



## Department of Health and Social Services

Division of Public Assistance

Fraud Control Unit

### FRAUD CONTROL UNIT SFY 2023 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2022 through June 2023:

- There were 244 *recipient* fraud referrals, 355 investigations were completed and 54 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$277,981.
- There were 1032 categorically ineligible investigations completed and 661 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 \$1,156,283.
- There were 15 *applicant* fraud referrals and 3 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$13,092.
- Fraud claim collections totaled \$477,195.
- There were 10 convictions with \$138,761 in court-ordered restitution. There were also 9 cases referred for prosecution.
- As of June 30<sup>th</sup>, 2023, there were 6 cases referred for prosecutions in which criminal charges have been filed but the criminal cases have not yet resolved. The identified fraud losses identified as part of these investigations total \$110,118.
- The combined amount of cost avoidance and fraud claims established totaled \$1,660,105.

*\* 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 the Alaska Temporary Assistance Program (ATAP), SNAP, Medicaid, Adult Public Assistance (APA), and Child Care Assistance (CCA).

### **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 11 staff—eight in Anchorage, one in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The SFY 2023 Fraud Investigation component budget was approximately \$2,412,900 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 2023 there were 244 recipient fraud referrals, 355 investigations were completed and 54 were found to be fraudulent. Recipient fraud investigation activity is noted in the following table:

<b>SFY 2022 Recipient Fraud Investigation Activity PCI</b>			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
Food Stamps (SNAP)	161	222	32
Alaska Temporary Assistance Program (ATAP)	43	71	8
Adult Public Assistance (APA)	15	16	5
Medicaid (ME)	5	18	0
Child Care Assistance (CCA)	6	10	1
Heating Assistance	4	1	0
Senior Benefits (SB)	5	3	0
General Relief	1	4	0
SNAP PFD Hold Harmless	3	7	6
Supportive Services	1	2	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 1,032 categorically ineligible investigations were completed by the unit in SFY 2023. Of these, 661 investigations found that the recipients were ineligible for future public assistance benefits for which they were previously authorized to receive.

<b>SFY 2022 Categorically Ineligible Fraud Investigation Activity CAT</b>		
Program	Investigations Completed	Determined Ineligible
Food Stamps (SNAP)	615	491
Adult Public Assistance (APA)	158	133
Medicaid (ME)	48	9
Senior Benefits (SB)	17	13
Alaska Temporary Assistance Program (ATAP)	18	15

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 2022 Applicant Fraud Investigation Activity EFD			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
Food Stamps (SNAP)	9	10	5
Alaska Temporary Assistance Program (ATAP)	1	0	0
Adult Public Assistance (APA)	1	3	3
Medicaid (ME)	0	1	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 2023, the Fraud Control Unit scheduled 14 Administrative Disqualification Hearings (ADHs).

- 8 ADHs were held.
- 8 ADH decisions were rendered.
- There are 0 hearings 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
SNAP	2,553	\$3,631,162
ATAP	1,804	\$4,608,348
Medicaid	450	\$1,758,454
Adult Public Assistance	280	\$1,172,920
Child Care Assistance	38	\$712,714
Supportive Services	87	\$199,021
Senior Benefits	23	\$66,029
SNAP PFD Hold Harmless	189	\$56,472
General Relief Assistance	14	\$19,699
CAMA	0	\$0
Heating Assistance	0	\$0
WIC	0	\$0

*\*Note: Fraud claims data include current claims and balances for investigations only as of 7/01/2023.*

### 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 2023 totaled \$277,981.

SNAP	\$184,627
ATAP	\$21,122
Adult Public Assistance	\$46,209
Medicaid	\$0
Child Care Assistance	\$21,533
Supportive Services	\$0
Senior Benefits	\$1,308
SNAP PFD Hold Harmless	\$3,182
General Relief	\$0
	\$277,981

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

During SFY 2023 there were 5 SNAP and 3 Adult Public Assistance 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 \$13,092.

SNAP Savings	\$7,890
ATAP Savings	\$0
Adult Public Assistance	\$5,202
Medicaid	\$0
	\$13,092

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

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2023, \$477,194 of fraud debt was recovered.

SNAP	\$222,041
Adult Public Assistance (APA)	\$28,554
Alaska Temporary Assistance Program (ATAP)	\$114,426
Child Care Assistance (CCA)	\$50,480
Medicaid (ME)	\$43,629
Senior Benefits (SB)	\$3,353
Supportive Services	\$6,935
SNAP PFD Hold Harmless	\$7,776
General Relief	\$0
	\$477,194

<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 2023, \$195,501 was saved.

<u>Program</u>	<u>Direct Savings</u>
SNAP	\$174,276
ATAP	\$18,708
Child Care Assistance	\$2,517
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	\$195,501

*\*\* 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 2023, there were 9 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 10 convictions with court-ordered restitution totaling \$138,761.
- SFY 2023 restitution collected at change of plea hearings for criminal convictions totaled \$47,033.

**NOTE:** As of June 30<sup>th</sup>, 2023, there were 6 cases referred for prosecutions in which criminal charges have been filed but the criminal cases have not yet resolved. The identified fraud losses identified as part of these investigations total \$110,118.

#### Combined Value of Fraud Control Efforts

The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$1.66 million 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 2022 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	\$13,092
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement, or residing out-of-state	\$1,156,283
Fraud debt established for recipients guilty of welfare fraud	\$277,981
Cost avoidance savings from recipients found to have committed welfare fraud	\$212,749
<b>Total</b>	<b>\$1,660,105</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	391
	Incarceration	231
	Income	42
	Household Composition - No Child in HH	18
	Application Fraud - Earned Income	4
	Household Composition - Spouse/NR in HH	26
	Resources	11
	Application Fraud - HHC	31
	Earned income unreported or under reported	10
	Absent parent in the home or left the home	4
	Household Composition - CSSD Related	6
	No child in the home or child left the home	8
	EBT Trafficking issues	9
	Other	17
	Trafficking	8
	Unreported Unemployment Insurance Benefits	1
	Application Fraud - Unearned Income	1
	Any other household comp issue	1
	Application Fraud - Resources	7

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
APA	Residency	99
	Incarceration	65
	Income	3
	Unreported Bank Accounts	1
	Household Composition – Spouse/NR in HH	3
	Application Fraud – Earned Income	1
	No child in the home or left the home	1



<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
ATAP	Residency	16
	Application Fraud - HHC	12
	Household Composition - CSSD Related	11
	No child in the home or child left the home	8
	Income	8
	Household Composition - No Child in HH	6
	Household Composition - Spouse/NR in HH	6
	Absent parent in the home or left the home	4
	Other	3
	Incarceration	2
	Application Fraud - Other	2
	Earned income unreported or under reported	2
	Application Fraud - Resources	2

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Medicaid	Residency	34
	Absent parent in the home or left the home	1
	Income	2
	No child in the home or child left the home	3
	Incarceration	17
	Unreported Self Employment Income	1
	Application Fraud - Earned Income	1
	Household Composition – Spouse/NR in HH	1
	Unreported Real property	1
	Application Fraud – HHC	4
	Any type of resource issue not already listed	2

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Child Care	Application Fraud - HHC	7
	Household Composition – CSSD Related	1
	Income	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
SNAP PFD Hold Harmless	Household Composition – Spouse/NR in HH	4
	Income	5

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Senior Benefits	Residency	16
	Incarceration	3
	Unreported Bank Accounts	1
	Income	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Supportive Services	Household Composition-CSSD Related	1
	Application Fraud – HHC	1