



HB1076 – SUPPORT W/AMENDMENTS – Public Assistance Programs – Data Sharing and Review (Welfare Program Integrity Act of 2021)

**House Appropriations Committee
MARCH 11, 2021 – 1:30 p.m.**

HB1076 is a practical and principled bill. It is comprehensive, but it is also a straightforward piece of legislation that establishes best practices and commonsense safeguards to Maryland’s current welfare program.

The Foundation for Government Accountability is in support of this legislation with the below amendments:

- These duties should not be assigned exclusively to the inspector general. Rather, it should be the responsibility of the department more broadly, allowing them discretion to manage these cross-check systems as they see fit.
- The programs with enrollment that should be cross-checked should be limited to Medicaid and food stamps only. The other programs--Family Investment/cash welfare, emergency assistance, energy assistance should be removed.
- The frequency of the checks should be monthly, not quarterly, except for tax and wage records.
- It would be nice to have certain data sets spelled out--specifically, like death records, rather than just the department handling those records.

The bill is practical because, right now, Maryland faces a serious crisis. The pandemic and shutdown have created havoc for the Maryland economy and state budget.

The bill is principled because it deters, protects, and secures. It deters welfare fraud. It protects benefits for the truly needy. And it secures the budget—and the faith of the taxpayers who fund it. They expect their hard-earned tax dollars to be used for good—from Medicaid to unemployment to food stamps—not to be wasted and stolen. And that’s why the bill includes more thorough data cross-checks in unemployment, closes loopholes and gets single-parent families more support in food stamps, and data cross-checks and program integrity measures in Medicaid.

This is a good time to take stock of what we know. We know that Medicaid enrollment and costs have increased dramatically, leaving Maryland on the precipice of a budget disaster. Maryland’s Medicaid program has added hundreds of thousands of enrollees in recent months. As of September 2020, Maryland has enrolled 1,413,517 individuals in Medicaid¹ or about 1 out of every 6 persons.

We know that because of federal rules, Maryland is not allowed to remove anyone who enters the program, at a minimum through the remainder of this year, and likely even longer. We know that means Maryland’s

opportunities to prevent waste and fraud are limited. The primary opportunity is at the point of initial enrollment. The state must do more than want to prevent waste. It must enact—in law—the tools to do so.

We also know that the state’s unemployment insurance program is facing similarly significant problems. Yes, the governor’s name was used to defraud the very system he oversees. As of Mid-January, The Maryland Department of Labor said it paid out more than \$9 billion dollars in unemployment benefits since the start of the COVID-19 pandemic.² Fraud and waste threaten the solvency of the state’s unemployment trust fund, a problem that has major and long-term impacts on businesses, workers, and taxpayers.

Finally, we know that food stamps have never been a more critical lifeline for the truly needy. Because so many newly unemployed and struggling Maryland residents rely on this supplemental, temporary benefit, it is imperative that the program take every option available to preserve benefits for those who rely on them.

Each provision of HB1076 helps solve the practical problems Maryland faces. And each affirms the principled approach the state should take to protect benefits programs from fraud and waste.

If Maryland is in a hole right now, each section of HB1076 provides another step on the ladder out of that hole. And it will help this state recover the right way—by protecting the truly needy and their benefits by fighting waste and fraud. Your budget—and taxpayers—will thank you.

References

¹ <https://www.medicaid.gov/state-overviews/stateprofile.html?state=Maryland>

² <https://www.msn.com/en-us/money/careersandeducation/following-the-money-how-maryland-is-paying-for-billions-in-unemployment-benefits/ar-BB1dmLY6>



Stop the Scam

M Welfare fraud doesn't exist.

R **Welfare fraud is a huge problem.**

Audits of various welfare programs have revealed significant vulnerabilities to waste, fraud, and abuse. According to data from the U.S. Department of Health and Human Services, nearly 10 percent of all Medicaid spending is improper and most improper Medicaid payments since 2010 have been the result of eligibility errors. While many states have focused efforts on reducing fraud by providers or merchants, states must take steps to crack down on eligibility fraud and preserve limited resources for the truly needy.

M Welfare enrollees self-report major life changes, so fraud isn't really likely.

R **Relying on self-reporting is like asking a bank robber to pay income taxes.**

Many states rely on welfare enrollees to report changes that affect eligibility, but if they don't, their eligibility goes largely unchecked until their next redetermination period. Unfortunately, enrollees frequently fail to report these changes. In a recent audit, one state found that more than 93 percent of all eligibility errors were due to enrollees not reporting information or reporting incorrect or incomplete information.

M Stop the Scam will require a massive IT overhaul.

R **Stop the Scam can be implemented without any new IT.**

Stop the Scam can complement existing IT systems or planned upgrades and does not require additional investment in IT or the creation of any new IT systems. While some states have used technology to better automate eligibility crosschecks, others have implemented the initiative by sharing spreadsheets or text files across agencies and with independent vendors. States can also contract with independent vendors to rent access to additional databases or review cases for potential red flags.

M Computers in one agency can't communicate with computers in others, making Stop the Scam impossible.

R **Unified IT systems are not necessary to implement Stop the Scam.**

Stop the Scam can be implemented in states with unified IT systems, IT systems that bridge across agencies, or legacy IT systems that cannot communicate with one another. Agencies in some states have shared relevant information through spreadsheets and text files, so IT system incompatibility should not prevent competent agencies from implementing Stop the Scam.

M Stop the Scam can't be implemented until the state completes overhauling legacy IT systems.

R **Stop the Scam can be implemented before, during, or after major changes to agencies' IT systems.**

Because Stop the Scam does not necessarily rely on any particular IT system upgrade, it may be implemented regardless of planned IT system changes. Given the fact that some states have used even rudimentary methods to share information with one another experienced agencies should be able to implement Stop the Scam even during IT system overhauls.

M Stop the Scam could require large contracts with vendors.

R **Taxpayer savings vastly outweigh costs.**

States can begin implementing Stop the Scam with existing data sources. However, they can also contract with independent experts to gain access to additional data and help identifying potential red flags. While pricing ultimately depends upon how frequently checks are performed and the number of enrollees, the experiences in other states suggests that even without competitive bidding, such a contract could run between \$0.38 to \$1.00 per person checked. Some states have been able to secure discounts with vendors of up to 50 percent through the competitive procurement process. But overall, states using Stop the Scam have seen costs be more than offset by savings and savings requirements can be built into the contracts. Some states have seen a return on investment of near 10 to 1.