

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2016

July 2015 — June 2016



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

Bill Walker
Governor

Valerie Davidson
Commissioner

Monica Windom
Acting Director

FRAUD CONTROL UNIT SFY 2016 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2015 through June 2016:

- Of the 439 *applicant* fraud referrals, 181 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$853,207.
- There were 1,594 categorically ineligible investigations completed resulting in 1,525 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 \$3,779,684.
- There were 440 *recipient* fraud referrals, 650 investigations were completed and 123 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$431,047.
- Fraud claim collections totaled \$495,158.
- There were nine convictions with \$268,188 in court-ordered restitution and another thirty-two current active prosecution cases involving approximately \$432,621.
- There were 32 Alaska Temporary Assistance Program (ATAP) recipient fraud disqualifications resulting in direct program savings of \$75,536, and 108 Food Stamp recipient disqualifications resulting in direct savings of \$251,570.
- The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$5.5 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, Adult Public Assistance and Child Care.

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 13 staff, nine in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The SFY 16 Fraud Investigation component budget was approximately \$2,042,100 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:

SFY 2016 Applicant Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	181	185	76
Food Stamp	410	419	157
Medicaid	40	46	6
Adult Public Assistance	29	28	6
Senior Benefits	4	3	0
Child Care	17	19	0

*Includes cases referred in prior year(s)

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 202 of the 439 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 181 were proven to be fraudulent.

Categorically Ineligible Fraud Detection

FCU investigators identify, through various data mining techniques, “*categorically 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 1,594 categorically ineligible investigations were completed by the unit in SFY 2016. Of these, 1,525 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:

SFY 2016 Categorically Ineligible Fraud Investigation Activity		
Program	Investigations Completed	Ineligible Recipients
ATAP	57	51
Food Stamp	1,499	1,434
Medicaid	195	183
Adult Public Assistance	286	286
Senior Benefits	13	13

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 299 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 2016 there were 440 recipient fraud referrals, 650 investigations were completed and 123 were found to be fraudulent. As 149 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 2016 Recipient Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	157	252	37
Food Stamp	405	598	108
Medicaid	14	252	2
Adult Public Assistance	18	54	6
Senior Benefits	4	7	2
Child Care	15	9	2

*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 2016, the Fraud Control Unit scheduled 46 Administrative Disqualification Hearings (ADHs).

- 27 ADHs were held with 3 decisions still pending.
- 35 ADH decisions were rendered resulting in 7 Temporary Assistance and 27 Food Stamp program disqualifications.
- 4 hearings were re-scheduled at the client's request.
- 5 hearings were "Dismissed without Prejudice".
- 31 Temporary Assistance and 74 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 2016 are as follows:

SFY 2016 Fraud Claims		
Program	Number of Claims	Fraud Debt Balance
ATAP	439	\$1,419,041
Food Stamp	373	\$741,170
Adult Public Assistance	36	\$161,493

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 2016

During SFY 2016 there were 76 ATAP, 157 Food Stamp, 6 Medicaid, 6 Adult Public Assistance, 0 Senior Benefits, and 0 Child Care *applicant* fraud referrals found to be fraudulent. Estimated cost avoidance savings totaled \$853,201.

During SFY 2016 there were 51 ATAP, 1,434 Food Stamp, 183 Medicaid, 269 Adult Public Assistance, and 12 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 \$3,779,684.

ATAP Savings	\$601,752
Food Stamp Savings	\$2,929,925
Medicaid Savings	511,2971
Adult Public Assistance	\$577,035
Senior Benefits	\$12,882
Child Care	\$0
	<u>\$4,632,891</u>

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 2016 totaled \$431,047.

ATAP	\$75,536
Food Stamps	\$251,570
Medicaid	\$67,487
Adult Public Assistance	\$24,077
Child Care	\$9,127
Senior Benefits	3,250
	<u>\$431,047</u>

3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2016, \$495,158 of fraud debt was recovered.

ATAP	\$107,856
Food Stamps	\$227,123
Medicaid	\$68,374
Adult Public Assistance	\$23,681
Food Stamp Hold Harmless	\$2,236
Supportive Services	\$5,866
Senior Benefits	\$38,412
Child Care	\$21,559
WIC	\$51
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	\$495,158

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 2016, \$436,302 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	32	\$64,206
Food Stamp	108	\$367,752
Medicaid	n/a **	\$0
Adult Public Assistance	n/a **	\$4,344
		<hr/>
		\$436,302

** 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 2016, there were 19 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 9 convictions and 5 Consent Agreements with court-ordered restitution totaling \$268,188.
- There are 32 current active prosecution cases involving about \$432,621 comprised of:
 - 18 indictments filings via information involving an estimated \$279,013 in alleged fraudulent overpayments pending disposition, and
 - 14 cases involving 153,608 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 \$5.5 million as shown in the following table. (This does not include the cases involving approximately \$432,621 currently being prosecuted by the Department of Law.)

Monetary Value of SFY 2016 Fraud Control Efforts	
Fraud Control Efforts	Amount
Cost avoidance savings for <i>applicants</i> not approved benefits or benefit amounts reduced	\$853,207
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement, or residing out-of-state	\$3,779,684
Fraud debt established for recipients guilty of welfare fraud	\$431,047
Direct savings from imposed disqualification periods	\$436,302
Total	\$5,500,240

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	89
	Other household composition issues	32
	No eligible child living in the home	60
	** Electronic Benefit Transfer (EBT) Out-of-State Usage & Misuse of Card	39
	** Felon Fleeing Prosecution	10
	** Incarcerated Persons	19
	Other Reasons (various)	28
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Food Stamps	Household members not reported in the home	67
	Significant other in household not reported	183
	Children on application not in the home	98
	** EBT Out-of-State Usage & Misuse of Card	507
	** Felon Fleeing Prosecution	164
	** Incarcerated Persons	687
	Drug Felon	141
	Other Reasons (various)	62
	<hr/>	1847
Medicaid	Household members not reported in the home	5
	Significant other in household not reported	18
	Children on application not in the home	9
	** EBT Out-of-State Usage & Misuse of Card	112
	** Felon Fleeing Prosecution	0
	** Incarcerated Persons	82
	Other Reasons (various)	8
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APA	Household members not reported in the home	10
	Significant other in household not reported	7
	*** EBT Out-of-State Usage & Misuse of Card	108
	** Felon Fleeing Prosecution	1
	** Incarcerated Persons	177
	Other Reasons (various)	12
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***Indicates APA recipients that were identified through EBT food stamp usage (associated food stamp case).

Recipient Fraud

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	* Child on ATAP no longer living in household	40
	Unreported or underreported earned income	21
	Other parent living in the home & unreported	16
	Any household composition issue involving the Child Support Services Division (CSSD)	21
	Unreported income (other)	0
	** EBT Out-of-State Usage & Misuse of Card	0
	** Incarcerated Persons	0
	Other reasons (various)	101
		<hr/> 199
Food Stamps	Child on Food Stamps no longer living in household	36
	* Unreported or underreported earned income	75
	Significant other in household not reported	30
	Any household composition issue involving CSSD	13
	Unreported household members (other)	8
	** EBT Out-of-State Usage & Misuse of Card	1
	** Incarcerated Persons	0
	Other reasons (various)	231
		<hr/> 394
Medicaid	No child in the home or child left the home	2
	* Unreported or underreported earned income	2
	Significant other in household not reported	4
	Any household composition issue involving CSSD	0
	Unreported household members (other)	0
	** EBT Out-of-State Usage & Misuse of Card	0
	** Incarcerated Persons	0
	Other reasons (various)	5
	<hr/> 13	

APA

* Unreported or underreported earned income	3
Significant other in household not reported	0
Any household composition issue involving CSSD	0
Unreported household members (other)	0
** EBT Out-of-State Usage & Misuse of Card	0
** Incarcerated Persons	0
Other reasons (various)	14
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	17

**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.)*