

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2011

July 2010 — June 2011



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

Sean Parnell
Governor

William Steur
Commissioner

Ron Kreher
Director

FRAUD CONTROL UNIT SFY 2011 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2010 through June 2011:

- Of the 505 *applicant* fraud referrals, 193 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$1,050,595.
- There were 948 categorically ineligible investigations completed resulting in 772 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 \$2,492,117.
- There were 424 *recipient* fraud referrals, 535 investigations completed and 174 found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$420,055.
- Fraud claim collections totaled \$254,272.
- There were three convictions with \$35,649 in court-ordered restitution. There are six indictments involving an estimated \$136,160 in alleged fraudulent overpayments pending disposition. There are thirteen additional cases referred to the Attorney General's office involving \$176,013 in which arrest warrants have been issued.
- There were 61 Alaska Temporary Assistance recipient fraud disqualifications resulting in direct program savings of \$157,194, and 144 Food Stamp recipient disqualifications resulting in direct savings of \$504,444.
- The combined amount of cost avoidance, direct savings, fraud claims established, and fraud claims recovered totaled over \$4.71 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 16 staff, eleven in Anchorage, two in Fairbanks, two in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The FY 11 Fraud Investigation component budget was approximately \$1,987,900, which includes funds for the Dept. 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, Medicaid and Adult Public Assistance 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:

FY 2011 Applicant Fraud Investigation Activity			
Program	Referrals	Investigations Completed	Determined Fraudulent
ATAP	214	211	84
Food Stamp	455	440	164
Medicaid	364	349	57
Adult Public Assistance	16	15	2

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. Of the applicant fraud referrals referenced above, 341 were for combined applications where the household was applying for more than one program involving Food Stamps, Alaska Temporary Assistance, Medicaid or Adult Public Assistance.

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, 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 Stamps, Alaska Temporary Assistance, Medicaid and Adult Public Assistance programs.

A total of 948 categorically ineligible investigations were completed by the unit in FY 2011. Of these, 772 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:

FY 2011 Categorically Ineligible Fraud Investigation Activity		
Program	Investigations Completed	Ineligible Recipients
ATAP	49	42
Food Stamp	897	739
Medicaid	248	164
Adult Public Assistance	136	96

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. Of the categorically ineligible investigations referenced above, 262 were for combined applications where the household was applying for more than one program involving Food Stamps, Alaska Temporary Assistance, Medicaid or Adult Public Assistance.

Recipient Fraud Control

This function focuses primarily on intentional ATAP, Food Stamp, Medicaid and Adult Public Assistance fraud by recipients of these benefits.

These 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 2011 there were 275 combination ATAP, Food Stamp, Medicaid and Adult Public Assistance cases referred to the Fraud Control Unit. Recipient fraud investigation activity is noted in the following table:

FY 2011 Recipient Fraud Investigation Activity			
Program	Referrals	Investigations Completed	Determined Fraudulent
ATAP	155	247	64
Food Stamp	389	492	144
Medicaid	259	316	244
Adult Public Assistance	28	36	10

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 Department’s Office of Hearings and

Appeals 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 returns.

During FY 2011, the Fraud Control Unit scheduled 60 Administrative Disqualification Hearings (ADH's).

- 38 Administrative Disqualification Hearings were held with 3 decisions still pending.
- 35 ADH decisions were rendered resulting in 6 Temporary Assistance and 31 Food Stamp program disqualifications.
- 13 hearings were re-scheduled at the client's request.
- 2 hearings were "Dismissed without Prejudice".
- 55 Temporary Assistance and 113 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 for 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 FY 2011 are as follows:

FY 2011 Fraud Claims		
Program	Number of Claims	Fraud Debt Balance
ATAP	471	\$1,619,447
Food Stamp	321	\$481,319
Adult Public Assistance	31	\$137,773

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 fraud debt collected. 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 FY 2011

During FY 2011 there were 84 ATAP, 164 Food Stamp, 57 Medicaid and 2 Adult Public Assistance *applicant* fraud referrals found to be fraudulent. Estimated cost avoidance savings totaled \$1,050,595.

During FY 2011 there were 42 ATAP, 739 Food Stamp, 164 Medicaid and 96 Adult Public Assistance where 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 \$2,492,117.

ATAP Savings	612,234
Food Stamp Savings	1,971,732
Medicaid Savings	741,765
Adult Public Assistance	216,981
	<u>\$3,542,712</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 FY 2011 totaled \$420,055.

ATAP	130,052
Food Stamps	194,135
Medicaid	77,846
Adult Public Assistance	18,022
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	\$420,055

3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In FY 2011, \$254,270.73 of fraud debt was recovered.

ATAP	83,952
Food Stamps	128,657
Medicaid	28,961
Adult Public Assistance	5,807
Miscellaneous	6,895
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	\$254,272

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 FY 2011, \$748,877 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	61	157,194
Food Stamp	144	504,444
Medicaid	n/a **	54,659
Adult Public Assistance	n/a **	32,580
		<hr/>
		\$748,877

** Although there are direct savings realized for the Medicaid and APA programs due an individual no longer receiving these benefits due to a successful fraud

investigation, there are currently no regulations 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 2011, there were seven cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution. There were three convictions with court-ordered restitution totaling \$35,649. There are twenty current active prosecution cases involving about \$312,173.

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	93
	Other household composition issues	26
	No eligible child living in the home	82
	** Electronic Benefit Transfer (EBT) Out-of-State Usage & Misuse of Card	33
	** Felon Fleeing Prosecution	9
	** Incarcerated Persons	7
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Food Stamps	Household members not reported in the home	77
	Significant other in household not reported	188
	Children on application not in the home	128
	** EBT Out-of-State Usage & Misuse of Card	305
	** Felon Fleeing Prosecution	149
	** Incarcerated Persons	443
		<hr/> 1,290

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
Medicaid	Household members not reported in the home	45
	Significant other in household not reported	180
	Children on application not in the home	104
	** EBT Out-of-State Usage & Misuse of Card	94
	** Felon Fleeing Prosecution	7
	** Incarcerated Persons	147
		<hr/> 577
Recipient Fraud		
ATAP	Child on ATAP no longer living in household	36
	* Unreported or underreported earned income	29
	Other parent living in the home & unreported	29
	Any household composition issue involving the Child Support Services Division (CSSD)	15
	Unreported income (other)	7
	** EBT Out-of-State Usage & Misuse of Card	6
	** Incarcerated Persons	5
	Other reasons (various)	29
		<hr/> 156
Food Stamps	Child on Food Stamps no longer living in household	58
	* Unreported or underreported earned income	115
	Significant other in household not reported	44
	Any household composition issue involving CSSD	16
	Unreported household members (other)	23
	** EBT Out-of-State Usage & Misuse of Card	6
	** Incarcerated Persons	8
	Other reasons (various)	114
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<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
Medicaid	Child on Food Stamps no longer living in household	50
	* Unreported or underreported earned income	64
	Significant other in household not reported	40
	Any household composition issue involving CSSD	12
	Unreported household members (other)	11
	** EBT Out-of-State Usage & Misuse of Card	4
	** Incarcerated Persons	5
	Other reasons (various)	69
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*Indicates the most common allegation type

** Indicates categorically ineligible individuals