



## Department of Health and Social Services

Division of Public Assistance

Fraud Control Unit

### FRAUD CONTROL UNIT SFY 2021 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2020 through June 2021:

- There were 296 *recipient* fraud referrals, 299 investigations were completed and 79 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$210,052.
- There were 170 categorically ineligible investigations completed and 161 found that the recipients were ineligible for future public assistance benefits for which they were previously authorized to receive. Total state and federal cost avoidance savings from categorically ineligible investigations was \$329,425.
- There were 15 *applicant* fraud referrals and 12 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$48,000.
- Fraud claim collections totaled \$323,196.
- There were 12 convictions with \$157,014 in court-ordered restitution. There were also 3 Civil Judgements and 18 cases referred for prosecution.
- The combined amount of cost avoidance and fraud claims established totaled \$933,387.
  - \* *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 investigations:

- Department of Health and Social Services  
Division of Public Assistance  
Fraud Control Unit  
(Recipient Fraud)
- Department of Law  
Office of Special Prosecutions and Appeals  
Medicaid Fraud Section  
(Medical Provider Fraud)

### **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 three types of investigations: applicant fraud, categorical ineligible and recipient fraud.

The Fraud Control Unit consists of 14 staff—seven in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The SFY 2021 Fraud Investigation component budget was approximately \$2,418,900 which includes funds for a dedicated full-time Prosecutor housed in the Office of Special Prosecutions.

The Fraud Unit has three main functions:

#### **1. Investigations**

##### **Recipient Fraud Control**

This function focuses primarily on intentional recipient fraud of ATAP, SNAP, Medicaid, Child Care Assistance and Adult Public Assistance benefits. (The Fraud Control Unit also assists with fraud detection efforts involving SNAP Hold Harmless; Supportive Services; Senior Benefits; Heating Assistance 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 disqualification hearing is held.

Serious cases involving high dollar loss or egregious fraud are referred to the Department of Law, Office of Special Prosecutions for possible criminal prosecution.

During State Fiscal Year 2021 there were 296 recipient fraud referrals, 299 investigations were completed and 79 were found to be fraudulent. Recipient fraud investigation activity is noted in the following table:

<b>SFY 2021 Recipient Fraud Investigation Activity PCI</b>			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
Food Stamps (SNAP)	163	170	47
Alaska Temporary Assistance Program (ATAP)	65	68	14
Adult Public Assistance (APA)	39	15	7
Child Care Assistance (CCA)	12	19	5
Medicaid (ME)	9	19	2
Heating Assistance	0	0	0
Senior Benefits (SB)	8	3	2
SNAP PFD Hold Harmless	0	2	2
Supportive Services	0	3	0
General Relief	0	0	0

\*Note: Includes cases referred in prior year(s)

### **Categorically Ineligible Fraud Detection**

FCU investigators identify, through various data mining techniques, “*categorical ineligible*” individuals with ongoing welfare program involvement. Specifically, individuals who are incarcerated, classified as fleeing to avoid prosecution or confinement for a felony-level crime, 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, Adult Public Assistance, Child Care Assistance and Senior Benefits programs.

A total of 170 categorically ineligible investigations were completed by the unit in SFY 2021. Of these, 161 investigations found that the recipients were ineligible for future public assistance benefits for which they were previously authorized to receive.

<b>SFY 2021 Categorically Ineligible Fraud Investigation Activity CAT</b>		
Program	Investigations Completed	Determined Ineligible
Food Stamps (SNAP)	93	88
Adult Public Assistance (APA)	61	57
Alaska Temporary Assistance Program (ATAP)	5	5
Senior Benefits (SB)	8	8
Medicaid (ME)	3	3

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances.

## 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 2021 Applicant Fraud Investigation Activity <b>EFD</b>			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
Food Stamps (SNAP)	9	10	7
Alaska Temporary Assistance Program (ATAP)	3	4	3
Adult Public Assistance (APA)	1	2	1
Medicaid (ME)	2	2	0
Senior Benefits (SB)	0	1	1
Child Care Assistance (CCA)	0	0	0

*\*Note: 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. Many recipients when presented with the facts of the investigation 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 held. 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.

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 2021, the Fraud Control Unit scheduled 32 Administrative Disqualification Hearings (ADHs).

- 21 ADHs were held.
- 17 ADH decisions were rendered.
- There are 2 hearing currently pending a decision.
- As a result of signed waivers, 21 disqualification penalties were imposed.

### 3. Claims Processing and Collection<sup>1</sup>

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 hearing decisions. The unit arranges repayment agreements and collects fraud losses as well as all other recipient 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 currently managed by the Benefits Issuance and Recovery Unit are as follows:

Current Fraud Claims*		
Program	Number of Claims	Current Debt Balance
ATAP	1,837	\$4,835,774
SNAP	2,703	\$3,934,083
SNAP PFD Hold Harmless	194	\$58,391
Adult Public Assistance	227	\$1,166,644
Senior Benefits	24	\$73,307
Child Care Assistance	36	\$742,390
CAMA	0	\$0
General Relief Assistance	14	\$20,357
Heating Assistance	0	\$0
Medicaid	466	\$1,889,597
Supportive Services	94	\$199,289
WIC	0	\$0

\*Note: Fraud claims data include current claims and balances for investigations only as of 7/01/2021.

#### **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 cost avoidance figures for the other welfare programs administered by DPA.

<sup>1</sup> Claims collection data in this report are limited to cases currently active in the new DPA fraud case management system. It is anticipated that all collections cases will complete the transition to this system in SFY2022.

## 1. 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 2021 totaled \$345,910.

ATAP	\$41,271
SNAP	\$176,092
SNAP PFD Hold Harmless	\$1,016
Adult Public Assistance	\$59,406
Child Care Assistance	\$60,031
Medicaid	\$7,219
Senior Benefits	\$875
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	\$345,910

## 2. Applicant Fraud - Estimated Total and State Savings

During SFY 2021 there were 3 ATAP, 7 SNAP, 1 Adult Public Assistance, and 1 Senior Benefits cases where recipients were found to be ineligible for future public assistance benefits for which they were previously authorized to receive. Estimated cost avoidance savings totaled \$48,000.

ATAP Savings	\$10,494
SNAP Savings	\$32,112
Adult Public Assistance	\$4,344
Senior Benefits	\$1,050
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	\$48,000

## 3. Fraud Claims Collections<sup>2</sup>

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2021, \$323,196 of fraud debt was recovered.

Adult Public Assistance (APA)	\$28,214
Alaska Temporary Assistance Program (ATAP)	\$23,660
Child Care Assistance (CCA)	\$62,116
SNAP	\$203,825
SNAP PFD Hold Harmless	\$362
Medicaid (ME)	\$4,020
Senior Benefits (SB)	\$1,000
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	\$323,196

<sup>2</sup> Claims collection data in this report are limited to cases currently active in the new DPA fraud case management system. It is anticipated that all collections cases will complete the transition to this system in SFY2022.

#### 4. Fraud Disqualifications

Progressively longer program disqualification periods are assigned to individuals who commit fraud in the Alaska Temporary Assistance, SNAP, and Child Care Assistance programs. This results in direct savings to the programs since benefits are not paid to these individuals. In SFY 2021, \$210,052 was saved.

<u>Program</u>	<u>Direct Savings</u>
ATAP	\$37,644
SNAP	\$168,204
Child Care Assistance	\$4,204
	<u>\$210,052</u>

*\*\* 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 2021, there were 18 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 12 convictions, 3 Civil Judgements with court-ordered restitution totaling \$157,014.
- SFY 2021 restitution collected at change of plea hearings for criminal convictions totaled \$45,943.
- An additional \$2,500 in investigative costs were also recouped in SFY 2021.

#### Combined Value of Fraud Control Efforts

The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$900 thousand as shown in the following table. (This does not include the cases currently being prosecuted by the Department of Law.)

<b>Monetary Value of SFY 2021 Fraud Control Efforts</b>	
<b>Fraud Control Efforts</b>	<b>Amount</b>
Cost avoidance savings for <i>applicants</i> not approved benefits or benefit amounts reduced	\$48,000
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement, or residing out-of-state	\$329,425
Fraud debt established for recipients guilty of welfare fraud	\$345,910
Cost avoidance savings from recipients found to have committed welfare fraud	\$210,052
<b>Total</b>	<b>\$933,387</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

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
SNAP	Residency	67
	Incarceration	36
	Income	33
	Household Composition - No Child in HH	27
	Application Fraud - HHC	25
	Household Composition - Spouse/NR in HH	19
	Application Fraud - Earned Income	11
	Household Composition - CSSD Related	10
	Earned income unreported or under reported	7
	Application Fraud - Resources	6
	Other	6
	Resources	5
	No child in the home or child left the home	5
	Unreported Bank Account(s)	3
	Application Fraud - Unearned Income	2
	EBT Trafficking Issues	2
	Drug Felony (Convicted or Evading)	1
	Unreported Self Employment Income	1
	Trafficking	1
	Unreported Direct Child Support from the AP	1
	Application Fraud - Other	1
	Any other household comp issue	1
	Any type of issue not already listed	1
	Absent parent in the home or left the home	1
	Any type of Unearned Income received	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
APA	Residency	70
	Incarceration	2
	Household Composition - Spouse/NR in HH	1
	Application Fraud - HHC	1
	Residency unknown	1
	Application Fraud - Resources	1
	Income	1
	Resources	1



<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
ATAP	Household Composition - No Child in HH	13
	Household Composition - CSSD Related	13
	Application Fraud - HHC	10
	Household Composition - Spouse/NR in HH	9
	Residency	7
	Income	7
	No child in the home or child left the home	5
	Earned income unreported or under reported	3
	Application Fraud - Earned Income	3
	Unreported Bank Account(s)	2
	Other	2
	Application Fraud - Unearned Income	1
	Any other household comp issue	1
	Resources	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Medicaid	Residency	5
	Application Fraud - HHC	3
	Income	3
	Application Fraud - Resources	2
	Household Composition - No Child in HH	2
	Unreported Bank Account(s)	1
	Application Fraud - Earned Income	1
	No child in the home or child left the home	1
	Incarceration	1
	Unreported Self Employment Income	1
	Earned income unreported or under reported	1
	Absent parent in the home or left the home	1
	Residency unknown	1
	Other	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Child Care	Application Fraud - HHC	10
	Earned income unreported or under reported	3
	Income	2
	Application Fraud - Earned Income	1
	Household Composition - Spouse/NR in HH	1
	Other	1
	Any other household comp issue	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
SNAP PFD Hold Harmless	Income	2

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Senior Benefits	Residency	11
	Residency unknown	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Supportive Services	Earned income unreported or under reported	2
	Other	1