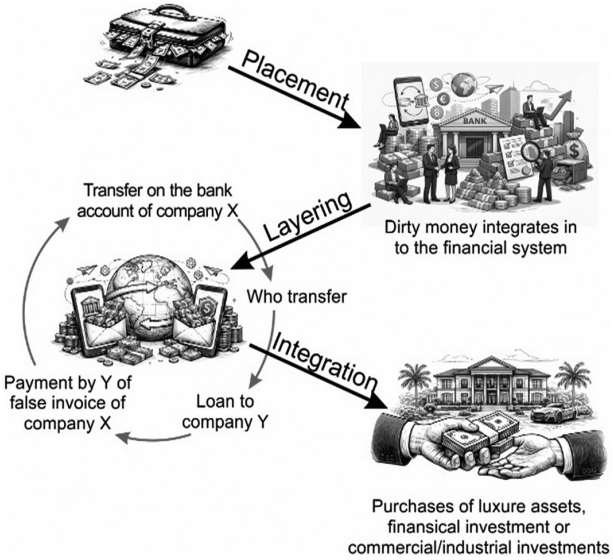
INTRODUCTION

Money laundering represents the process of concealing assets acquired through criminal activities, thereby enabling perpetrators to use such assets in legitimate business operations (10). This activity constitutes a criminal offense that is difficult both to detect and to prove. Consequently, money laundering implies a highly dangerous criminal activity with a significant degree of social harm (3). Money laundering was first mentioned in the early 1930s in the United States during the period of Prohibition, referring to the legalization of capital obtained through criminal activity, that is, the concealment of the true origin of money (7). Article 2 of the *Law on the Prevention of Money Laundering and the Financing of Terrorism* of the Republic of Serbia defines money laundering as (20):

- "the conversion or transfer of property acquired through the commission of a criminal offense;
- the concealment or misrepresentation of the true nature, origin, location, movement, disposition, ownership, or rights related to property acquired through the commission of a criminal offense;
- the acquisition, possession, or use of property acquired through the commission of a criminal offense".

Money laundering does not represent a single act, but rather a process involving numerous techniques and consisting of specific phases. As Figure 1 illustrates, three phases are most often highlighted in connection with money laundering: the investment phase, the concealment phase, and the integration phase.

Figure 1: Phases of Money Laundering (13)



Money launderers use financial systems where there is a low risk of detection, but also those that are stable enough to guarantee safe access to their funds (13). The initial investment phase marks the start of money laundering activities, and some procedures characteristic of this phase include (9):

- Illegally acquired money is injected into the financial system by presenting it as part of the company's regular cash income;
- Formally registered companies are established that do not actually operate, but serve only to deposit cash and create the appearance of legal business;
- Large sums of money are divided into smaller amounts and deposited into accounts by different individuals to avoid control mechanisms and mandatory reporting of suspicious transactions.

Modern business operations, characterized by the increasing application of technological tools and digitalization, have led to a reduction in the use of traditional financial instruments and their replacement with new electronic payment systems. This development has resulted in contemporary, more sophisticated trends in money laundering practices (3).

This paper examines the scope of healthcare organizations as potential participants in money laundering through the identification of risks inherent to these organizations, as well as detection mechanisms based on previously known cases. Furthermore, it is not possible to discuss money laundering activities and related fraud without analyzing the known effects of money laundering on individuals and organizations involved in the operations of healthcare institutions.

In addition to the introduction, the paper is structured as follows: the first section is devoted to the analysis of the specific characteristics of the healthcare system in the context of managing the risk of money laundering, while the second section presents recommendations related to money laundering with particular reference to healthcare organizations, followed by concluding remarks.

MONEY LAUNDERING IN HEALTHCARE ORGANIZATIONS

Fraudsters continuously develop their approaches in order to exploit vulnerabilities in existing preventive measures, many of which are directed toward the healthcare sector. The number of participants in the healthcare system is large and most commonly includes (14):

- state authorities, such as the Ministry of Health and employees at all levels;
- social insurance institutions, including mandatory and private health insurance bodies;
- healthcare professionals (physicians, pharmacists) and other employees, including non-medical staff;
- users – patients; and
- suppliers (pharmaceutical industry, medical aid organizations, etc.).

Given the number of organizations involved within the healthcare system, as well as their interactions, various opportunities for fraudulent activities may arise, including money laundering. One of the largest medical fraud cases in U.S. history is the Medicare case. U.S. prosecutors stated that approximately USD 10.6 billion was billed to the federal government, primarily for urinary catheters, in a scheme carried out by international criminal actors linked to an operation based in Russia. In June 2025, the United States charged 11 individuals from the U.S., Estonia, and the Czech Republic with healthcare fraud and conspiracy to commit money laundering. The charges stemmed from a two-year investigation called "Operation Gold Rush," the largest action of its kind by the U.S. government, in which more than 320 individuals were charged, including nearly 100 medical professionals, with total losses estimated at approximately USD 2.9 billion. According to prosecutors, the perpetrators purchased more than 30 American companies. Using the stolen personal information of over a million citizens since 2022, they have submitted billions of claims for catheters that people did not need. In response, the government implemented a "stop and catch" strategy instead of the previous "pay and chase" model (1).

Zuzek (2026) highlights key recent cases of health fraud, their legal ramifications, and regulatory responses. In one case, Victor Marion, the ringleader of a San Diego-based money laundering ring, pleaded guilty to participating in a $42 million international fraud targeting the elderly. The operation was linked to call centres in Dubai and India targeting elderly Americans, and the scheme used fake tech support and remote access to suggest fraudulent refunds to victims, which were then channelled through a money laundering network. In another case, five Florida eye practices agreed to pay nearly $6 million for billing unnecessary ultrasound exams as part of an illegal kickback scheme. Additionally, authorities have intensified their efforts against global money laundering. A former TD Bank employee pleaded guilty to helping move more than $26 million from the US to Colombia by opening accounts for shell companies and accepting bribes. Officials stressed that lax controls, especially on high-value transactions with complex ownership structures, allow illicit gains to enter the legal financial system (22).

In 2004, the European Union established the European Healthcare Fraud and Corruption Network (EHFCN) to assist member states in law enforcement activities across all areas of the healthcare and pharmaceutical systems. The network is responsible for a range of activities, including combating corruption involving patients, professionals, staff/managers, and suppliers (5).

The Law on the Prevention of Money Laundering and the Financing of Terrorism, in the section concerning obligated entities, as well as the website of the Ministry of Finance within the scope of the Administration for the Prevention of Money Laundering, does not specifically recognize defined indicators for identifying suspicious transactions or reasonable grounds for suspicion of money laundering or terrorist financing in medical organizations in the Republic of Serbia (11). According to an available 2020 source of the Administration for the Prevention of Money Laundering, as many as 42 typologies of money laundering and terrorist financing have been identified in general (12). However,

the currently defined and presented typologies do not specifically include typologies related to money laundering in the healthcare sector.

Many medical organizations, or participants within the healthcare system, inform stakeholders through their reports or codes of conduct about the activities they undertake in relation to money laundering, primarily for prevention purposes. One such company is Fresenius Medical Care (Activity Code 3250 – Manufacture of medical and dental instruments and supplies), which states that it complies with anti-money laundering laws. The company defines money laundering as engaging in a transaction involving property derived from criminal activity, structuring a transaction to avoid reporting requirements intended to detect criminal conduct, or participating in transactions for the purpose of committing a criminal offense. It further states that it takes all necessary steps, including risk-based due diligence, to ensure cooperation with reputable business partners engaged in legitimate activities using funds from lawful sources (6). According to the Business Compliance Policy of Magna Pharmacia (Activity Code 4646 – Wholesale of pharmaceutical products), money laundering and terrorist financing are criminal offenses with economic consequences. The company defines money laundering as the process of concealing the unlawful origin of money or property obtained through criminal activities. It states that business operations are conducted exclusively using funds acquired legally from lawful sources. Cash transactions represent an increased risk in relation to money laundering and terrorist financing. Therefore, all cash transactions equal to or exceeding EUR 10,000 (or the equivalent value in another currency) are prohibited and may neither be accepted nor executed by the company. Accordingly, the intentional splitting of cash payments into smaller amounts is also prohibited (8).

It is also important to address the pharmaceutical system in connection with medical organizations, as it is susceptible to fraud and corruption for various reasons. In many countries, governments determine which medicines are included on reimbursement lists funded by mandatory health insurance. This means that patients do not pay directly for such medicines (they are covered through health insurance). Inclusion on such a list, particularly on a reimbursement list, may generate significant financial revenue for the manufacturer, as it guarantees the product a relatively predictable market share (21). Zirojević (2020) specifically identified the main reasons for the vulnerability of the pharmaceutical system to corruption and presented a framework for identifying vulnerabilities along the pharmaceutical value chain. He defined key decision-making points as production, registration, selection, procurement, distribution, prescribing, and dispensing of medicines. Discussing Balkan countries, the same author emphasized "that over the past decade significant changes have occurred and corruption in the pharmaceutical system has substantially decreased, largely due to international and public pressure that led to healthcare reforms and improved regulation, particularly in the area of supply chains" (21: 203).

RECOMMENDATIONS REGARDING MECHANISMS FOR DETECTING MONEY LAUNDERING

Due to the secretive nature of criminal activities, no one knows the exact amount of laundered money circulating within the international monetary system. "In 1996, the International Monetary Fund estimated that the total volume of global money laundering amounted to approximately 2 to 5 percent of the world's gross domestic product, which, according to 1996 statistics, would represent between USD 590 billion and USD 1.5 trillion" (13). "At the global level, money laundering produces exclusively negative consequences, such as undermining the stability, transparency, and efficiency of the financial system; causing economic disturbances; jeopardizing the implementation of reforms; reducing foreign investment; and damaging a country's international reputation" (8: 28). The 2018 National Money Laundering Risk Assessment (NMLRA) (16) found that healthcare fraud was the largest source of illicit funds in the United States, generating over USD 110 billion annually. Healthcare fraud accounts for approximately one-third of all illicit proceeds (19) laundered in the United States. Various fraud schemes are continuously committed against federal and state governments, as well as against private insurance companies, and include tax evasion and money laundering (15), (2). Illicit proceeds generated from healthcare fraud are frequently used to purchase assets. Perpetrators continuously design increasingly complex methods to conceal their fraudulent profits. All of this significantly complicates the process of managing money laundering risk within healthcare organizations. The risk of money laundering is further aggravated by complex financial flows between the state, insurers, and patients; intricate healthcare billing systems; information asymmetry between patients, physicians, and insurers; and the high level of discretion exercised by medical staff in treatment decisions. For these reasons, a holistic approach is necessary in addressing this issue, through the analysis of all relevant factors and their interactions, in order to ensure a comprehensive understanding of the functioning of the observed system. Fraud cases increase overall costs for all stakeholders within the healthcare system and undermine the long-term solvency of programs such as health insurance services and healthcare plans, which represent a particularly significant challenge for developing countries. Fraud is increasingly prevalent in the care and health services industry.

Pavlović and Laszlo Gal (2020) emphasize that in the fight against corruption, particularly in the Republic of Serbia, a fully unified systemic and multidisciplinary approach is still lacking. This fight should not involve only state authorities, such as the police, prosecution, and courts, as well as audit bodies, other government agencies, and independent institutions, but also the media and civil society organizations. Therefore, it would be unjustified to place the burden of responsibility for the success of this "fight" solely on one law or one institution (14). The same can be stated for combating money laundering and the institutions and individuals involved in preventing this activity.

Historically, money launderers have significantly outpaced the efforts of regulators, law enforcement officers, and anti-money laundering professionals attempting to prevent them

from circumventing the law. Fraud examiners should seriously consider what the future of money laundering may look like, particularly in relation to virtual currencies (17). In the area of financial fraud, attention must also be paid to different business periods, before, during, and after the COVID-19 pandemic (4). Numerous studies across various sectors have addressed this issue. According to Tie (2012), it is necessary to implement comprehensive risk management, as well as preventive and detective measures related to money laundering. Firstly, the institutional framework must be strengthened, primarily through laws on the prevention of money laundering. Additionally, judicial system personnel must be trained in the prevention, detection, investigation, and prosecution of money laundering. Awareness must be raised among financial and non-financial institutions regarding the need to accurately identify clients and their businesses, verify the information provided, and report irregular or suspicious activities. Furthermore, supervision of institutions targeted by money launderers must be increased. In the context of international activities, there is a need to expand international agreements that enable the exchange of information and the development of common strategies related to money laundering (18).

CONCLUSION

The goal of money laundering is to present illicit funds as legally acquired, integrate them into cash flows, and do so without detection by the relevant authorities. Weak legislative frameworks within healthcare organisations can result in poor outcomes and create opportunities for unethical and corrupt behaviour. Money laundering always presents a challenge and therefore a risk in this context.

An examination of available cases of fraud related to money laundering, with a focus on healthcare organisations and actors within the healthcare system, shows that various cases have demonstrated increased international and regulatory efforts against financial abuses. These cases highlight the risks posed by complex fraud networks, the need for stricter controls in the banking and healthcare sectors, and the importance of cooperation between judicial and regulatory bodies. However, the complexity of transactions in the healthcare system and the large number of institutional participants complicate the management of money laundering risks within healthcare organisations.

With the increasing digitisation of business and, more recently, the application of artificial intelligence tools, a wide range of potential risks related to money laundering has emerged. The likely future directions for money launderers will certainly include the use of new and more advanced artificial intelligence tools. At the same time, these tools can provide even better preventive and detective capabilities to investigators addressing money laundering phenomena and specific activities.

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Izazovi upravljanja rizikom od pranja novca u zdravstvenim organizacijama

Apstrakt: Zdravstveni sektor je jedan od organizaciono najsloženijih sistema, što ga čini potencijalno ranjivim na različite oblike finansijskih zloupotreba, uključujući pranje novca. Ova ranjivost je pojačana složenim tokovima sredstava između zdravstvenih ustanova, osiguravajućih društava, dobavljača medicinske opreme i farmaceutskih kompanija. U tom kontekstu, napominje se da zdravstvene organizacije mogu biti meta počinilaca koji se mogu baviti pranjem novca, pored ostalih zloupotreba. Ovaj rad ispituje moguće rizike u vezi sa pranjem novca u zdravstvenim organizacijama, kao i mehanizme za otkrivanje. Predstavljene su teorijske osnove fenomena pranja novca, zajedno sa primerima različitih prevarnih aktivnosti koje su dovele do pranja novca. Svrha rada je analiza fenomena pranja novca u zdravstvenim organizacijama kroz prizmu rizika i mehanizama za otkrivanje. Rezultati ukazuju na potrebu za multidisciplinarnim pristupom u borbi protiv pranja novca, kao i za sveobuhvatnim upravljanjem rizicima, uključujući preventivne i detektivske mere vezane za pranje novca u zdravstvenim organizacijama.

Ključne reči: pranje novca, rizici, prevencija, otkrivanje, zdravstvene organizacije