White Paper

Multi-State Contributory Solution Reduces Duplicate Participation/Benefits and Fraud in SNAP

The National Accuracy Clearinghouse (NAC) is now under way — an important project for improving the integrity of SNAP, with expansion designed for other health and human services programs.

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Summary

Who suffers most when false claims, outright fraud, or error misappropriates public assistance? The disadvantaged and taxpayers.

Though not well assessed, it has become increasingly evident that individuals and organized groups are targeting public assistance programs. Organizations impacted include SNAP (the Supplemental Nutrition Assistance Program, formerly Food Stamps), which provides food resources for an underprivileged beneficiary population made up largely of children, the elderly, and the disabled, and D-SNAP, which provides eligible low-to-moderate income households with help buying groceries in cases of lost income or damages following a disaster.

With so much at stake and increased federal scrutiny, program integrity is essential. Thus, effective mechanisms must be in place to prevent losses from inappropriate or fraudulent applications for benefits.

To address the growing challenge of public assistance fraud, a consortium of five states led by Mississippi, working with contractors and supported by a grant from the USDA Food and Nutrition Service (FNS) has established the National Accuracy Clearinghouse (NAC). The NAC is a contributory system of beneficiary information to support accurate and timely identification and verification of applicants applying for SNAP benefits to reduce duplicate benefit issuance and improve program access.

The NAC is an innovative solution for secure sharing of information on recipients of health and human services among states. The information shared allows participating states to identify dual or multi-state participation and make any necessary fraud-mitigating determinations at the point of application. In addition to playing a part in ensuring that funds only go to those deemed eligible to receive them, this effort also can safeguard support for such human services programs, in part by enhancing public confidence that the federal and state governments are properly and responsibly administering their taxpayer dollars.

Already in use by participating states, the NAC initiative stands to create a nationwide solution that enhances and protects multiple public assistance programs by pinpointing possible fraudulent applications and efficiencies across all agency processes.

The Supplemental Nutrition Assistance Program (SNAP), with a budget exceeding $80 billion annually, is the largest program in what the U.S. Department of Agriculture (USDA) calls "the domestic hunger safety net," serving more than 45 million disadvantaged Americans. Administered under the USDA's Food and Nutrition Service (FNS), its federal aid benefits are distributed through state divisions of social, children or family services.

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Scope of Dual Participation, Fraud to Be Measured

SNAP fraud by either duplicate or ineligible beneficiaries was once thought to be negligible. Not anymore. Analysis indicates that both individuals and organized groups are involved in a significant amount of activity leading to inappropriate disbursement of benefits. Multiple claims for a given identity, or different identities used by one individual, take place not only across, but within states. Claims based on fabricated, incomplete, or synthetic identities are also compromising the program's resources. In the latter case, a fraudster may start with real identity fragments from different individuals, such as name, Social Security number, and address, and then compile these fragments into a new synthetic identity to apply for benefits.

The NAC has also revealed that a small portion of the recipient population has applied with questionable and non-identifiable information. For example, applicants have used placeholders for some Social Security numbers, dates of birth, and addresses. While some individuals may have legitimate reasons for this (applicant doesn't know, can't recall, doesn't have access to the information, is a minor, or homeless), fraud in some part undoubtedly contributes to this category of entries. Further investigations into situations where this information was captured and the individuals associated with the corresponding benefits issued are warranted and being pursued for the overall security of the programs.

"Recent findings about SNAP misuse have been a wake-up call for the need to provide additional resources to support program integrity," says Monty Faidley, Director of Market Planning at LexisNexis® Risk Solutions. "It is critical that benefits be provided to those most deserving, in a timely and accurate manner."

While SNAP misappropriation occurs on an individual basis, organized crime (both international and domestic) has recently begun an aggressive assault on all government programs using fraudulent identities. Fraudsters pursue government-issued funds through a multitude of public-serving programs, e.g., tax refunds, SNAP, TANF (Temporary Assistance for Needy Families, formerly Welfare), and Medicaid.

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Ensuring that program participants are only receiving SNAP benefits in one state is a primary component to reducing illegitimate SNAP payments. Research to date for the five states participating in the NAC consortium has revealed thousands of collision matches indicating dual participation of SNAP recipients within and across states. Prior to the NAC, the burden on state agency administrative staffs to manually identify and rectify these cases was significant, resulting in limited information on conventional follow-up and the resulting savings.

Pioneering the Contributory Solution

The NAC is an innovative approach to addressing SNAP fraud, waste, and abuse. It is based on the LexisNexis open source High Performance Computing Cluster (HPCC) technology that provides the five participating states — Alabama, Florida, Georgia, Louisiana, and Mississippi — the means to uniquely and accurately resolve the identities of SNAP applicants and recipients and quickly determine if they are receiving benefits in another state. The participating state agencies now receive near real-time results that compare their applicant or recipient with the contributory information.

Until now, states have used a range of approaches to help detect fraudulent SNAP claims, including the mandated Public Assistance Reporting Information System (PARIS). State agencies are required to submit information on all participants via this system, which looks for basic data matches and sends results back to states for action. Lacking advanced linking and identity resolution, however, the labor-intensive PARIS matching process has been shown to significantly miss multiple participation fraud. In addition, its data is not timely, with reporting significantly lagging distribution of benefits. This has forced agencies to resort to "pay-and-chase" recovery tactics.

In contrast, the NAC solution is a "prevention approach" that strengthens program integrity by using current recipient data from participating states and reduces the occurrence of overpayment due to dual participation.

Analysis has indicated that savings well worth pursuing will be realized by full use of a more robust, interstate, contributory solution to support SNAP and other health and human services programs such as TANF, Medicaid, and Unemployment Insurance. The NAC is the realization of this pursuit and is generating the corresponding savings.

"Estimates are that the USDA's Food and Nutrition Service stands to save millions in just the five states participating so far," says Haywood "Woody" Talcove, Chief Executive Officer for LexisNexis Special Services Inc. "There are no other multi-state efforts analogous to this undertaking. It's really the first one. Identity matching and resolution is simple in concept, but in practice requires sophisticated identity analytics supported by a robust public records infrastructure."

What is the legal/criminal response to illegitimate participation in SNAP?

It is rare that an individual is prosecuted when caught with duplicate benefits. More typically, a participant will have all benefits turned off except in one state, or the participant may temporarily lose benefits altogether.

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A Quick History of the NAC

States are required to make a "good faith effort" to prevent SNAP and D-SNAP dual participation. The NAC — the concerted new construct for this goal — piloted now in several states, stands to bring significant value to government and its constituents, but the initiative didn't happen overnight:

• The southern states participating in the NAC originally drafted the "Buddy" State conceptual model for pairing data in 2008.

• Louisiana took the lead with Arkansas, Florida, Georgia, and Mississippi, in 2009, executing a series of Memorandum of Agreements aimed at reducing dual participation with a vision for a data-sharing consortium. File sharing began between the states.

• In 2010, the U.S. Office of Management and Budget (OMB) established the Partnership Fund for Program Integrity Innovation for pilot projects to reduce improper payments in public assistance programs. A national work group of state agency stakeholders proposed a pilot concept for a program-eligibility portal for SNAP.

• Buddy States and the USDA developed integration requirements and a budget estimate, and in 2011, OMB awarded the USDA FNS $2.5 million for the NAC Pilot Project, which FNS in turn awarded to Mississippi as the lead in the multi-state consortium.

Over several years, the Buddy State conceptual model led to a reevaluation of the participating states preexisting business processes. The states implemented firm match criteria based on their initial match use cases to more effectively reduce dual-participation. To accomplish this reduction, the five states effectively deployed a highly connective approach that required system integration, testing, and user training. In 2013, The Public Consulting Group (PCG) was awarded a contract as the evaluation contractor for the NAC charged with measuring and reporting on the program's impact, and LexisNexis was awarded the contract as the portal host and technology developer.

These states are now innovating simply by sharing information to match recipient data, in the interest of preventing fraud within a public-assistance program dispensed at the state level.

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Algorithms and Computing Power

The five states in the NAC consortium initially set up the "Buddy State Exchange" system, allowing each state to selectively compare data with certain other states. After experiencing challenges around large data volumes and a lack of identity-resolution technology, the Buddy State program evolved, with grant support from USDA FNS, to become the NAC.

Public Consulting Group (PCG) conducted a pre-pilot evaluation for the project, including site visits to participating states, to generate a baseline measure of how effective and efficient past processes were for addressing dual participation. PCG found that duplicate or fraudulent benefits were not well or consistently identified, pursued, or resolved, but that committing resources toward automating and unifying this process, especially if directed at the application stage, may mitigate this issue.

The first multi-state collision of the information from all five participating states took place during the summer of 2014. This initial "big bang" identified existing dual participants and provided an initial return on investment for the solution. Thereafter, the NAC has been applied to each new SNAP and D-SNAP applicant at the time of enrollment. Ongoing reporting will be supplied by LexisNexis and PCG on the progress and successes of the NAC solution, identifying the number of dual participants between and within the states.

"The NAC solution has been accepted and rolled out," says Faidley. "Implementation is complete and states are working on the results of the 'big bang' and how the NAC will impact their business processes."

The NAC will also reduce fraud with D-SNAP by identifying individuals who, at some future point, go to multiple emergency-benefits locations within a disaster zone with the same identity or who are already receiving SNAP benefits at the time they apply for D-SNAP. The clearinghouse solution will help to identify such applications, preventing the theft of D-SNAP benefits.

For the duration of the initial twelve month production pilot, PCG will assess how well the NAC reduces dual participation in SNAP. In 2015, the group will deliver a twelve month evaluation report, including total adjudicated cases, time for investigation, and operational costs.

The NAC will search out "dual participants," allowing states to address such fraud and error.

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Early Intervention

States have the most potential for fiscal savings when they identify attempts at dual participation up front before they authorize benefits. In the past, identifying such cases at that stage had depended primarily on a case worker's skill in spotting error in self-reported information from applicants or by recognizing a dual application.

The NAC portal supports a web-service interface, allowing participating states to search new applicants with a query-based model. Access to the NAC is also available through batch data submission and interactive web portal/web service integration, allowing for maximum flexibility in its assimilation into each state's unique work environment. The NAC puts the required information at the fingertips of caseworkers so that duplication or suspicious identities are resolved before benefits are approved.

"The intent of this approach is to shift identification of fraud to the application stage," explains Faidley. "Suspicious identities can be resolved before benefits are approved. No more 'pay and chase'."

States will use the NAC at initial authorization of benefits to increase identification of dual participation at pre-determination rather than post-determination.

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Weeding Out Bad Applications, Expediting Good Ones

"The fact is that programs like SNAP are vulnerable because of the way they are set up — separately and state by state," says Talcove, a recognized expert in the government IT realm. "The reality is that people are manipulating the program. Identity fraud is rampant. And the return on investment for putting a stop to this is considerable."

The NAC, of course, will not resolve all inappropriate benefits, but it stands to address the key issue of duplicate participation. It will also protect access and eligibility for legitimate SNAP applicants and participants, ultimately streamlining the application process and increasing accuracy. States will work collaboratively with PCG and LexisNexis to put workflow processes in place to expedite the resolution of applications and benefits, boosting program integrity while maintaining a consistent adjudication timeframe.

Part of increased scrutiny of SNAP?

SNAP recipients and advocates may feel that it has been under assault recently. Legislators in Washington, D.C., and several states have proposed drug testing for anyone who is a recipient. In addition, SNAP budget cuts could require state programs to make up the difference in funds in order to effectively meet the needs of some state recipients.

"The NAC initiative has only positive impact on legitimate beneficiaries who are playing by the rules," explains Talcove. "It may improve access by turning information around faster on an applicant, and it supports SNAP by weeding out waste, loss, and theft."

Indeed, integrity efforts such as the NAC seek to reduce improper payments that negatively impact an assistance program's ability to serve its most vulnerable populations.

With means-based programs like SNAP, TANF, and Medicaid currently serving over 100 million Americans, savings from critical integrity steps like the NAC will be substantial.

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Growth Potential Nationwide

The NAC partner states are leading the way in demonstrating the importance of states sharing information for the purpose of vetting assistance applications nationwide. Other states have already expressed an interest in realizing their own returns by participating in the NAC solution. To do so, they will have to become contributing members of the consortium.

States joining the NAC program will enter into an agreement of participation, pay an "up-front fee" to join and an annual fee thereafter, and be guided through a comprehensive onboarding process based on best-practice models identified from the existing five-state consortium. Each state will learn how to build a contribution file, test file formats, process data, integrate the NAC solution into their existing business processes, and undergo staff training for daily use of the solution. As the initiative pays off for states participating in the NAC, the solution has the potential to become national in scale.

"The more states and different programs that join, the more valuable the system becomes," notes Talcove. "With means-based programs like SNAP, TANF, and Medicaid currently serving over 100 million Americans, savings from critical integrity steps like the NAC will be substantial."

 "In fact, the NAC invites states to work with the consortium states, FNS, and other relevant agencies to include additional programs in the solution, as well as additional identity verification and fraud prevention tools."

"Launching an innovative initiative like this in the government public benefits space is exciting," says Faidley. "The integrity of government services is worth protecting, and the NAC is a great step in the right direction."

While the NAC is currently working to improve integrity in SNAP and D-SNAP, it could soon contribute more broadly — offering a unifying approach to efficiency and sustainability in public benefits programs through an expansive set of identity-driven solutions for improving overall program integrity. This holistic concept of a national accuracy clearinghouse will build on successes with SNAP and D-SNAP, resulting in a ready design for aiding other health and human service programs.

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Our identity management solutions assist states with ensuring appropriate access to public benefits, enhance program integrity and operational efficiency, reduce the impact of identity theft and fraud, and proactively combat fraud, waste and abuse throughout government programs.

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