

# **WELFARE FRAUD CONTROL**

## **ACCOMPLISHMENTS REPORT**

**SFY 2014**

**July 2013 — June 2014**



**State of Alaska  
Department of Health and Social Services  
Division of Public Assistance**

Sean Parnell  
Governor

William Steur  
Commissioner

Leslie Houston  
Director

## FRAUD CONTROL UNIT SFY 2014 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2013 through June 2014:

- Of the 572 *applicant* fraud referrals, 227 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$1,231,156.
- There were 2,094 categorically ineligible investigations completed resulting in 1,974 recipients found to be ineligible for future public assistance benefits for which they they were previously authorized to receive. Total state and federal cost avoidance savings from categorically ineligible investigations was \$5,111,806.
- There were 488 *recipient* fraud referrals, 549 investigations were completed and 158 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$734,791.
- Fraud claim collections totaled \$349,254.
- There were seventeen convictions with \$429,776 in court-ordered restitution and another twenty-two current active prosecution cases involving approximately \$408,538.
- There were 47 Alaska Temporary Assistance Program (ATAP) recipient fraud disqualifications resulting in direct program savings of \$150,552, and 108 Food Stamp recipient disqualifications resulting in direct savings of \$489,054.
- The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$7.78 million\*.

\* No cost avoidance value is estimated for the deterrent effect of an active fraud control effort. Many are dissuaded from committing welfare fraud knowing the consequence if they are caught intentionally breaking program rules.

# **PUBLIC ASSISTANCE FRAUD CONTROL PROCESS**

## **Referrals Made to the Fraud Control Unit**

Fraud case referrals often involve benefits received from one or more programs. Most commonly, these include Alaska Temporary Assistance, Food Stamps, Medicaid and Adult Public Assistance.

## **How Welfare Fraud Deterrence is Handled in Alaska**

Two state agencies coordinate welfare fraud investigation:

- Department of Health and Social Services  
Division of Public Assistance  
Fraud Control Unit
- Department of Law  
Office of Special Prosecutions and Appeals  
Welfare Fraud Section

## **Fraud Control Unit**

The Division of Public Assistance, Fraud Control Unit (FCU) has statewide responsibility for the welfare fraud deterrent effort. This responsibility includes coordination of referrals to the Department of Law for possible criminal prosecution. The Fraud Control Unit conducts two types of investigations, applicant fraud investigations and recipient fraud investigations.

The fraud unit consists of 15 staff, eleven in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The SFY 14 Fraud Investigation component budget was approximately \$2,089,800, which includes funds for the Department of Law, Welfare Fraud Section.

The Fraud Unit has three main functions:

### **1. Investigations**

#### **Early Fraud Detection**

Caseworkers refer suspicious Food Stamp, Alaska Temporary Assistance Program (ATAP), Medicaid, and Adult Public Assistance (APA) applicants to the Fraud Control Unit for investigation. These referrals are assigned to unit staff, and investigations are usually completed before, or shortly after, the applicant is deemed eligible for benefits. Public Assistance applicant fraud investigations are conducted in Anchorage, Fairbanks, Kenai, and Mat-Su

Valley where there are larger offices with investigators. Applicant fraud investigation activity is highlighted in the following table:

<b>SFY 2014 Applicant Fraud Investigation Activity</b>			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	234	245	96
Food Stamp	521	532	191
Medicaid	373	392	80
Adult Public Assistance	44	44	9
Senior Benefits	9	9	2
Child Care	11	12	1

\*Includes cases referred in prior year(s)

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 315 of the 572 applicant fraud referrals were for combined applications in which the household was applying for more than one program (Food Stamps, Alaska Temporary Assistance, Medicaid, or Adult Public Assistance), the columns cannot be summed for an unduplicated count. A total of 227 were proven to be fraudulent.

### **Categorically Ineligible Fraud Detection**

FCU investigators identify, through various data mining techniques, “*categorical ineligible*” individuals with ongoing program involvement. Specifically, individuals who are incarcerated, classified as fleeing to avoid prosecution or confinement for a felony-level crime, convicted drug felons (SNAP program only) or individuals who are residing outside Alaska without an approved absence, such as obtaining medical treatment, are ineligible to receive public assistance benefits from the Food Stamp, Alaska Temporary Assistance, Medicaid and Adult Public Assistance programs.

A total of 1,934 categorically ineligible investigations were completed by the unit in SFY 2014. Of these, 1,821 recipients were found to be ineligible for future public assistance benefits for which they were previously authorized to receive. These investigations and the numbers of recipients found to be ineligible for public assistance benefits for which they were previously authorized to receive are as follows:

<b>SFY 2014 Categorically Ineligible Fraud Investigation Activity</b>		
<b>Program</b>	<b>Investigations Completed</b>	<b>Ineligible Recipients</b>
ATAP	75	68
Food Stamp	1,937	1821
Medicaid	633	504
Adult Public Assistance	347	300
Senior Benefits	22	18

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 601 of the categorically ineligible investigations were for combined applications in which the household was applying for more than one program (Food Stamps, Alaska Temporary Assistance, Medicaid, or Adult Public Assistance), the columns cannot be summed for an unduplicated count.

### **Recipient Fraud Control**

This function focuses primarily on intentional recipient fraud of ATAP, Food Stamp, Medicaid, and Adult Public Assistance benefits. (The Fraud Control Unit also assists with fraud detection efforts involving Food Stamp Hold Harmless; Supportive Services; Senior Benefits; Child Care; and Women, Infants and Children (WIC) benefits.)

Fraud referrals are received from the public, caseworkers and other agency staff. Most recipients suspected of welfare fraud are presented with the investigation findings and offered the option of accepting program disqualification and repaying the debt, or facing an Administrative Disqualification Hearing. If they choose not to sign a waiver, a hearing is scheduled. Serious cases involving high dollar loss or egregious fraud are referred to the Department of Law, Welfare Fraud Section for possible criminal prosecution.

During State Fiscal Year 2014 there were 488 recipient fraud referrals, 549 investigations were completed and 158 were found to be fraudulent. As 227 of the referrals were for combined applications in which the household was receiving more than one program (ATAP, Food Stamps, Medicaid, or Adult Public Assistance), the columns cannot be summed for an unduplicated count. Recipient fraud investigation activity is noted in the following table:

SFY 2014 Recipient Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	162	236	66
Food Stamp	448	512	140
Medicaid	189	313	23
Adult Public Assistance	29	41	1
Senior Benefits	2	2	0
Child Care	8	3	1

\*Includes cases referred in prior year(s)

## 2. Administrative Disqualification Hearings

Administrative Disqualifications Hearings are a key component of the fraud control process. When an investigation concludes fraud occurred, the individual is notified that a disqualification hearing will be scheduled. Most clients when presented with the facts of the investigations opt to sign a hearing waiver and avoid the hearing. In doing so, they accept the disqualification penalty and agree to repay the fraud debt. If they do not sign the offer of a hearing waiver, a disqualification hearing is scheduled. The Office of Administrative Hearings conducts the hearings, and the Fraud Control Unit staff present the facts supporting our finding of an intentional program violation. If the state prevails, a disqualification penalty is ordered along with repayment of fraudulently received benefits.

First offense fraud disqualification is 6 months for the Alaska Temporary Assistance Program and 12 months for the Food Stamp Program. A second fraud offense results in 12 month and 24 month disqualifications respectively. For both programs, a third offense results in the individual's permanent disqualification.

Individuals who sign a hearing waiver or who are found guilty in an Administrative Disqualification Hearing must repay the fraudulently received overpayments. Overpayment claims against these individuals are established and they sign promissory notes for the amount owed. A variety of debt collection methods are used including: monthly reduction of current benefits, periodic cash payments, garnishment of permanent fund dividends and interception of federal income tax refunds.

During SFY 2014, the Fraud Control Unit scheduled 56 Administrative Disqualification Hearings (ADHs).

- 44 ADHs were held with 2 decisions still pending.
- 41 ADH decisions were rendered resulting in 9 Temporary Assistance and 32 Food Stamp program disqualifications.
- 7 hearings were re-scheduled at the client’s request.
- 1 hearing was “Dismissed without Prejudice”.
- 41 Temporary Assistance and 108 Food Stamp disqualification penalties were imposed as a result of clients’ waiving their right to an ADH.

### 3. Claims Processing and Collection

The Benefits Issuance and Recovery Unit establishes all fraud debts and sets up each claim for recovery. Claims specialists handle all the fraud claims determined by the court, signed consent agreements, signed disqualification waivers, and administrative disqualification hearings. The unit arranges repayment agreements and collects fraud losses as well as all other client and agency-caused overpayments.

The claims specialists use a variety of debt collection methods including: benefit reduction, small claims court actions, garnishment and assignment of rights to permanent fund dividends, and federal income tax refund interception (Food Stamp Program only). The specialists also work with the Department of Law to revoke probation in cases that default on court ordered payments.

Fraud claims managed by the Benefits Issuance and Recovery Unit for SFY 2014 are as follows:

SFY 2014 Fraud Claims		
Program	Number of Claims	Fraud Debt Balance
ATAP	480	\$1,548,117
Food Stamp	384	\$671,609
Adult Public Assistance	36	\$173,804

### **Fraud Control Efforts Save Money**

Food Stamp Program benefits are 100 percent federally funded. However, as a fraud prevention incentive, states are allowed to keep 35% of Food Stamp Program fraud debt collected. Although ATAP is a federally funded block grant, Alaska retains all ATAP recipient fraud claim collections.

There is no overpayment recovery associated with the applicant fraud as no benefits were issued. However, there is significant cost avoidance associated with the activity. Applicant fraud savings for the state are the 50% of estimated ATAP costs that the state would have incurred on fraudulent applications over a six-month period. Food Stamp applicant fraud detection cost-avoidance savings is mostly federal funds, and estimated

savings are also based on a six-month period of presumed eligibility. A similar method is used to calculate Medicaid and APA Program cost avoidance.

**1. Applicant/Categorically Ineligible Fraud - Estimated Total and State Savings for SFY 2014**

During SFY 2014 there were 96 ATAP, 191 Food Stamp, 80 Medicaid, 9 Adult Public Assistance, 2 Senior Benefits, and 1 Child Care *applicant* fraud referrals found to be fraudulent. Estimated cost avoidance savings totaled \$1,231,156.

During SFY 2014 there were 68 ATAP, 1,821 Food Stamp, 564 Medicaid, 300 Adult Public Assistance, and 18 Senior Benefits cases in which the *recipients* were found to be ineligible for future public assistance benefits for which they were previously authorized to receive. Estimated cost avoidance savings totaled \$5,130,331.

ATAP Savings	\$722,690
Food Stamp Savings	\$3,421,895
Medicaid Savings	\$1,543,025
Adult Public Assistance	\$597,972
Senior Benefits	\$20,625
Child Care	\$5,280
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	\$6,361,487

**2. Established Fraud Loss Claims**

These claims establish fraud loss debts for recipients proven guilty of welfare fraud or who admit intentional program violations. Administrative Disqualification Hearing decisions, signed hearing waivers and court orders are the basis for fraud loss claims. Established fraud loss debt for SFY 2014 totaled \$734,791.

ATAP	\$229,845
Food Stamps	\$311,968
Medicaid	\$187,217
Adult Public Assistance	\$4,829
Child Care	\$932
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	\$734,791

**3. Fraud Claims Collections**

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2014, \$349,254 of fraud debt was recovered.



ATAP	\$115,769
Food Stamps	\$168,458
Medicaid	\$14,480
Adult Public Assistance	\$4,379
Food Stamp Hold Harmless	\$659
Supportive Services	\$12,907
Senior Benefits	\$17,882
Child Care	\$14,720
WIC	\$0
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	\$349,254

#### 4. Fraud Disqualifications

Progressively longer program disqualification periods are assigned to individuals who commit fraud in the Alaska Temporary Assistance, Food Stamp, Medicaid, and Adult Public Assistance programs. This results in direct savings to the programs since benefits are not paid to these individuals. In SFY 2014, \$690,410 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	56	\$150,552
Food Stamp	140	\$489,054
Medicaid	n/a **	\$50,804
Adult Public Assistance	n/a **	\$0
		<hr/>
		\$690,410

\*\* Although there are direct savings realized for the Medicaid and APA programs when an individual is no longer receiving these benefits due to a successful fraud investigation, there is currently no federal or state authority in place to allow for a disqualification from either of these programs.

#### 5. Convictions and Restitution Handled by the Department of Law

- During State Fiscal Year 2014, there were 15 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 17 convictions with court-ordered restitution totaling \$429,776.
- There are 22 current active prosecution cases involving about \$408,538 comprised of:
  - 9 indictments involving an estimated \$259,482 in alleged fraudulent overpayments pending disposition, and
  - 13 cases involving \$149,056 in which arrest warrants have been issued.

## Combined Value of Fraud Control Efforts

The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$7.78 million as shown in the following table. (This does not include the cases involving approximately \$408,538 currently being prosecuted by the Department of Law.)

<b>Monetary Value of SFY 2014 Fraud Control Efforts</b>	
Fraud Control Efforts	Amount
Cost avoidance savings for <i>applicants</i> not approved benefits or benefit amounts reduced	\$1,231,156
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement, or residing out-of-state	\$5,130,331
Fraud debt established for recipients guilty of welfare fraud	\$734,791
Direct savings from imposed disqualification periods	\$690,410
<b>Total</b>	<b>\$7,786,688</b>

No cost avoidance value is estimated for the deterrent effect of an active fraud control effort. Many are dissuaded from committing welfare fraud knowing the consequence if they are caught intentionally breaking program rules. The Departments of Law and Health and Social Services collaborate in the issuance of press releases for welfare fraud convictions.

## Common Trends in Fraud Investigations

### Applicant Fraud

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	Other parent living in the home not reported	116
	Other household composition issues	35
	No eligible child living in the home	73
	** Electronic Benefit Transfer (EBT) Out-of-State Usage & Misuse of Card	53
	** Felon Fleeing Prosecution	9
	** Incarcerated Persons	35
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Food Stamps	Household members not reported in the home	112
	Significant other in household not reported	201
	Children on application not in the home	128
	** EBT Out-of-State Usage & Misuse of Card	570
	** Felon Fleeing Prosecution	165
	** Incarcerated Persons	<u>1,099</u>
		2,376
Medicaid	Household members not reported in the home	58
	Significant other in household not reported	170
	Children on application not in the home	91
	** EBT Out-of-State Usage & Misuse of Card	222
	** Felon Fleeing Prosecution	0
	** Incarcerated Persons	<u>411</u>
		894

## Recipient Fraud

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	* Child on ATAP no longer living in household	39
	Unreported or underreported earned income	33
	Other parent living in the home & unreported	18
	Any household composition issue involving the Child Support Services Division (CSSD)	17
	Unreported income (other)	2
	** EBT Out-of-State Usage & Misuse of Card	0
	** Incarcerated Persons	0
	Other reasons (various)	59
	<hr/>	168
Food Stamps	Child on Food Stamps no longer living in household	42
	* Unreported or underreported earned income	114
	Significant other in household not reported	22
	Any household composition issue involving CSSD	19
	Unreported household members (other)	12
	** EBT Out-of-State Usage & Misuse of Card	5
	** Incarcerated Persons	0
	Other reasons (various)	237
	<hr/>	451
Medicaid	Child on Food Stamps no longer living in household	27
	* Unreported or underreported earned income	43
	Significant other in household not reported	19
	Any household composition issue involving CSSD	13
	Unreported household members (other)	5
	** EBT Out-of-State Usage & Misuse of Card	0
	** Incarcerated Persons	0
	Other reasons (various)	49
	<hr/>	156

\*Indicates the most common allegation type

\*\* Indicates categorically ineligible individuals (Out-of-state Food Stamp and ATAP use via EBT helps identify potential fraudulent receipt of other programs from out-of-state, such as Adult Public Assistance and Medicaid.)