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## Proposed Database Purchase Costly, Duplicative, Potentially Less Effective than Existing Public Assistance Safeguards

New Hampshire's Financial Assistance to Needy Families (FANF) program is a vital economic lifeline to some 9,200 people across the state. Most of the individuals who receive cash benefits under the program are children being cared for by relatives in the absence of a parent, but, for those families in which a child's parent is present, the rules for participation can be quite stringent. Families must have extremely low incomes, must meet education or work requirements, and can only receive benefits for a limited period of time. What's more, benefits under the program fall well short of helping to secure even the most basic of essentials, averaging just over \$500 per month.

To ensure that funds entrusted to the state are used appropriately, the Department of Health and Human Services (DHHS) conducts three levels of quality assurance and program integrity functions for all the public benefit programs it administers, including FANF.

Despite these safeguards, policymakers are considering adding a new layer of enforcement to New Hampshire's existing eligibility determination system. More specifically, HB 1658, presently before the Senate Finance Committee, would require DHHS to buy or build a new computerized income and identity verification system. While policymakers and other state officials should regularly seek out innovations to reduce fraud and to improve program accuracy, HB1658 would create a system that appears to be largely duplicative and potentially less effective than the procedures currently used by the Department. It also would create additional expenses for the state. In particular, the Department would be required to seek out information that is irrelevant to eligibility and that could yield erroneous signs of fraudulent behavior or other "false positives".

In recent weeks, much has been made about the potential value of such a system. A free test run of a public database search conducted by LexisNexis appeared to flag thousands of Medicaid and Food Stamp recipients as potential fraud risks. However, the summary of the LexisNexis search available from DHHS contains no information on any searches done on FANF recipients. Moreover, the results of the search included no indication that such information was confirmed or verified. Just as importantly, the results failed to demonstrate that the information compiled in the search would in fact disqualify people from being eligible for these public assistance programs.

## **HB 1658 Has Broad Application**

HB 1658 would require the Department of Health and Human Services to build or buy a computerized income and identity eligibility verification system to “verify eligibility, eliminate duplication of assistance, and deter fraud,” with the broad goal of establishing uniform procedures to identify, investigate, and resolve potential cases of fraud for an array of programs that the Department administers. While the focus of HB 1658 was originally on New Hampshire’s cash assistance program – Financial Assistance to Needy Families or FANF – the bill has expanded to include in-kind programs such as Medicaid and the federal Supplemental Nutrition Assistance Program (also known as SNAP or Food Stamps).<sup>i</sup> Medicaid provides health insurance to low-income children, people with disabilities and senior citizens and SNAP provides access to food for those with low incomes. Critically, the eligibility criteria for each of these programs vary substantially and each program may permit differing levels of income and financial resources.

The state - through the Department of Health and Human Services – currently conducts two levels of eligibility review for the benefit programs it administers. The initial pre-eligibility review is conducted by the Department of Family Assistance, which cross matches data with nine federal databases and two state databases, in addition to conducting third party verification of income, residence, and financial assets. The Office of Improvement and Integrity also conducts post-eligibility reviews of randomly selected Medicaid and Food Stamp recipients. When a recipient is eligible for cash assistance programs as well as for one of these in-kind programs, the eligibility for those cash assistance programs is reviewed at the same time.<sup>ii</sup> Beyond these initial levels of eligibility review, the Office of Improvement and Integrity also has a Special Investigation unit that pursues allegations that an individual is inappropriately receiving a benefit, saving as much as \$2 million per year in total funds in avoiding providing benefits incorrectly.<sup>iii</sup>

## **The Proposed Database Cross Match is Duplicative of Current Practice**

HB 1658 requires that the Department cross match data against 12 specific federal databases, several general purpose national databases, and several state sources as well. The Department already collects information from the vast majority of these resources in its eligibility determinations. Some of the databases recommended for use in HB 1658 contain information redundant to one another and some contain information irrelevant to eligibility entirely.

Federal law already requires that states’ Temporary Assistance to Needy Families (TANF) programs – such as FANF in New Hampshire – have an Income and Eligibility Verification System as part of its TANF state plan. This Income and Eligibility Verification System must coordinate data exchanges with other federal benefit programs and must collect wage information, unemployment information, all Social Security information, and IRS unearned income information.<sup>iv</sup> Consequently, the New Hampshire Department of Health and Human Services already cross-matches with nine federal databases and two state databases when conducting eligibility

determinations. Purchasing access to the databases identified in HB 1658 is largely duplicative of current practice and is likely to incur additional expenses for the state.

Moreover, some of the databases recommended will produce redundant information. For example, the bill requires both that the state gather prisoner information from the Social Security Administration and from a nationwide public record data source of incarcerated individuals as well as a record of fleeing felons maintained by the FBI. Yet, the state currently collects prisoner and fleeing felon data from the Social Security Administration.

HB 1658 also directs the Department to use databases to seek information that is irrelevant to eligibility. For example, the bill would mandate searches of utility payments under the fuel assistance program, of licenses, permits, or certificates issued by a state agency, and of drivers' licenses nationwide. Receipt of fuel assistance, holding a state permit, or having an out-of-state drivers' license does not affect eligibility for public assistance programs in New Hampshire.

### **Database Searches Replace Best Practices**

The Department of Health and Human Services currently requires real-time evidence of income, residency and financial resources when determining eligibility for FANF, Medicaid, and SNAP. If an applicant cannot produce specific documents – such as bank statements or pay stubs – or if the information provided to satisfy these requirements needs further clarification, the Department conducts third party verifications of his or her financial resources, income and residency status. The Department repeats verification of income, resources and residency at eligibility review periods called redeterminations.

To provide one example, to verify residency for people living in subsidized housing, the Department obtains third party verification of the address, rent amount, and number of people living in the home by the local housing authority, if the information supplied by an applicant requires further clarification. For those living in unsubsidized housing, the Department confirms information directly with the landlord. If the applicant owns and lives in their own home, the Department requires applicants to produce mortgage statements and tax documents. The Department requires similar documentation and third party verification of income and financial resources through the presentation of wage stubs, income tax returns, and bank statements and employs direct confirmation with employers and financial institutions when further information or clarification is needed.

The real-time information the Department currently requires is likely more rigorous and accurate than using blunt database searches. For instance, HB 1658 requires searching a national database for an individual's best address. Such a search may not produce the most recent information available. HB 1658 also requires a nationwide search of drivers' licenses. Such a search may turn up the presence of an out-of-state driver's license. This is not per se evidence of residency in another state: a person can legally have a valid out-of-state driver's license for years while residing in New Hampshire. Confirmation from a current landlord - which the Department of

Health and Human Services regularly obtains – is one example of a much more reliable and accurate method for confirming state residency. Broad database searches will ultimately be less effective than the real-time confirmation of residency, income, and resources Department staff currently perform and will not remove the need for staff to obtain this confirmation directly.

### **Broad Data Searches May Prove Ineffective**

In addition, the formulae – or algorithms – used in the sort of database searches specified in HB 1658 may produce false positives. This is likely to happen because the algorithms are too general to accurately characterize activity identified by the search. For example, one well-publicized result of the LexisNexis free trial identified a current Medicaid recipient as having been dead since the 1980s. In reality, she is alive, but has been in a nursing home since that time.<sup>v</sup> The formula used in this search looked for indicators of “being alive”, such as owning a home or earning wages, and when those activities disappeared from public records – likely because the woman in question entered a nursing home – it incorrectly concluded that she was deceased.

Such algorithms may also produce information that is irrelevant to eligibility determinations. For example, the LexisNexis free trial identified several Food Stamp and Medicaid recipients as being owners of real property and thus being potential fraud risks. Under both of these programs, owning a home or car is not necessarily counted against one’s assets when determining eligibility.

### **Conclusion**

The Department of Health and Human Services performs three levels of program integrity and quality assurance reviews to ensure that funds to support Medicaid, Food Stamps, and FANF benefits are used appropriately. While policymakers and other state officials should regularly seek out innovations to reduce fraud and to improve program accuracy, HB 1658 would create a system – with an unknown cost to the state - that appears to be largely duplicative of and potentially less effective than the current eligibility determination and review processes used by the Department.

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<sup>i</sup> HB 1658 includes other cash assistance programs for the elderly and people with disabilities as well.

<sup>ii</sup> If an individual is eligible for FANF, they are categorically eligible for health insurance under Medicaid.

<sup>iii</sup> Steven Mosher, Office of Improvement and Integrity, April 25, 2012. See also, Department of Health and Human Services Office of Improvement and Integrity, Presentation to Health and Human Services Oversight Committee, January 13, 2012

<sup>iv</sup> See 45 CFR 205.51, 55, and 56.

<sup>v</sup> Love, Norma, “Welfare fraud bill could cause delays,” *Concord Monitor*, April 22, 2012