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☞ Details: Medical Assistance eligibility determination audit

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)

rec'd
7-1-04



Wisconsin Association on Public Assistance Fraud

mtg
8/3 @ 10:00 am

June 28, 2004

Representative Suzanne Jeskewitz
Co-Chair, Joint Legislative Audit Committee
Room 314 North, State Capitol
P.O. Box 8952
Madison, Wisconsin 53708

Dear Representative Suzanne Jeskewitz:

The Wisconsin Association on Public Assistance Fraud, WAPAF, has been dedicated for over 25 years, to the promotion of accuracy and integrity in Public Assistance Programs. Last year, Senator Roessler and Representative Kestell received correspondence from State Senator Neal Kedzie, State Representative Steve Nass and State Representative Tom Lothian in regards to our meeting with those gentlemen concerning integrity within the public assistance programs.

We are aware of an audit on eligibility determination for medical assistance and related health care programs, which also included a review of the fraud investigation program within the State of Wisconsin. The State Legislative Audit Bureau has yet to release the report, but despite the fraud investigation program's ability to recover millions of dollars in improperly received benefits and save millions of State tax dollars through fraud prevention, the fraud investigation program is in serious financial trouble. Since 1997, the program has financially operated on a percentage of revenue generated from overpaid Food Stamps and Medicaid benefits with no revenue from overpaid W2 and Child Care benefits.

The current funding philosophy is inconsistent with the State's ability to maintain a Program Integrity program since successful fraud prevention, and resulting savings, leads to diminished overpayment claims and revenue generated from collections, which is the only funding source for the program.



Wisconsin Association on Public Assistance Fraud

It is our understanding that the State of Wisconsin Department of Health and Family Services has requested that general purpose revenue be invested into the public assistance program integrity program, and in considering the budget for 2006, we would like your support in voting to invest the little required to sustain a public assistance integrity program. That investment will generate huge dividends for the tax payers of the State of Wisconsin.

As the Chairpersons of the appropriate Senate and Assembly Committees, we respectfully request a meeting with you to discuss issues that are pertinent to the proper administration of public assistance.

Thank you for your consideration, and I look forward to your response. You can feel free to contact me at (715)345-5937 or at ekucharski@new.rr.com.

Sincerely,

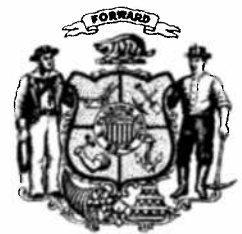
Gene Kucharski

Gene Kucharski

Vice President WAPAF



WISCONSIN STATE LEGISLATURE



Portage County Health and Human Services Department

Phone: 715-345-5350
Fax: 715-345-5966

817 Whiting Ave
Stevens Point, WI 54481-5292

FACSIMILE COVER MESSAGE

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To: Pam Mathews

From: Gene Kucharski

Fax: 608-282-3624

Pages: 6

Phone: 608-266-3796

Date: 9/10/2004

Re: Information

Urgent For Review Please Comment Please Reply Please Recycle

● **Comments:** Good morning Pam. Yesterday at the meeting of the group created to discuss and recommend changes to the "fraud prevention / investigation" program one of the members, Berry Chase from DHFS, presented some information regarding the statutory requirements of the program. I am forwarding this information to you for review and information purposes.

I think of particular interest is that DHFS is contemplating taking the funds now budgeted for prevention and investigation and rolling it into the general Income Maintenance contract with the counties. The practical result of this, I feel, will be to in reality to diminish the program even more. The Department is equating the "investigative program" with the "quality control" efforts and though there is a small area where there is overlapping function the two programs are completely different. Thank you again for your time and have a great weekend.

If there are any questions or concerns please contact me at 715-345-5937.

Thank you,

Gene Kucharski, Fraud investigator

IntraOffice Memo

Department of Health and Family Services
Division of Health Care Financing
Bureau of Health Care Eligibility
Food Stamp Policy Section

Date: August 25, 2004

From: Barry Chase

Re: Legal Basis for FEV Program

(Note current Wisconsin Statutes reflect prior administrative organization where DWD was primary fraud program administrator and DHFS is authorized to contract for such services with DWD for FS and MA programs. Text below incorporates MOU between departments to reverse fraud program responsibilities.)

Wisconsin statutes mandate error reduction activities for the Food Stamps, Medical Assistance, Child Care and TANF programs. Those error reduction activities may be called front-end verification activities. The following statutes provide the basis for those error reduction activities:

- 1) Wis. Stat. §49.197: Fraud investigation and reduction and error reduction.
 - a) Ss. 49.197(1m): Fraud Investigation. ...the department shall establish a program to investigate suspected fraudulent activity on the part of recipients to AFDC, W2 programs (including childcare), medical assistance, and food stamps under 7 USC 2011 to 2036.
 - b) Ss. 49.197(1m): The department's activities ...may include, but are not limited to:
 - i) comparisons of applicant information with information held by other federal, state and local agencies,
 - ii) development of an advisory welfare investigation prosecution standard,
 - iii) provision of funds to county departments and to W2 agencies to encourage activities to detect fraud.
 - iv) Department shall cooperate with district attorneys regarding fraud prosecutions.
 - c) ss. 49.197(3): State error reduction activities. The department shall conduct activities to reduce payment errors in W2, CC, MA and FS
 - d) ss. 49.197(4): county and tribal error reduction: the department shall provide funds to counties and tribal agencies administering MA and FS programs to offset administrative costs of reducing errors.

Sections 49.197(3)-(4) mandate an FEV program as error reduction activities. No formal statutory or federal regulatory language defines what the error reduction or FEV program must be for W2 or MA. Although the term FEV is not used in Federal regulations for the food stamp program, the food stamp program does provide structure for an FEV program as outlined in 7CFR§273.2(f):

- 1) 7CFR§273.2(f)(2) requires the state agency to verify, prior to certification, all factors of eligibility which the state agency determines are questionable and affect the household's eligibility and benefit level. The provision requires the state agency to:
 - a) Establish guidelines to be followed to determine what shall be considered questionable information,
 - b) Establish guidelines that do not prescribe verification based upon race, religion, ethnic background, or national origin,
 - c) Establish guidelines that do not target migrant farm workers or American Indians for more intensive verification.

- 2) 7CFR§273.2(f)(3) provides optional verification requirements the state agency may elect to mandate on a statewide or project area basis – but not on a case-by-case basis. All such mandates must comply with provisions of 7CFR§273.2(f)(2).

Legal basis for FEV guidelines for the Food Stamp Program and the application of those guidelines to AFDC (now TANF) programs in Wisconsin are addressed in a 1995 federal court decision concerning Milwaukee County DHS' FEV practices. The decision was subsequently appealed to the U.S. 7th Circuit Court of Appeals as cited below. The appeal decision summarizes the federal regulatory basis for Wisconsin's FEV program and places limitations on the use of home visits and collateral contacts for FEV's.

- 1) U.S. court of appeals for 7th Circuit Nos. 94-3213, 94-3248 & 94-3292

S.L., P.W., B.S., individually and on behalf of all others similarly situated, et. al., Plaintiffs-Appellees, Cross-appellants

v.

Gerald Whitburn, Secretary, DHSS, J. Jean Rogers, Administrator, DES/DHSS and Thomas Brophy, Director, Milwaukee Co. DHS

See:

<http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?court=7th&navby=case&no=943213>

IntraOffice Memo

Department of Health and Family Services
 Division of Health Care Financing
 Bureau of Health Care Eligibility
 Food Stamp Policy Section

Date: July 27, 2004
 From: Barry Chase
 Re: Legal Basis for Fraud Investigation Program

(Note current Wisconsin Statutes reflect prior administrative organization where DWD was primary fraud program administrator and DHFS is authorized to contract for such services with DWD for FS and MA programs. Text below incorporates MOU between departments to reverse fraud program responsibilities.)

Wisconsin statutes mandate fraud investigation for the Food Stamps, Medical Assistance, Child Care and AFDC/TANF programs as follows:

- 1) Wis. Stat. s. 49.197: Fraud investigation and reduction and error reduction.
 - a) Ss. 49.197(1m): Fraud Investigation. ...the department shall establish a program to investigate suspected fraudulent activity on the part of:
 - i) Recipients of aid to families with dependent children under s. 49.19,
 - ii) Participants in the Wisconsin works program under ss. 49.141 to 49.161
 - iii) Recipients of medical assistance under Subch. IV, and
 - iv) Recipients of food stamp benefits under 7 USC 2011 to 2036.
 - b) The department's activities ...may include, but are not limited to:
 - i) comparisons of applicant information with information held by other federal, state and local agencies,
 - ii) development of an advisory welfare investigation prosecution standard,
 - iii) provision of funds to county departments under ss. 46.215, 46.22 and 46.23, and to W2 agencies to encourage activities to detect fraud.
 - c) Department shall cooperate with district attorneys regarding fraud prosecutions.
- 2) Wis. Stat. s. 49.45(2)(a)3m requires DHFS to establish a program to investigate suspected fraudulent activity on the part of medical assistance recipients and to establish a program to reduce errors in payments of medical assistance.
 - a) Wis. Stat. s. 49.49 specifies medical assistance offenses for recipient and provider fraud.
- 3) Wis. Stat. s. 49.79(9) requires DHFS to establish and administer a program to investigate fraudulent activity on the part of food stamp recipients and to reduce errors in the payments of benefits under the food stamp program.
 - a) s. 49.795 specifies food stamp offenses and criminal penalties for violations.
- 4) Wis. Stat. s. 49.141(6) specifies prohibited conduct in connection with Wisconsin Works
 - a) ss. 49.141(7) & (8) specify penalties for violations of prohibited conduct by W2 participants
 - b) s. 49.141(9) & (10) specify prohibited activities by providers and other parties relative to the Wisconsin works program.

- 5) Wis. Stat. 49.155 describes the child care subsidy requirements under Wisconsin works statutes.
- 6) Wis. Stat. s. 49.161(3) repayment requirements for overpayments in the Wisconsin works programs caused by intentional program violations.
- 7) Wis. Stat. 49.95 specifies criminal penalties for fraudulently obtaining public assistance benefits covered under Chapter 49 of Wisconsin Statutes based upon the amount of benefits secured.

Wisconsin Statutes do not specify a required administrative structure for investigating fraudulent activity in the FS, MA, W2 and child care programs covered under Chapter 49. The Code of Federal Regulations (CFR) requires state agencies to investigate allegations of fraud and abuse in both the Food Stamp and Medicaid programs

For the Food Stamp Program, 7 CFR §272(4)(g) makes the following requirement:

- 1) *Fraud detection units: State agencies shall establish and operate fraud detection units in all project areas in which 5,000 or more households participate in the program. The fraud detection units:*
 - a) *Shall be responsible for detecting, investigating and assisting in the prosecution of program fraud, and*
 - b) *Need not be physically located in each 5,000 household "catchment area."*
- 2) *Workers staffing the detection units need not work full-time in fraud detection nor exclusively on the food stamp program.*
- 3) *The fraud detection function need not be employed by the state agency.*
- 4) *A written state agency procedure that systematically identifies and refers potential fraud cases to investigators shall be considered a detection activity meeting the requirements of 7 CFR §272.4(g).*

7 CFR §273.16 provides general requirements for the state to establish a process for investigating alleged fraudulent activity in the food stamp program. 7 CFR §273.16(a)(1) states the following:

The state agency shall be responsible for investigating any case of alleged intentional program violation and ensuring that appropriate cases are acted upon either through administrative disqualification hearings or referral to a court of appropriate jurisdiction with the procedures outlined in this section.

7 CFR §273.16 delineates extensive procedures for investigating a potential IPV and establishing the IPV through administrative disqualification hearing or referral for court action.

Those procedures are further clarified or restricted by FNS General letters:

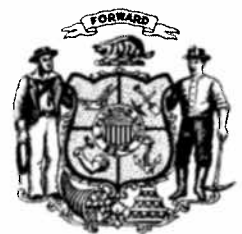
- 1) General Letter #03-23 (5/6/03) removes penalties for food stamp recipients who fail to cooperate with fraud investigators and restricts the use of Request for Contact letters to eligibility workers.
- 2) General Letter #04-08 (2/10/04) prohibits investigators from trying to establish an IPV by offering a waiver to the right of ADH under the threat of referral to prosecution.

For the Medicaid Program, 42 CFR §455.13 through §455.16 require the state Medicaid agency to develop plans for investigating fraud and abuse to include:

- conducting preliminary investigations of allegations of provider and recipient fraud and abuse (42 CFR §455.14),
- referral of positive findings of preliminary investigations to appropriate law enforcement or administrative units or completing full investigations of suspected abuse (42 CFR §455.15), and
- disposition of the investigation through case closure, initiation of legal action, or resolution agreement between the recipient and the agency (42 CFR §455.16)



WISCONSIN STATE LEGISLATURE



THE WHEELER REPORT
111 W. Wilson St. #401 - Madison, WI 53703 - 608-287-0130
E-mail: wheeler@thewheelerreport.com

Tuesday, September 28, 2004

AUDIT SUGGESTS CHANGES AFFECTING MEDICAL ASSISTANCE OVERPAYMENT RECOVERY.

The recommendation was part of the Legislative Audit Bureau evaluation of the DHFS Medical Assistance eligibility determinations. The report said, "Inconsistencies in statutes have hindered local efforts to pursue benefit overpayments." Part of the problem is a difference between the definition of MA fraud and the authorization for MA benefit recovery. The Audit Bureau also found "a number of inconsistencies" between statutes and DHFS policies.

"Unless the Legislature intended to limit the circumstances under which counties may recover the value of Medical Assistance benefits, we recommend it revise statutes to allow for recovery of Medical Assistance benefit costs when a recipient does not comply with program policies by failing to disclose information that affects eligibility between the time of application and review," the report said. "We recommend the Dept of Health and Family Services revise its Medical Assistance program integrity policies to be consistent with statutes."

The Audit Bureau also recommended DHFS file a report with the Joint Legislative Audit Committee by mid-January 2005 on the results of its plans to address program integrity needs.

A link to the full evaluation report is available at [The Wheeler Report](#) website.

Link to Releases

Governor. Appointments to Wisconsin Citizens Corps Council.

Governor. Announces \$28 million for Door County boating projects.

Organizations

Wisconsin Hospital Association. Embraces components of "jobs agenda."

National Farmers Union. Farm groups urge support for emergency ag disaster aid.

Municipal Electric Utilities of Wisconsin. Wisconsin Public Power communities send crews to Florida.

WISTAX. School district challenged by health insurance costs.

State Agencies

DPI. Awards presented for exemplary leadership in service learning citizenship.

Legislative Audit Bureau. An Evaluation: Medical Assistance Eligibility Determinations.

DOJ. Oneida County man to pay \$3,609 in water protection case.

Dept. of Veterans Affairs. Op-ed: A "Call to Action" to assist our returning troops.

WisDOT. Agriculture emergency modified to include kidney beans.

Election and Politics

Feingold for US Senate. Secures major law enforcement endorsement.

Kapanke for 32nd Senate District. Works to increase value of homes, while lowering tax rates.

Bush/Cheney. Statement by members of the BC '04 Wisconsin Dairy Truth Squad.

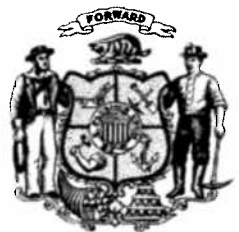
Congressional Delegation

Cong. Green. Named "Friend of Agriculture."

(END)



WISCONSIN STATE LEGISLATURE



Matthews, Pam

From: rich@famvid.com
Sent: Tuesday, December 07, 2004 8:08 PM
To: Matthews, Pam

Hi Pam:

My name is Rich Basiliere, and I am the President of the Wisconsin Association on Public Assistance Fraud. Gene Kucharski, who you have been speaking with regarding public assistance program integrity and fraud, is also a member of the organization and is the vice-president. Last week, I testified at the hearing regarding the Medicaid Eligibility Audit with Gene.

As I explained to Representative Jeskewitz at the hearing, along with being President of the professional organization (Wisconsin Association on Public Assistance Fraud) I have been a public assistance fraud investigator in a Wisconsin county for 7 1/2 years now. As Gene has indicated to you, he and I have been working to improve public assistance program integrity within Wisconsin for the last two years, and we both feel that this subject is of utmost importance to the tax payers of Wisconsin. I recognize the fact that speaking with Representative Jeskewitz and Senator Roessler, regarding this matter, is very important in the process of improving this program, but, much to my disappointment, I have not been able to participate with the Representative as much as I would have liked to due to a contractual obligation that prohibits anything that could be construed as lobbying. Therefore, I have been unable to assist Gene in his talks with Representative Jeskewitz, and I must apologize to her for me being vague in answering her questions at the hearing.

Anyway, I didnt put any contact information in my statement, so if Representative Jeskewitz or any of the committee members have any questions for me, she can feel free to contact me at home at 920-730-8105 or e-mail me at this address, or write me at 1816 S. Mayfair Drive. Appleton, Wisconsin 54914.

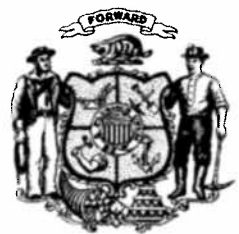
Thank you

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This mail sent by Family Online Webmail <http://www.familyonline.com>



WISCONSIN STATE LEGISLATURE



December 9, 2004

To Whom It May Concern:

I am a detective with the Waukesha County Sheriff's Department and have been assigned to conduct public assistance fraud investigations, on a full time basis, since January 1997. I am also a member of the Wisconsin Association of Public Assistance Fraud and have been a board member for the past three years.

My purpose for writing this letter is my concern for the lack of funding by the State of Wisconsin to combat this fraud.

Based on the statistics we keep in the sheriff's department, our previous detective investigated 90 to 100 cases per year prior to 1997. Between 1991 and 1999 our county experienced over one million dollars in public assistance fraud, with over 65% of these dollars recouped. Since 1997 my caseload rose dramatically, averaging 150 cases I investigate per year. (This is only my portion of the cases/investigations conducted by our fraud unit as a whole. The total number is actually much higher.) Approximately 10 per cent of my cases are criminally prosecuted. Between January 1, 2004 and September 1, 2004 the cases I sent to the District Attorney totals over \$171,000.00 of fraud perpetrated. The remaining 85 percent of my investigated fraud cases have a finding of fraud perpetrated, and collection is handled on an administrative basis. Our fraud unit, consisting of myself and two fraud investigators from Waukesha County DHSS, find over \$250,000 in fraud perpetrated yearly by clients in our county alone. This year we have had several cases amounting \$15,000 to \$20,000 each, so I have no doubt we will be above this amount for 2004. This is the fraud perpetrated by one of the wealthiest counties in the state, with a smaller client base than that of other counties.

Public assistance fraud continues to be a problem. It is my understanding there is 40 million dollars in debt to be collected from past public assistance overpayments. If only the taxpayer knew what was occurring. As far as they know "welfare" doesn't exist anymore. It has been hidden and sugar-coated with words like "public assistance" and "food share". When I speak with others about my job they are appalled to hear what is going on, especially when I tell them about the woman who faked pancreatic cancer for over two years so she wouldn't have to work, collected food stamps, and collected over \$16,000 in W-2 payments. Yes, these cases do exist and she is presently in prison.

I am also a taxpayer in this state and find our taxes are absolutely outrageous. The rest of my family moved out of Wisconsin over the past 15 years because of our tax situation. If the fraud perpetrated in Waukesha County alone is over a quarter million dollars, can you imagine what is occurring in the other counties? Public assistance clients need to be held accountable for intentionally stealing from the taxpayer. Does a store such as Walmart invite their customers to steal? By failing to fund fraud you are inviting people to steal, and we are to turn our head and ignore it? Walmart doesn't do it and neither should we. Shouldn't the taxpayer expect integrity from their state government?

It is important for you to continue the allocation of funding for the fraud program. It is the only way to ensure program integrity. You are responsible with making sure the low income residents of this state who deserve those benefits receive them. You are not responsible for just handing out the tax dollars to anyone who asks for them.

Please continue our effort to combat the fraud occurring within the "system". If we don't do it, no one will.

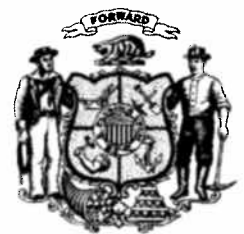
If you have any questions or wish to respond to this letter, feel free to contact me at (262) 896-8140 or by e-mail at dvanderboom@waukeshacounty.gov.

Respectfully,

Deborah W. Vanderboom
Detective
Waukesha County Sheriff's Department



WISCONSIN STATE LEGISLATURE





PO Box 206
Darlington WI 53530
608-776-4900

December 9, 2004

Representative Suzanne Jeskewitz
Room 314 North State Capital
PO Box 8952
Madison WI 53708

Dear Representative Jeskewitz,

Wisconsin Social Services Association (WSSA) is made up of Human Service Professionals dedicated to improving the lives of people living in Wisconsin. One large area of membership includes Economic Support Workers. These workers process and case manage the Public Assistance Programs such as Food Share, Medical Assistance, Childcare, Wisconsin Works and Food Share Employment & Training. We recently were informed about a hearing that was held on December 1, 2004 regarding the Medical Assistance Eligibility Audit and although unable to attend, WSSA is extending support towards reforming Program Integrity and Public Assistance Fraud.

The areas of concern our organization has had is the dramatic rise in caseloads and the ability to still provide superior service to our customers and clients without compromising the integrity of the programs we administer. We are in support of legitimizing Program Integrity, making it a separate entity with designated and trained staff in order to allow Economic Support Workers to correctly issue benefits and adequately serve those in need.

However, the size of caseloads alone does not reduce benefit errors. Clients and customers can still intentionally or unintentionally misrepresent their situation. This is why having designated and dedicated staff, whose sole purpose is to find these client errors and recover lost revenue, is so important. This recovered revenue can then go toward other areas of Human Services, such as assisting people to obtain employment and achieve self-sufficiency. We feel that by legitimizing Program Integrity and making it a separate entity will ease the workload of economic support workers, who will then have more time to correctly process benefits and help people towards self-sufficiency, which in turn will ultimately save taxpayer dollars.

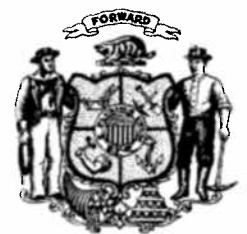
We thank you for your time and careful consideration in this matter.

Sincerely,

Marjean Sutherland
WSSA President



WISCONSIN STATE LEGISLATURE



December 10, 2004

Representative Suzanne Jeskewitz
Room 314 North
State Capitol
P.O. Box 8952
Madison, WI 53708

I've been involved with welfare for Waukesha County Human Services, starting as an Economic Support Specialist in 1989, Front End Verification Specialist as of 1991 and since 1997, as a welfare fraud investigator.

I've watched as the state has reduced funding for program integrity and welfare fraud to almost nothing over the last 5 years, while the number of client's committing fraud has remained the same. With the beginning of new programs, such as W-2, child care benefits and the expansion of medical assistance, especially, Badger Care, we have as many investigations as we had when AFDC and Food Stamps were our main programs.

I'm convinced that the general public would be outraged if they knew how large a child care overpayment can be for a mother of 3 children, who has decided to intentionally "use" the system to have free babysitting services after she has lost or left employment and not reported it. The public would also be upset if they knew that no one was watching out for their tax dollars by recovering dollars when a client intentionally or unintentionally caused an overpayment of benefits.

We've now learned that our funding for the fraud program has been reduced to \$500,000.00 for 2005. Our funding for the last several years has been based upon the overpayment claims we generated through our own investigations. Midwestern states, such as Minnesota and Illinois do not work through a system like this. They use general revenue funds to help finance Program Integrity and Fraud Investigations in their states.

I just received the data for Waukesha County's fraud unit, which produced medical assistance revenue through our claims, which totaled \$182,847.00 in 2004. Our Food Share claims have generated \$80,000.00 and Child Care claims totalling \$29,872.00. I know this unit has supplied 25% of the 2004 overpayment claims and 19% of the claims in 2003 for the entire state of Wisconsin, which makes us quite successful. That also means that we save \$8.26 for every public assistance dollar granted. I consider that money well spent!

I don't know how the State can pretend we do not have fraud. Are we supposed to look the other way when some client's intentionally abuse the system? What message does that send to other client's desperately trying to comply. Client's need to be held accountable for their actions and the community needs to know that we are policing ourselves as well as having checks and balances in our own programs. Therefore, we need to reform our system and legitimize our efforts for Program Integrity, as well as have dedicated staff to perform those functions. Without State monies invested in our program, counties are doomed to fail.

Representatives from Wisconsin Association on Public Assistance Fraud, of which I am a member, have tried to make legislators aware of these fact by speaking before the Joint Legislative Audit Committee and the Joint Committee on Finance. I applaud and support their efforts to try and reform and legitimize Program Integrity and Fraud Investigations.

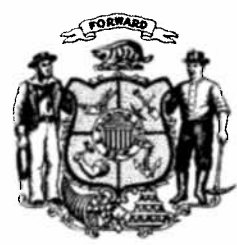
Thank you,

A handwritten signature in cursive script that reads "Sue Rhode".

Sue Rhode
Waukesha County Fraud Investigator



WISCONSIN STATE LEGISLATURE



Clark County Department of Social Services

Gary L. Laehn MSSW
Director
517 Court Street, Room 502
Neillsville, WI 54456-1976

Telephone 715-743-5233
Toll Free 866-743-5233
Fax 715-743-5242

December 21, 2004

Representative Suzanne Jeskewitz
Room 314 North
State Capitol
PO Box 8952
Madison, WI 53708

Dear Senator Roessler:

My name is Mary Dick and I am an Economic Support Specialist for Clark County, I also run the fraud program for Clark County and I understand that there is great concern with the future of the fraud program, mainly with funding and budget issues.

While it may be more popular to view all overpayments as simply that, an overpayment, the fact is that there has been, is and will continue to be a segment of our recipients who intentionally try to receive benefits for which they are not entitled to receive, and this is fraud.

Clark County is a small county and in the past year alone, I have investigated cases that have resulted in \$39,441.25 of fraudulent benefits, this is a staggering total.

Please do whatever you can to continue to fund the fraud program for the State of Wisconsin.

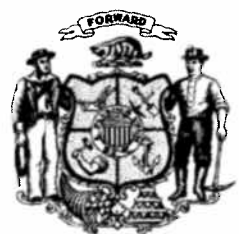
Sincerely,



Mary Dick
Economic Support Specialist/FEV/Fraud



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

January 31, 2005

Ms. Helene Nelson, Secretary
Department of Health and Family Services
1 West Wilson Street, Room 650
Madison, Wisconsin 53703

Dear Ms. Nelson:

On September 28, 2004, the Legislative Audit Bureau released its evaluation of Medical Assistance Eligibility Determinations (report 04-11), which was requested by the Joint Legislative Audit Committee.

One of the audit's recommendations was for the Department of Health and Family Services to report to the Joint Legislative Audit Committee by January 17, 2005, on CARES programming changes that could be implemented to reduce future eligibility determination errors, including estimates of the cost of each proposed update (page 32). A separate audit recommendation required the Department to report to the Committee by January 17, 2005, on the results of its plans to address program integrity needs (page 56). As of today, we have yet to receive either of these reports.

We note that staff from your Department contacted Senator Roessler's office on January 13, 2005, to inform the co-chair that this report would be late. At that time, your staff person was asked to submit a letter formally requesting an extension to the recommendation timeline. As of today, no such request has been received.

As you know, a key component of any audit is the agency's commitment to follow-up in a timely way on the recommendations offered by the Legislative Audit Bureau. During the course of our tenure as co-chairs of the Committee, we have worked diligently to follow-up appropriately on audit findings and recommendations. Therefore, we are disappointed to find ourselves compelled to write you and inquire as to the status of this important follow-up work.

Please be advised that we anticipate receiving a report from you that addresses both of the outstanding audit recommendations on or before Friday, February 11, 2005. In the future, should your Department wish to request a deadline extension, please submit a written request in advance of the due date for the report.

Thank you for your prompt attention to this matter. We look forward to receiving your report on or before February 11th.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

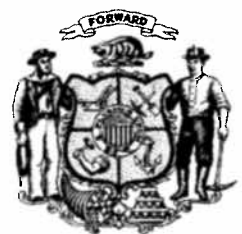
cc: Janice Mueller, State Auditor

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624



WISCONSIN STATE LEGISLATURE





State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

February 8, 2005

Honorable Carol Roessler, Co-chair
Joint Legislative Audit Committee
8 South, State Capitol
Madison, WI 53702

Honorable Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee
314 North, State Capitol
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

Thank you for your letter of January 31 regarding the recommendations included in the Legislative Audit Bureau's evaluation of Medical Assistance Eligibility Determinations (Report 04-11).

As was indicated by my staff, the Department has every intention of providing the Joint Legislative Audit Committee with the recommendations suggested by the Legislative Audit Bureau.

It is possible that the Governor may include provisions in his 2005-07 biennial budget related to CARES programming changes to reduce future eligibility determination errors. In order to provide the committee with a comprehensive recommendation report, Department staff will need additional time to fully review and analyze the Governor's budget and how it may impact CARES.

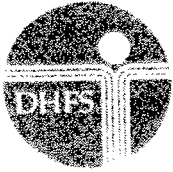
The Department will endeavor to provide the committee its response to the LAB recommendations by February 11, 2005.

Again, thank you for contacting me regarding this matter. If you have any further questions or concerns, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to read 'Helene Nelson'.

Helene Nelson
Secretary



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

February 8, 2005

Honorable Carol Roessler, Co-chair
Joint Legislative Audit Committee
8 South, State Capitol
Madison, WI 53702

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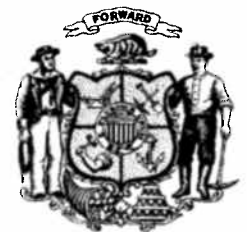
A handwritten signature in dark ink, appearing to read 'Helene Nelson', written over a light-colored background.

Helene Nelson
Secretary

Wisconsin.gov



WISCONSIN STATE LEGISLATURE



Senator Roessler, Representative Jeskewitz, members of the Joint Audit Committee: As President of the Wisconsin Association on Public Assistance Fraud, I would like to thank you for the opportunity to provide you with oral and written testimony regarding the Medical Assistance Eligibility audit –specifically the chapter on program integrity.

My name is Richard Basiliere, and for the last 7 ½ years, my job responsibilities have been exclusively dedicated to maintaining public assistance program integrity. I have detected and investigated benefit issuance violations and errors in public assistance cases involving Food Stamps, Medical Assistance, Child Care, and Wisconsin Works.

As the audit report alludes to, there have been major obstacles or barriers to achieving a program integrity program that is effective and efficient.

- First, the current structure of the Public Assistance Fraud Program, has been in place for almost seven years, and attempts to separate one process with two different funding methods. The funding methods together with the fact that there are various confusing ways in which a local agency can administer the investigations program, has led to over-whelming confusion that has ultimately resulted in a decline of participation in the program. As the audit report indicates, there has been limited participation in program integrity efforts.
- The second barrier is the integration of prevention funds with Income Maintenance funding. Rising caseloads and the total reduction of IM funds has resulted in low administrative priority that has been given to identifying and recovering overissued benefits.
- Thirdly, another major ^{obstacle} ~~factor~~ is due to a conflict between what is mostly perceived as the main purpose, the main goal, ~~the main ideology~~ of human services vs. the job duties associated with program integrity. We see this conflict in the audit report itself and I quote "DHFS officials contend that the potential need for program integrity funding must be weighed against other programmatic needs". What DHFS officials intend to say is that although there is currently very little funds to operate a program, the program integrity program should be left to disintegrate due to the fact that other programmatic needs, not related to program integrity efforts, are more important and much more consistent with the main purpose and priority of not only DHFS but the concept of human services in general. DHFS officials additionally say that quote "they believe that providing more funding to address workload issues will reduce errors and limit the need for fraud prevention." This comment demonstrates a fundamental misunderstanding as to what fraud prevention is, which very much concerns me as they are the department that is to be administering the program integrity program. They seem not to realize that if a client fails to report relevant information at application or at review, the reduction of the IM worker's workload would not resolve that! I concede that the more time a worker has to determine eligibility, the less likely that they themselves would make errors, but their workload, or lack of it, has very little impact on a client's propensity to misrepresent their circumstances.

Regardless of the serious issues that this program faces, as the audit report points out, this program has been and is financially beneficial to the tax payers.

The first component of program integrity is "fraud control investigations". This process involves the examination of public assistance cases in which there is probable cause that relevant information was not reported, and that benefits were determined and issued using the false information that was provided by the client. The time frame of the error, the reason for the error, who was involved, and the level of the financial loss are all determined during the course of an investigation, and may lead to a benefit recovery effort. If there is evidence that the financial loss is due to an intentional act, administrative and/or legal action may be required for fairness and justice.

In regards to fraud control in the Child Care program – the United Council on Welfare Fraud testified before the United States congress to the fact 24 States reported that fraud and abuse was detected in almost 70 % of cases that were investigated. Although Wisconsin has policy and statutes in place to enforce the regulations regarding child care, the potential for the more detection of fraud and abuse is astronomical. However, in Wisconsin, there appears to be no unity between the department responsible for administering child care and the department responsible for administering program integrity in the child care program. In addition, there has been no financial incentive for Counties to participate in detecting program violations.

In regards to Medical Assistance, the program has been vulnerable to the barriers that I previously spoke of – namely low priority given to detection and recovery. Additionally, because Medical Assistance policy can be very complicated, there is a huge training issue.

The second component of program integrity is fraud prevention which is "a close examination of individual cases that show characteristics of potential fraud". The requests or the referrals to perform fraud prevention investigations are mainly based on case characteristics that are indicative of a potential violation.

In an effort to address prevention needs there has been an attempt to link fraud prevention with an IM administrative process called a second party review, which is designed to detect administrative error. However, besides both processes being designed to detect errors, they are not at all similar. A 2nd party review evaluates the quality of how benefits are processed while a fraud prevention investigation evaluates the information provided by the client. If the two processes were combined, the time and effort would be invested into the 2nd party review process, and the State would not adequately be able to comprehensively detect fraud and abuse.

As corrosive as the programmatic structure has been on program integrity efforts, data gathered from CARES, indicates that for SFY 2003, \$2.6 million dollars in public assistance is saved each month as a result of fraud prevention efforts, and with 6 months between reviews of eligibility, it is estimated that \$15.6 million dollars is saved every 6 months from fraud prevention efforts.

Savings are also generated from "fraud control investigations". Not only are claims generated from this type of investigations, but savings are also generated when a case closes as a result of an investigation or when a recipient is disqualified from benefits for violating program rules. CARES data shows that \$575,000 in public assistance is saved each month as a result of fraud investigations with a 12 month projection of \$6.9 million.

Therefore, because of program integrity efforts, it is estimated that \$38.1 million dollars worth of public assistance benefits is prevented from being issued erroneously each year, and that an additional \$6.9 million is claimed in over-issued benefits, due largely to investigation efforts.

However, despite our data, as well as statistics gathered from other States that tell the same story, in terms of benefit recovery claims and savings, DHFS has informed us that there is very little money to operate a program integrity program in 2005, and has expressed serious concern about being able to comply with the statutory requirement of maintaining a program that is functional state-wide.

All other States that have been interviewed, find value in program integrity efforts, through claims and savings, and invest in their program with state tax dollars. However, I believe DHFS has declined to request state tax dollars to invest into our program and will continue to fund the program with diminishing revenue from collections even though savings data is very strong. This decision will result in the further disintegration of the funding which will result in even less involvement, and eventually will contribute to the total and complete disintegration of the program.

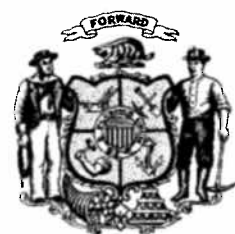
I hope my testimony results in the recognition that program integrity has a separate purpose and goal that is different from the general administration of public assistance programs. Therefore, it is absolutely necessary, for the survival of the program, that we legitimize a program integrity program that is sovereign with specialized administration and staff and that there be a separate budget as well as defined roles, job duties, responsibilities and expectations.

In my estimation, the program would not need a lot of investment to be effective and efficient, but the administration and the staff need to be dedicated, determined and unified towards the goal of maximizing the detection of fraud and abuse.

In conclusion, I believe that the government, owes it to the taxpayers, as well as to the truly needy, to make sure that assistance is available and issued correctly.



WISCONSIN STATE LEGISLATURE



Gene Kucharski – December 1, 2004
Vice President, Wisconsin Association on Public Assistance Fraud (WAPAF)
Wisconsin Licensed Investigator
Investigative Concepts Unlimited Inc.
2931 Gilbert Dr.
Green Bay, WI 54311

I have been involved in the investigative area of Wisconsin's various public assistance programs since 1988. Since that time I have been involved on countless investigations involving both Front End Verification, pre-certification investigation, and investigation of suspected fraud. I have also been witness to numerous changes in all of the programs throughout the years including the implementation of new programs and the phasing out of others.

For the past several years I have been witness to a change in the core philosophy of Program Integrity within the Public Assistance Programs. Over the years vast sums of money have been spent on "error reduction" while the funds spent to investigate suspected fraud and to prevent fraud within the public assistance programs has dwindled due to the fact that funding for the investigative program is derived from program revenue, funds generated through the investigative process.

Prior to 1998, when there was a strong investigative program and because the funding sources were structured differently there was a surplus generated by the investigative program, which at that time involved all aspects of the investigative process. At about this time the funding structure changed and a two level investigative process was begun. This process involved two general types of investigations FEV (Front End Investigation) that is defined as "An intense investigation of questionable information at the time of application, review or change..." (Prevention activities), and Fraud Investigation which is defined as the establishing of intent where an overpayment has occurred and the follow through with the prosecution of an "Intentional Program Violation" or "Fraud Prosecution".

Funding for the FEV process was included in the IM Contract with Counties and was provided with no requirement to demonstrate that prevention activities were actually undertaken. (It should be noted here that this process was often delegated to the economic support worker who had an over burdensome work load with the eligibility determination process. The cost of Fraud Investigation was reimbursement through a "pay for performance" system where a maximum of \$500.00 would be reimbursed toward the cost of the investigation. Much of this information is contained in the Legislative Audit Bureau report.

I do not want to duplicate information that is already covered in the report or has been testified to at this hearing. I want to be a voice shouting from the watch tower that if some kind of action is not taken soon there will be no process to investigate and prevent suspected fraud in Public Assistance Programs.

48% ↑ caseload
71% ↓ fraud prevention

The first obstacle to overcome in building a better system of program integrity begins with the most basic premise. Wisconsin State Law requires that "the department shall have a program to investigate suspected fraud..." This system must be legitimized by having specific funding, designated personnel, strong administration and program monitoring to ensure the effectiveness and cost savings of the program.

An unstated and unaddressed problem in the system now is the fact that there is not a strong investigation process to investigate Program Violations. I think that this is where there has been a lack of focus in the past several years. The current mindset appears to totally disregard the program violations that occur within the program. All too often these program violations are referred to as "errors" and the real cause of the problem is not addressed. When any of the Public assistance programs are approved there are certain eligibility requirements that are imposed by the body that established the program. All too often when these requirements are disregarded exaggerated or outright falsified by someone requesting the assistance program they are called errors. Errors do occur in all of the programs and actions need to be taken to reduce these types errors, which as the audit report indicate, include computer programming problems mistakes by economic support workers, out dated matches etc. These problems can and should be addressed but most times they do not require extensive investigation as there are what they are called "ERRORS" and there is no attempt to conceal the true facts and usually with minimal effort these problems can be corrected.

The more difficult to locate and establish "errors" are what I will call PROGRAM VIOLATIONS. This is where for one reason or another, the eligibility requirements for the program were usurped by the person requesting the assistance. These may or may not be intentional acts but they are certainly program violations. My experience and I think logic, dictates that not all people are honest and that some people will attempt to receive benefits that they may not be eligible for. The Audit Bureau Report indicates that for a period of about five (5) years about one-third of the counties did not attempt to recover any benefits that were granted inappropriately. I believe that this points out a lack of any effort to "investigate suspected fraud" in public assistance programs. Funding is certainly a factor in this problem but the fact that there were apparently no designated individuals who were responsible, no State Administration monitoring the activity and apparently no desire by the Health and Human Services department to remedy the problems appears to be at the root of the problem.

Two of the largest assistance programs have been the most neglected. While there has been an ongoing effort in the food stamp program toward program integrity the Medicaid program including Badger Care and the Child Care program have not had any serious emphasis placed on them. While Medicaid does have an incentive program built into it for the recovery of erroneously issued benefits the Child Care program had no such incentives built in. The Audit Bureau Report indicates that in a four-year period, the largest County in the state had only six (6) Medicaid recoveries. This occurred between 1998 and 2002 and again the Department apparently did not take any action to correct this blatant lack of action relating to program integrity. WAPAF has gathered statistics for Wisconsin and for fiscal year 2003 there was a total of \$1.9 million in overpayments established. (It should be noted that under current policy errors that do not involve

Program Violations can not be collected. The fact is that all of these claims involved potential fraud.)

Even with the limited resources that have been provided recently those counties that are able to maintain a strong investigative program have had success. I am including a chart of collections and savings, which has been compiled, in part by others associated with the Wisconsin Association on Public Assistance Fraud, WAPAF and myself, including Wisconsin and other surrounding states. It should be noted that though the other state's program differ in structure they are similar in that they are funded through GPR thus giving them the designated staff needed to accomplish the investigative, recovery process. Wisconsin is the only state that operates solely on program revenue. (Funding a Public Assistance investigative program with program revenue is the equivalent of trying to fund a law enforcement agency through the tickets that they write.)

I would call to the Committees attention the fact that even though, per the audit report, one third of Wisconsin Counties had no activity the state had a cost benefit savings of \$8.26 for every \$1.00 that was spent on the program. (Keep in mind that this is not GPR but funded through the revenue generated by investigation and thus had "no cost". This will disappear if the investigative program does not survive.)

We have heard from the Department that "We were pleased to note that the LAB case reviews did not indicate any specific instances of client fraud." This statement is tantamount to saying that there are no speeders on our highways after reviewing drivers licensing applications and having no one monitoring the speed of traffic. (I again point out that for the last fiscal year \$1.9 million in Medical Claims were established all of which involved violations of the program rules.)

I would ask that the Committee look for, (given the fact that current State Law requires that the Department shall have a program to investigate suspected fraud) an answer to the question,, if there are no funds designated, if there are no people responsible, if there is no administration or training and if there is no monitoring of the effectiveness, is there really a "Program to investigate suspected fraud? Certainly the counties complete a fraud plan and the state identifies in title administration but how does that address the fact that one third of the counties in the state had no investigation activity for a 5 year period. The reality that the administration feels that "no fraud occurs" dictates that the answer to that question, I think, is NO!

The solution is to legitimize a program to investigate suspected fraud in the public assistance program, have designated personnel responsible to carry out the function, have a strong administration to ensure the effectiveness of the program and monitoring to ensure that the program remains cost effective. The statistics from surrounding states and current statistics justify such a program and the taxpayers of Wisconsin deserve no less. I think that a fundamental responsibility of government is to ensure that public funds are used for the programs, for which they were indented and that the eligibility / rules established are followed,

**State statistics for Fraud and Program Integrity
Related to public assistance benefits**

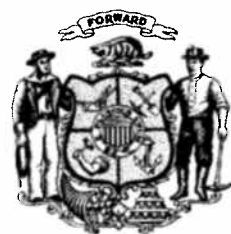
| STATE | OHIO | ILLINOIS | MINNESOTA |
|--|---|---|--|
| Overpayments Established | <u>SFY 2004</u> All types (fraud, client, agency error) FS \$7.6 million TANF \$3.8 million Medicaid \$446,000 (July-Sept new Medicaid local agency incentive program) Total \$11.8 million | <u>SF 2003 – OIG Statewide</u> FS, Medicaid, TANF \$2.38 million Child Care \$408,000 Total \$3.2 million | <u>CY 2004</u> MFIP (TANF), FS, MA Overpayment Claims Total \$3.28 million |
| Collections | <u>SFY 2004</u> FS \$11.9 million TANF \$ 5.5 million Medicaid \$ 187,600 (July-Sept – new Medicaid local agency incentive program) Total \$17.5 million | <u>SFY 2003</u> FS \$8.1 million Other programs not available | <u>CY 2003</u> Cash Collections (not including recoupment) AFDC/MFIP Cash \$4.4 million FS/MFIP Food \$2.7 million Tax Intercept \$1.7 million Total \$8.8 million |
| Prevention Investigations (Front-End Verification) & Fraud Investigations | <u>CY 2003 Prevention Investigations</u> (Voluntary for Counties- 41 of 88 participate) Gross Savings 1 Month Cost Avoidance- \$815,900 Admin Costs \$576,500 Net Savings \$239,400 Net Savings \$4.66 million (6 mo. benefits minus administrative costs) | <u>SFY 2002 – Cook Co. Fraud Prevention Investigations Project</u> Gross Savings Medicaid \$ 4.8 million Financial/FS \$ 5.6 million Total \$10.5 million Admin./Contract Costs \$ 700,000 Net Savings \$9.8 million <u>SFY 2003 – OIG Statewide Fraud Investigations</u> Gross Savings Medicaid \$2.74 million Food Stamps \$1.74 million TANF \$4.33 million Total \$8.82 million Admin. Costs \$ 720,000 Net Savings \$8.1 million | <u>CY 2004 Fraud Prevention Investigations</u> Gross Savings \$9.5 million Admin Cost (GPR/FED) \$2.7 million Net savings \$ 6.8 million <u>CY 2003 Local Agency Fraud Programs</u> (no state funding – all local funds with federal FS/MA match) Investigation - Overpayments \$4.06 million Administrative Disqualifications \$822,000 Civil Recoveries \$1.35 million District Attorney - Deferred Prosecution \$545,000 Convictions \$1.34 million Total \$8.11 million |
| Cost Benefit Savings per \$1 Spent | \$8.07 | Cook Co. Project \$15.05 OIG 7 ½ Year Average \$12.41 | \$4.83 |

**State statistics for Fraud and Program Integrity
Related to public assistance benefits**

| STATE | PENNSYLVANIA | IOWA | WISCONSIN |
|--|---|--|---|
| Overpayments Established | Data not available | Data not available | <u>SFY 2003</u> All (fraud, client, agency error) FS \$2.72 million MA \$1.90 million CC \$1.89 million W2 \$395,000 AFDC \$ 24,300 Total \$6.9 million |
| Collections | <u>FY 2003-2004</u> FS (cash only), Medicaid, TANF, Child Care Total \$40 million | <u>SFY 2003</u> Family Investment Program (TANF), Food Assistance Program, Medicaid, Child Care Total \$2.1 million | <u>SFY 2003</u> FS \$1.68 million MA \$408,000 CC \$342,000 W2 \$189,000 AFDC \$1.52 million Total \$4.15 million |
| Prevention Investigations (Front-End Verification) & Fraud Investigations | <u>FY 2003-2004</u> <u>Fraud Prevention Investigations</u> Gross Savings \$98 million (FS, MA, TANF, Child Care, using 1 mo. Benefit x 6 mo. Cert. Period) GPR \$12 million FED \$ 9 million Total Cost \$21 million Net Savings \$77 million | <u>SFY 2003</u> <u>Front-End Verification Cost Avoidance (Cost</u> Avoidance is computed by taking benefits applied for / received x 6 months) Family Investment Program \$ 642,474 Food Assistance Program \$1,013,282 Medicaid Program \$1,065,611 Child Care Assistance \$ 19,200 (CC statistics were not kept until the end of the fiscal year) Total Gross Savings \$2.74 million <u>Public Assistance Fraud</u> (Actual - no 6 mo. calculation) Family Investment Program \$291,924 Food Assistance Program \$371,981 Medicaid \$717,600 Child Care \$192,332 Total \$1.57 million Total FEV, Fraud, Collections Savings \$6.4 million <u>Costs</u> Fraud Control Bureau \$1,372,627 Overpayment and Recovery Unit \$335,716 Total Costs \$1.7 million Net Savings \$4.7 million | <u>SFY 2003</u> <u>Gross Savings - Program Integrity (FEV)</u> FS, MA, W-2, Child Care 1 Mo. \$2.6 million 6 Mo. Est. \$15.6 million <u>Gross Savings - Fraud</u> 1 Mo. \$575,000 6 Mo. Est. \$3.4 million Total Gross Savings (6 mo. formula) \$19 million <u>Program Integrity/Fraud Costs</u> State Admin \$526,000 Local Admin \$1.8 million Total Costs \$2.3 million Net Savings 1 Mo. \$ 3.1 million 6 Mo. \$15.9 million |
| Cost Benefit Savings per \$1 Spent | \$6.64 | \$3.76 | \$8.26 |



WISCONSIN STATE LEGISLATURE



January 26, 2005

Representative Suzanne Jeskewitz
Room 314 North
State Capitol
PO Box 8952
Madison, WI 53708

Dear Representative Jeskewitz:

I consider myself fortunate to be involved, in many roles, with providing Public Assistance benefits to those in need. I am an Economic Support Specialist, member of the board of directors of the Wisconsin Association on Public Assistance Fraud, former Program Integrity worker, a registered voter, and a taxpayer. I believe I share the desire of the majority of taxpayers to provide assistance to individuals and families in need. I also believe the majority of taxpayers expect, and rightly so, that their tax dollars be spent as efficiently and effectively as possible. Consequently, I believe the expectation is that eligible individuals and families receive correct benefits and those who intentionally or unintentionally receive incorrect benefits, or benefits they are not entitled to, be required to repay those benefits.

In the late 1980's and early 1990's the State of Wisconsin recognized this and obtained funding from the federal government to assist counties in establishing program integrity and fraud programs. The federal government provided 75% of the funding, and the state provided the balance. With this support from the federal and state governments, counties enthusiastically established local program integrity and fraud programs. The Wisconsin Association on Public Assistance Fraud (then known as The Wisconsin Council on Welfare Fraud) provided training to statewide program integrity and fraud staff, with assistance from the State of Wisconsin. For a short time, the state also provided a fraud trainer.

Over time, the majority of counties developed very effective programs, the best of which included cooperative efforts from Economic Support, Sheriff Departments, fraud investigators and District Attorney's Offices. For a few years, the integrity of the Public Assistance programs continued to improve, and the taxpaying public was noticing.

Gradually the federal government decreased their financial support, until it was completely eliminated. As the federal monies decreased, the state Department of Health and Family Services and the Department of Workforce Development dedicated monies from their budgets in an attempt to maintain the program integrity and fraud programs. Unfortunately, budget constraints have made this an increasingly difficult task and counties are unable to contribute funding due to the cuts in their shared revenue.

With the advent of W-2 the funding structure changed. Program integrity funding became a part of the IM contract, which, initially, agencies found to be unidentifiable. Fraud investigation funding became performance-based, with a cap of \$500 per investigation, and that included investigative activities only. Counties were required to apply for right of first selection. Those counties that chose not to apply had their fraud investigations contracted by DWD to a private investigation agency. Because state funding that had previously been given to overworked Sheriff's Departments and District Attorney's offices had been eliminated, a large number of them began to consider fraud investigations and prosecutions a low priority. Consequently, many counties chose not to exercise their right of first selection. Though the private investigation agency instituted a referral procedure, many counties found it cumbersome to make referrals outside their agencies and complained of lack of contact, and the referral rates significantly dropped. In addition, many of these counties no longer have personnel dedicated to data entry on fraud and program integrity activities. Therefore, much of the activity is not being reported, making it appear, incorrectly, that the need of these services is diminishing. Further, with the absence of in-house fraud and program integrity personnel, Economic Support Specialists find it more difficult to make referrals in light of their growing caseloads.

Fraud investigators and program integrity personnel are hardworking individuals who are dedicated to ensuring that accurate benefits are given to eligible individuals and families. Their efforts are a fundamental part of the efficient use of taxpayer dollars. They do not wish to be punitive, just to ensure that there are consequences for individuals who choose to intentionally defraud the public assistance programs. Statistics prove that for every \$1.00 spent on program integrity, \$8.26 in public assistance benefits is being saved, either through recovery or prevention of incorrect benefits. This is being accomplished by the small number of counties still active in program integrity and fraud. Imagine the result if every county and tribe had dedicated staff for program integrity and fraud!

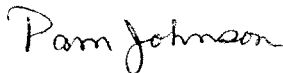
Economic Support Specialists are also hardworking, dedicated individuals who are committed to ensuring accurate benefits to eligible individuals and families. I'm sure each one would tell you they derive satisfaction from helping those in need, and strive to make accurate eligibility determinations. It is discouraging to them to find themselves in the position of being blamed for client errors in their cases, when they are doing their utmost to follow state and federal regulations. All were concerned when self-declaration of income was allowed for Medical Assistance. This caused an explosion of applications, which were simplified to the point that it is difficult to determine if the applicants' declarations were "questionable."

Though I understand that these are extremely difficult times in regard to budgets, I firmly believe that having dedicated staff in each county and tribe for the purpose of program integrity and fraud investigation would be the most effective method of ensuring that taxpayer dollars are used efficiently; and that state and/or federal funding is crucial to the existence of such programs. What remains of the current program is funded by collections of overpaid benefits, which are dwindling as staff continues to be eliminated, resulting in fewer overpayments being detected and collected. It is only a matter of time until that source of funding disappears.

Dedicated staff would take the burden of fraud prevention and detection off the shoulders of the Economic Support staff and allow them more time to efficiently process requests for benefits. Program integrity should be legitimized. Please support this effort.

Thank you for your time and consideration in this matter.

Sincerely,



Pam Johnson
2742A S Savannah Circle
Sheboygan, WI 53081



Matthews, Pam

From: Matthews, Pam
Sent: Wednesday, March 30, 2005 5:26 PM
To: 'Kucharsg@co.portage.wi.us'
Subject: MA Fraud info...

Hi Gene,

Sue and I just learned about this provision in the Governor's budget and wanted to get your opinion on it. Can you take a look and let us know your thought?

Thanks,

Pam

LRB-0265/3

This bill maintains the requirement for DWD to investigate fraud and conduct error reduction activities and the authorization for DHFS to contract with DWD, but adds an alternative fraud and error reduction scheme for both departments. Under the bill, DHFS is also required to investigate suspected fraudulent activities and to conduct activities to reduce payment errors in the programs that it administers and DWD is authorized to contract with DHFS to investigate suspected fraud and conduct payment error reduction activities in the programs that DWD administers. Thus, each department must either conduct its own investigation and error reduction activities or contract with the other department to do so. In addition, the bill adds three DHFS-administered programs to the programs for which fraudulent activity must be investigated and payment error reduction activities must be conducted: the Badger Care health care program, the program under which DHFS provides state supplemental payments to persons eligible to receive SSI, and the program under which DHFS makes monthly payments for the support of dependent children to custodial parents who are receiving SSI or state supplemental payments.

LRB-0265/3

20.445 (3) (dz) Temporary Assistance for Needy Families programs; maintenance of effort. The As a continuing appropriation, the amounts in the schedule, less the amounts withheld under s. 49.143 (3), for administration and benefit payments under Wisconsin Works under ss. 49.141 to 49.161, the learnfare program under s. 49.26, and the work experience program for noncustodial parents under s. 49.36; for payments to local governments, organizations, tribal governing bodies, and Wisconsin Works agencies; and for emergency assistance for families with needy children under s. 49.138; and for job access loans under s. 49.147 (6). Payments may be made from this appropriation for any contracts under s. 49.845 (4) and for any fraud investigation and error reduction activities under s. 49.197 (1m). Moneys appropriated under this paragraph may be used to match federal funds received under par. (md). Notwithstanding ss. 20.001 (3) (a) and 20.002 (1), the department may transfer funds between fiscal years under this paragraph. Notwithstanding ss. 20.001 (3) and 20.002 (1), the department of health and family services shall credit or deposit into this appropriation account funds for the purposes of this appropriation that the department transfers from the appropriation account under s. 20.435 (7) (bc). All funds allocated by the department but not encumbered by December 31 of each year lapse to the general fund on the next January 1 unless transferred to the next calendar year by the joint committee on finance.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

****NOTE: This is reconciled s. 20.445 (3) (dz). This SECTION has been affected by drafts with the

following LRB numbers: LRB-0265, -0587, and -1526.

LRB-0265/3

49.197 (1m) FRAUD INVESTIGATION. From the appropriations under s. 20.445 (3) (dz), (kx), (L), (md), (n), and (nL), the department shall establish a program to investigate suspected fraudulent activity on the part of recipients of aid to families with dependent children under s. 49.19, on the part of participants in the Wisconsin works Works program under ss. 49.141 to 49.161, and, if the department of health and family services contracts with the department under sub. (5), on the part of recipients of medical assistance under subch. IV and, food stamp benefits under the food stamp program under 7 USC 2011 to 2036, supplemental security income payments under s. 49.77, payments for the support of children of supplemental security income recipients under s. 49.775, and health care benefits under the Badger Care health care program under s. 49.665. The department's activities under this subsection may include, but are not limited to, comparisons of information provided to the department by an applicant and information provided by the applicant to other federal, state, and local agencies, development of an advisory welfare investigation prosecution standard, and provision of funds to county departments under ss. 46.215, 46.22, and 46.23 and to Wisconsin works Works agencies to encourage activities to detect fraud. The department shall cooperate with district attorneys regarding fraud prosecutions.

LRB-0265/3

49.845 Fraud investigation and error reduction. (1) FRAUD INVESTIGATION. From the appropriations under s. 20.435 (4) (bn), (kz), (L), and (nn), the department of health and family services shall establish a program to investigate suspected fraudulent activity on the part of recipients of medical assistance under subch. IV, food stamp benefits under the food stamp program under 7 USC 2011 to 2036, supplemental security income payments under s. 49.77, payments for the support of children of supplemental security income recipients under s. 49.775, and health care benefits under the Badger Care health care program under s. 49.665 and, if the department of workforce development contracts with the department of health and family services under sub. (4), on the part of recipients of aid to families with dependent children under s. 49.19 and participants in the Wisconsin Works program under ss. 49.141 to 49.161. The activities of the department of health and family services under this subsection may include comparisons of information provided to the department by an applicant and information provided by the applicant to other federal, state, and local agencies, development of an advisory welfare investigation prosecution standard, and provision of funds to county departments under ss. 46.215, 46.22, and 46.23 and to Wisconsin Works agencies to encourage activities to detect fraud. The department of health and family services shall cooperate with district attorneys regarding fraud prosecutions.

LRB-0265/3

978.05 (4m) WELFARE FRAUD INVESTIGATIONS. Cooperate with the department departments of workforce development and health and family services regarding the fraud investigation program programs under s. ss. 49.197 (1m) and 49.845 (1).

*Pamela B. Matthews
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Pam.Matthews@legis.state.wi.us*



Matthews, Pam

From: Matthews, Pam
Sent: Thursday, March 31, 2005 7:58 AM
To: 'Kucharsg@co.portage.wi.us'
Subject: RE: MA Fraud info...

Monday is great. Thanks for your input.

*Pamela B. Matthews
Research Assistant
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24th Assembly District*

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-----Original Message-----

From: Kucharsg@co.portage.wi.us [mailto:Kucharsg@co.portage.wi.us]
Sent: Thursday, March 31, 2005 7:51 AM
To: Matthews, Pam
Cc: BasiliRA@co.outagamie.wi.us
Subject: Re: MA Fraud info...

I have received your e-mail regarding the "fraud provision" in the Governor budget and I thank you for asking my/our opinion. I have forwarded the information to others on WAPAF's board and asked for input. I gave them until Monday to read and digest the information and get back to me with their thoughts. We will let you know our opinion as soon as possible.

I have already received calls to discuss some of the provisions so I think that you will get a diverse group of people providing their bottom line ideas. Thank you again for the opportunity to provide input on this important matter. If you need a response before next Monday let me know and I will see to it that the matter is addressed sooner.

Gene Kucharski
715-345-5937
Portage County DHHS

LRB-0265/3

This bill maintains the requirement for DWD to investigate fraud and conduct error reduction activities and the authorization for DHFS to contract with DWD, but adds an alternative fraud and error reduction scheme for both departments. Under the bill, DHFS is also required to investigate suspected fraudulent activities and to conduct activities to reduce payment errors in the programs that it administers and DWD is authorized to contract with DHFS to investigate suspected fraud and conduct payment error reduction activities in the programs that DWD administers. Thus, each department must either conduct its own investigation and error reduction activities or contract with the other department to do so. In addition, the bill adds three DHFS-administered programs to the programs for which fraudulent activity must be investigated and payment error reduction activities must be conducted: the Badger Care health care program, the program under which DHFS provides state supplemental payments to persons eligible to receive SSI, and the program under which DHFS makes monthly payments for the support of dependent children to custodial parents who are receiving SSI or state supplemental payments.

LRB-0265/3

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****NOTE: This is reconciled s. 20.445 (3) (dz). This SECTION has been affected by drafts with the following LRB numbers: LRB-0265, -0587, and -1526.

LRB-0265/3

49.197 (1m) FRAUD INVESTIGATION. From the appropriations under s. 20.445 (3) (dz), (kx), (L), (md), (n), and (nL), the department shall establish a program to investigate suspected fraudulent activity on the part of recipients of aid to families with dependent children under s. 49.19, on the part of participants in the Wisconsin works Works program under ss. 49.141 to 49.161, and, if the department of health and family services contracts with the department under sub. (5), on the part of recipients of medical assistance under subch. IV and,

food stamp benefits under the food stamp program under 7 USC 2011 to 2036, supplemental security income payments under s. 49.77, payments for the support of children of supplemental security income recipients under s. 49.775, and health care benefits under the Badger Care health care program under s. 49.665. The department's activities under this subsection may include, but are not limited to, comparisons of information provided to the department by an applicant and information provided by the applicant to other federal, state, and local agencies, development of an advisory welfare investigation prosecution standard, and provision of funds to county departments under ss. 46.215, 46.22, and 46.23 and to Wisconsin Works agencies to encourage activities to detect fraud. The department shall cooperate with district attorneys regarding fraud prosecutions.

LRB-0265/3

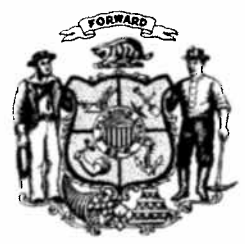
49.845 Fraud investigation and error reduction. (1) FRAUD INVESTIGATION. From the appropriations under s. 20.435 (4) (bn), (kz), (L), and (nn), the department of health and family services shall establish a program to investigate suspected fraudulent activity on the part of recipients of medical assistance under subch. IV, food stamp benefits under the food stamp program under 7 USC 2011 to 2036, supplemental security income payments under s. 49.77, payments for the support of children of supplemental security income recipients under s. 49.775, and health care benefits under the Badger Care health care program under s. 49.665 and, if the department of workforce development contracts with the department of health and family services under sub. (4), on the part of recipients of aid to families with dependent children under s. 49.19 and participants in the Wisconsin Works program under ss. 49.141 to 49.161. The activities of the department of health and family services under this subsection may include comparisons of information provided to the department by an applicant and information provided by the applicant to other federal, state, and local agencies, development of an advisory welfare investigation prosecution standard, and provision of funds to county departments under ss. 46.215, 46.22, and 46.23 and to Wisconsin Works agencies to encourage activities to detect fraud. The department of health and family services shall cooperate with district attorneys regarding fraud prosecutions.

LRB-0265/3

978.05 (4m) WELFARE FRAUD INVESTIGATIONS. Cooperate with the department departments of workforce development and health and family services regarding the fraud investigation program programs under s. ss. 49.197 (1m) and 49.845 (1).



WISCONSIN STATE LEGISLATURE



Matthews, Pam

From: Kucharsg@co.portage.wi.us
Sent: Monday, April 04, 2005 2:54 PM
To: Matthews, Pam
Cc: BasiliRA@co.outagamie.wi.us
Subject: RE: MA Fraud info...

Good afternoon Pam. I have requested and received input regarding the change in the proposed Governor's budget. There is strong agreement that dividing the investigative program between two Departments would lead to even further decline in the public assistance investigation program. It appears that there is a struggle for funds and power between the two Departments. The investigation / prevention of suspected fraud in the Public Assistance programs needs to be legitimized and it's sole focus should be protecting tax dollars from being used for other than the intended group. (Eligible individuals).

I am attaching a summary of the input that I received regarding this proposed budget item. If there are any questions or if I can help in any other way please contact me.

Gene Kucharski
715-345-5937
Portage County DHHS

04/04/2005

I have requested and received input from Board Members of WAPAF and there has been unanimous disagreement with the provisions of Section 1195 - 49.845

“The bill maintains the requirement for DWD to investigate fraud and conduct error reduction activities and the authorization for DHFS to contract with DWD, and adds an alternative fraud and error reduction scheme for both departments. Each department (DWD and DHFS) must either conduct its own investigation and error reduction activities or contract with the other departments to do so. This would seem to be a gross waste of funds (Duplicate administration of investigative programs.), and an inefficient method of ensuring program efficiency. This option would create a duplication of effort. (Programs overlap e.g. W2 recipients categorically eligible for Food Share.) This would result in needing 2 programs to investigate suspected fraud in one or both of the Departments.

As was stated in our conversations, it is our belief that a successful program would be funded under one administration and then held accountable for results. By bifurcating the investigation program into two departments it would lead to even less accountability and to added administrative expense.

Regarding the likeliness of cooperation between DHFS and DWD regarding fraud investigation and error reduction activities:

- For the past three years the issue between the departments has been brought to their attentions and we have worked with both departments to resolve the feud regarding fraud investigation in each of the department's respective programs, and we have attempted to resolve funding matters. However, in the past three years neither department has been able to come to a resolution with the other. DWD finds that DHFS is failing to establish an effective investigations program, yet DWD, while administering the program for 6 yrs, failed to effectively administer a program which has contributed to low claims establishment and the failing financial situation.
- State officials that have been involved in the negotiations can testify that no agreement has been made between the departments despite the program failing financially and despite their continued efforts to cooperate.
- Contributing to the lack of cooperation and the ultimate failure of the program to be effective and efficient is that neither department understands the public assistance fraud investigation process. It appears that they have been unable to recognize the underlying premise of some clients failing to provide accurate information or to report required changes. They are experts in the eligibility process and promulgate the rules, but have difficulty recognizing the importance of enforcement of the rules they make. Neither of the departments' officials are criminal justice experts or professionals, and they do not understand the strategic fact gathering process, the interview/interrogation process, the evidence presentation process, or the criminal justice process. They also fail to understand our ability to utilize computerized data bases to locate information and/or

evidence, and investigative report writing skills. Therefore, each department fundamentally misunderstands public assistance fraud investigation, and is unable to cooperate based on the misunderstanding of the job duties.

Regarding bifurcation of the fraud program based on the public assistance programs that each department administers:

- Will result in a very ineffective and inefficient program that creates further confusion about the job duties and responsibilities.
- The reason for a fraud investigation is **not based on the public assistance program for which the client is eligible but is based on the client's or provider's failure to accurately provide required information.** Many times the failure to provide accurate information impacts programs that DHFS administers - Food Stamps, Medicaid, as well as programs that DWD administers - Child Care, W2.
- If a local agency agrees to provide investigation for DHFS programs, but does not agree to provide investigation for DWD programs, or vice versa, or if each department administers their own program, there will be an inefficient and ineffective use of time that duplicates job responsibilities and efforts. The issue should be investigated, not the program, and to separate the investigation based on the program involved makes absolutely no sense in efficient use of time and efforts.

We have an issue with the vagueness of Error **Reduction Activities:**

- It is very vague and includes errors that the worker makes in determining eligibility.
- The departments then have an option to not invest funds to prevent fraud, but to educate the economic support worker in processing benefits correctly, to hire more workers to reduce the workload so less worker errors are made.
- The semantics allow for funds allocated for the investigation of suspected fraud be used for "error reduction". It is very important to remember that all "suspected fraud" can be errors or intentional program violations and what they actually are depends on the investigation. The key here is that the investigative process is funded and not used for other "error reduction".

In conclusion, there needs to be a budget for fraud investigation and fraud prevention and the program needs to be placed in a department that understands the necessary components of an investigation regarding public assistance. Reality is that Public Assistance is divided between two departments and it does not appear that this will change within the near future. **The program to protect tax payer's dollars that are spent in Public Assistance Programs needs to be one unified, efficient program to ensure that dollars are spent for programs following the eligibility requirements set forth by the administrating Government Agency. The investigative program should ensure that benefits go to those who are eligible and not to those who are ineligible.** It is our belief that the "Fraud Program" should have the sole purpose of enforcing the

eligibility requirements and educating the public as to the consequences of violating the rules.