

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2018

July 2017 — June 2018



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

Bill Walker
Governor

Valerie Davidson
Commissioner

Monica Windom
Director

FRAUD CONTROL UNIT SFY 2018 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2017 through June 2018:

- Of the 83 *applicant* fraud referrals, 45 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$214,872.
- There were 1,883 categorically ineligible investigations completed resulting in 1,808 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 \$4,692,825.
- There were 461 *recipient* fraud referrals, 433 investigations were completed and 105 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$829,950.
- Fraud claim collections totaled \$665,872.
- There were 47 convictions with \$604,052 in court-ordered restitution. There were 13 Civil Judgements involving \$123,933 in alleged fraudulent overpayments. There are another Sixty-four current active prosecution cases involving approximately \$1,411,372.
- There were 26 Alaska Temporary Assistance Program (ATAP) recipient fraud disqualifications resulting in direct program savings of \$50,925, and 62 Supplemental Nutrition Assistance Program (SNAP) recipient disqualifications resulting in direct savings of \$235,332.
- The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$6.0 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, SNAP, 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 14 staff, ten in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The SFY 18 Fraud Investigation component budget was approximately \$1,999,000 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 SNAP, Alaska Temporary Assistance Program (ATAP), Medicaid, Child Care (CC) 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 2018 Applicant Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	42	43	22
SNAP	77	82	38
Medicaid	02	02	01
Adult Public Assistance	07	07	04
Senior Benefits	01	01	00
Child Care	03	05	01

*Includes cases referred in prior year(s)

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 45 of the 83 applicant fraud referrals were for combined applications in which the household was applying for more than one program (SNAP, Alaska Temporary Assistance, Medicaid, or Adult Public Assistance), the columns cannot be summed for an unduplicated count. A total of 45 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 SNAP, Alaska Temporary Assistance, Medicaid and Adult Public Assistance programs.

A total of 1,883 categorically ineligible investigations were completed by the unit in SFY 2018. Of these, 1,808 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 2018 Categorically Ineligible Fraud Investigation Activity		
Program	Investigations Completed	Ineligible Recipients
ATAP	57	51
SNAP	1,803	1,731
Medicaid	244	232
Adult Public Assistance	316	294
Senior Benefits	17	16

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. As 337 of the categorically ineligible investigations were for combined applications in which the household was applying for more than one program (SNAP, 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, SNAP, Medicaid, and Adult Public Assistance benefits. (The Fraud Control Unit also assists with fraud detection efforts involving SNAP 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 2018 there were 461 recipient fraud referrals, 433 investigations were completed and 105 were found to be fraudulent. As 187 of the referrals were for combined applications in which the household was receiving more than one program (ATAP, SNAP, 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 2018 Recipient Fraud Investigation Activity			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
ATAP	158	148	29
SNAP	370	357	62
Medicaid	40	109	09
Adult Public Assistance	60	55	34
Senior Benefits	15	20	11
Child Care	50	22	12

*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 SNAP. 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 2018, the Fraud Control Unit scheduled 21 Administrative Disqualification Hearings (ADHs).

- 15 ADHs were held with 2 decisions still pending.

- 11 ADH decisions were rendered resulting in 7 Temporary Assistance and 10 Food Stamp program disqualifications.
- 6 hearings were re-scheduled at the client's request.
- 1 hearing was "Dismissed without Prejudice".
- 26 Temporary Assistance and 62 SNAP disqualification penalties were imposed as a result of clients' being found to have committed an Intentional Program Violation.

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 (SNAP 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 2018 are as follows:

SFY 2018 Fraud Claims		
Program	Number of Claims	Fraud Debt Balance
ATAP	452	\$1,417,709
SNAP	333	\$715,062
Adult Public Assistance	59	\$273,061

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 SNAP 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. SNAP 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 2018

During SFY 2018 there were 22 ATAP, 38 SNAP, 1 Medicaid, 4 Adult Public Assistance, 0 Senior Benefits, and 1 Child Care *applicant* fraud referrals found to be fraudulent. Estimated cost avoidance savings totaled \$214,872.

During SFY 2018 there were 51 ATAP, 1,731 SNAP, 232 Medicaid, 294 Adult Public Assistance, and 16 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 \$4,692,835.

ATAP Savings	\$335,260
SNAP Savings	\$3,203,362
Medicaid Savings	\$671,441
Adult Public Assistance	\$671,061
Senior Benefits	\$20,337
Child Care	\$6,246
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	\$4,907,707

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 2018 totaled \$829,950.

ATAP	\$70,475
SNAP	\$182,186
Medicaid	\$95,569
Adult Public Assistance	\$225,964
Child Care	\$218,158
Senior Benefits	\$37,572
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	\$829,950

3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2018, \$665,872 of fraud debt was recovered.

ATAP	\$57,354
SNAP	\$170,913
Medicaid	\$69,141
Adult Public Assistance	\$143,109
SNAP Hold Harmless	\$1,142
Supportive Services	\$2,395
Senior Benefits	\$51,796
Child Care	\$166,469
GRA	\$1,645
WIC	\$1,908
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	\$665,871

4. Fraud Disqualifications

Progressively longer program disqualification periods are assigned to individuals who commit fraud in the Alaska Temporary Assistance, SNAP, Medicaid, and Adult Public Assistance programs. This results in direct savings to the programs since benefits are not paid to these individuals. In SFY 2018, \$338,015 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	26	\$50,925
SNAP	62	\$235,332
Medicaid	n/a **	\$5,456
Senior Benefits	n/a **	\$11,550
Adult Public Assistance	n/a **	\$34,752
		<hr/>
		\$338,015

** Although there are direct savings realized for the Medicaid, APA and Senior Benefits 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 any of these programs.

5. Convictions and Restitution Handled by the Department of Law

- During State Fiscal Year 2018, there were 71 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 47 convictions, 13 Civil Judgements with court-ordered restitution totaling \$727,985.
- 41 of the 71 cases referred involved the Adult Public Assistance Program (APA) with \$286,042 in alleged fraudulent overpayments.
- 17 of the 71 cases referred involved the Senior Benefits Program (SB) with \$52,953 in alleged fraudulent overpayments.

- There are 64 current active prosecution cases involving about \$1,411,372 comprised of:
 - 21 indictments filings via information involving an estimated \$834,689 in alleged fraudulent overpayments pending disposition, and
 - 43 cases involving \$576,683 in which arrest warrants have been issued.
- FY2018 restitution collected for all convictions totaled \$494,280. This equates to 68% of the total court-ordered restitution being recouped by the State of Alaska.
- An additional \$2,600 in investigative costs were also recouped in FY2018.

Combined Value of Fraud Control Efforts

The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$6.0 million as shown in the following table. (This does not include the cases involving approximately \$1,411,370 currently being prosecuted by the Department of Law.)

Monetary Value of SFY 2018 Fraud Control Efforts	
Fraud Control Efforts	Amount
Cost avoidance savings for <i>applicants</i> not approved benefits or benefit amounts reduced	\$214,872
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement, or residing out-of-state	\$4,692,835
Fraud debt established for recipients guilty of welfare fraud	\$829,950
Direct savings from imposed disqualification periods	\$338,015
Total	\$6,075,672

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	9
	Other household composition issues	6
	No eligible child living in the home	11
	** Electronic Benefit Transfer (EBT) Out-of-State Usage & Misuse of Card	40
	** Felon Fleeing Prosecution	4
	** Incarcerated Persons	11
	Other Reasons (various)	13
		<hr/> 94
SNAP	Household members not reported in the home	9
	Significant other in household not reported	24
	Children on application not in the home	16
	** EBT Out-of-State Usage & Misuse of Card	849
	** Felon Fleeing Prosecution	129
	** Incarcerated Persons	821
	Drug Felon	0
	Other Reasons (various)	31
		<hr/> 1,879
Medicaid	Household members not reported in the home	1
	Significant other in household not reported	0
	Children on application not in the home	0
	** EBT Out-of-State Usage & Misuse of Card	163
	** Felon Fleeing Prosecution	0
	** Incarcerated Persons	78
	Other Reasons (various)	4
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APA	Household members not reported in the home	3
	Significant other in household not reported	1
***	EBT Out-of-State Usage & Misuse of Card	174
**	Felon Fleeing Prosecution	0
**	Incarcerated Persons	127
	Other Reasons (various)	18
		<hr/> 323

***Indicates APA recipients that were identified through EBT SNAP usage (associated SNAP case).

Recipient Fraud

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	* Child on ATAP no longer living in household	8
	Unreported or underreported earned income	22
	Other parent living in the home & unreported	7
	Any household composition issue involving the Child Support Services Division (CSSD)	9
	Unreported income (other)	8
	** EBT Out-of-State Usage & Misuse of Card	0
	** Incarcerated Persons	0
	Other reasons (various)	71
		<hr/> 125
SNAP	Child on SNAP no longer living in household	11
	Unreported or underreported earned income	120
	Significant other in household not reported	17
	Any household composition issue involving CSSD	10
	* Unreported household members (other)	121
	** EBT Out-of-State Usage & Misuse of Card	4
	** Incarcerated Persons	0
	Other reasons (various)	65
	<hr/> 348	
Medicaid	No child in the home or child left the home	0
	* Unreported or underreported earned income	8
	Significant other in household not reported	2
	Any household composition issue involving CSSD	0
	Unreported household members (other)	5
	** EBT Out-of-State Usage & Misuse of Card	0
	** Incarcerated Persons	0
	Other reasons (various)	25
	<hr/> 40	

APA

Unreported or underreported earned income	5
Significant other in household not reported	2
Any household composition issue involving CSSD	0
* Unreported household members (other)	3
** EBT Out-of-State Usage & Misuse of Card	0
** Incarcerated Persons	0
Other reasons (various)	50
	<hr/>
	60

**Indicates the most common allegation type*

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