



# ANDRÉ JACQUE

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**TO: Members of the Assembly Committee on Public Benefit Reform**  
**FROM: Representative André Jacque**  
**DATE: January 21, 2016**  
**RE: Assembly Bill 535**

Chairman Born and Committee Members:

Thank you for holding this hearing on Assembly Bill 535, strong bi-partisan legislation which will provide reimbursement to local government for fraud detection and recovery efforts that safeguard the integrity of public benefit programs and prevent the waste of taxpayer dollars.

AB 535 creates an incentive for counties to go after public assistance fraud by allowing counties, tribal governments or regional consortia to keep up to 20% of the total funds that would be saved over a 12-month period as a result of their efforts (and likely not discovered but for their efforts) detecting fraud in Foodshare and Medicaid, providing an enhanced funding mechanism for counties to fight waste, fraud, and abuse in programs implemented on the county level for the state and federal government. The bill also provides that, if a county or tribe chooses to receive a reward payment under the optional incentive program, the county or tribe may not also retain 15 percent or any other portion of recovered MA or FoodShare overpayments that were made as a result of the identified fraudulent activity.

Even though taxpayers overall save many times more than is spent on fraud prevention, there is currently little incentive for counties to fully engage in these efforts since they expend more general levy dollars than counties are able to recoup from the state or federal government.

An example of proactive fraud investigation can be seen in Brown County, which for several years has uncovered more than a million dollars in fraud annually, with close to one hundred related prosecutions. Unfortunately, the county's costs to conduct these activities are typically well over double what they are able to recoup in payments- basically, Brown County taxpayers are paying the state and federal government for fraud they have uncovered.

This county-based incentive is another tool for counties to use in rooting out waste, fraud and abuse while alleviating District Attorney caseloads, and detecting fraud that can be done more efficiently at the local rather than state level. This incentive will also help to ensure that assistance through these programs remains available to those who truly need it.

This legislation has strong bi-partisan support and is supported by the Wisconsin Counties Association, and law enforcement.

Thank you again for holding this hearing on AB 535.

January 21, 2016

**Testimony on AB 535  
Senator Robert Cowles**

Thank you, Mr. Chairman, for holding a hearing on Assembly Bill 535, the Counties Fraud Incentive Bill.

Simply put, AB 535 creates an incentive for counties to fight public assistance waste, fraud, and abuse. This program will safeguard the integrity of our public assistance programs and ensure that the dollars set aside for those in need will go to the people who truly need them.

This legislation would provide reimbursement to counties or regional consortia for fraud detection and recovery efforts and prevent the waste of taxpayer dollars by allowing them to keep up to 20% of the total funds that would be saved over a 12-month period as a result of their efforts detecting fraud in Foodshare and Medicaid.

This county-based incentive is a tool for counties to use in rooting out waste, fraud and abuse while alleviating District Attorney caseloads and ultimately saving taxpayer dollars.

In my home county, Brown County, they have uncovered more than a million dollars in fraud over the past several years, with nearly one hundred related prosecutions. Unfortunately, the county's costs to conduct fraud detection activities are typically well over the cost that they are able to recoup in payments. This legislation would certainly give them greater incentives to conduct further fraud detection investigations.

I hope that you will join those in support of this legislation and give counties an increased incentive to ensure that there are not dishonest individuals defrauding state of public assistance dollars meant for our most needy Wisconsinites.

## EXECUTIVE

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BROWN COUNTY EXECUTIVE

### **TESTIMONY IN SUPPORT OF AB-535, PUBLIC ASSISTANCE FRAUD ID INCENTIVE PROGRAM**

#### **Committee on Public Benefits Reform**

#### **Statement of Brown County Executive Troy Streckenbach**

**January 21, 2016**

Good morning, Mr. Chair, Vice Chair and members of the Committee. I am Troy Streckenbach, County Executive for Brown County.

Thank you for holding this hearing to consider AB-535, the Public Assistance Fraud ID Incentive Program bill. I am pleased to be here today to speak in support of this legislation.

AB-535 is an important bill because it provides Wisconsin counties a financial incentive to fight fraud, waste and abuse in our public assistance programs – programs implemented at the local level for the state and federal government. This legislation helps maintain the integrity of these programs and ensure public assistance dollars goes to those who truly need it.

Today, many counties don't prioritize and fully engage in fraud detection because these efforts often require counties to expend more general levy dollars for their efforts than are recovered from the state and federal government.

In Brown County, we have put together an aggressive fraud detection program. The County's Human Services Department, the Sheriff's Office and the District Attorney's Office work in collaboration to prevent and investigate economic support fraud. And, our anti-fraud efforts have paid off.

For example, in 2012 Brown County uncovered \$593,214 in fraud. Of that amount, \$82,291 was recouped by the County from the state and federal government, although we expended \$193,210 in our efforts. The difference between what we recouped and what we expended was more than \$100,000. Stated differently, Brown County taxpayer dollars were paying \$100,000 to the state and federal government for fraud investigated and uncovered by the County for economic support programs administered by the state and federal government.

AB-535 helps to address this problem by creating an optional incentive program for counties and tribes that identify and eliminate fraudulent activity. If this legislation had been in effect in 2012, instead of expending levy dollars, Brown County would have saved \$264,734 – enough to add two Sheriff Deputies, support staff, and another District Attorney to our anti-fraud efforts – at no added cost to the taxpayer.

I commend the Committee for holding this hearing today and urge you to report out this bill and pass it in the Assembly this legislative session.

Thank you for your support.

Troy Streckenbach  
Brown County Executive

# Welfare fraud busts only 'tip of the iceberg'

<http://www.greenbaypressgazette.com/story/news/local/2015/11/02/welfare-fraud-busts-only-tip-iceberg/75042312/>



Doug Schneider, USA TODAY NETWORK-Wisconsin 5:51 p.m. CST November 2, 2015



Rep. Andre Jacque discusses his proposal to allow counties to keep some of the money they save by cracking welfare fraud cases. (Photo: Doug Schneider/Press-Gazette Media) Buy Photo

BELLEVUE — A bill being introduced in Madison could save Brown County more than \$200,000 a year in welfare-fraud investigation costs.

Rep. Andre Jacque, R-De Pere, is introducing legislation to enable counties and Indian tribes to keep 20 percent of the money they save by halting the benefits of persons arrested for welfare fraud.

"We're only hitting the tip of the iceberg," Jacque said during a news conference at the sheriff's office. "It's thoroughly important that we reimburse local governments for these costs."

County officials said their efforts are saving local taxpayers close to \$1 million per year in payments not made to people ineligible for welfare benefits. But they say they could do more if they could keep some of the saved money and plow it back into fraud investigation.

They said current laws discourage counties from pursuing cases because they know there will be little financial return for the time and dollars invested. Better enforcement, they said, would mean that more money is available for the people for whom it is intended.

"We need to make sure that those who are in need are ultimately receiving these dollars," County Executive Troy Streckenbach said. He joined Jacque, Sheriff John Gossage and Public Safety Committee Chairman Patrick Buckley at the news conference.

Since 2011, Brown County has averaged 196 welfare-fraud investigations per year and is on pace to approach that figure for 2015, figures from the sheriff's office show. Prosecution results in one of every six or seven cases, officials said.

A 2012 investigation into fraud at a Green Bay liquor store, for example, took months, yielded multiple arrests and sent a couple of the ring leaders to jail. Others were kicked off the welfare rolls for a year. Officials said at the time that people stole more than \$10,000 from the state's Quest program in one month alone.

Brown County has two investigators dedicated to fighting fraud. The county could increase that number, and likely add an assistant district attorney to prosecute fraud cases, if some of the money from fraud busts wasn't leaving the area, Streckenbach said.

Buckley said the fraud takes a human toll.

He spoke of a longtime resident of Green Bay's west side who needed housing assistance money because he lost his job. But the program had already paid out all the money it had budgeted for the year.

"There was no money available for housing, so he had to move in with a family member," Buckley said. "We can't allow that to keep happening. We need to keep this money in the hands of the people who truly need it."

Jacque projected that the proposed change to the law would cost the state \$1.2 million. The Assembly approved a similar measure during the 2013 session, but the bill failed to clear the Senate.

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### **Fraud tip line**

Call (920) 448-6378 to report suspected welfare fraud in Brown County.

## MEMORANDUM

**TO:** Honorable Members of the Assembly Committee on Public Benefit Reform

**FROM:** Kyle Christianson, Director of Government Affairs *kc*  
Sarah Diedrick-Kasdorf, Deputy Director of Government Affairs

**DATE:** January 21, 2016

**SUBJECT:** Support for Assembly Bill 535

The Wisconsin Counties Association (WCA) supports Assembly Bill 535, which creates an optional incentive program for counties and tribes that identify fraudulent activity in certain public assistance programs.

Counties, through the income maintenance consortia, play an important role in the administration of the state's public assistance programs. The state requires income maintenance consortia to perform initial eligibility determinations for the FoodShare, Medical Assistance, BadgerCare, and Child Care programs, and to ensure individuals continue to meet eligibility requirements at specified intervals. With the implementation of the Affordable Care Act in Wisconsin, income maintenance consortia have experienced increases in their caseloads.

State funding to counties for fraud prevention and investigation activities is extremely limited. The Department of Health Services, through its Fraud Prevention and Investigation Program (FPIP), for example, allocates \$1,000,000 (all funds) to support fraud prevention activities in 71 counties and several tribes throughout the state. Prior to adoption of the 2015-17 state biennial budget, the amount was \$500,000 annually. According to FPIP guidelines, the program emphasizes fraud prevention over fraud detection, administrative sanctions over criminal adjudication, and cost neutrality such that total administrative costs do not exceed total program savings as measured by future savings, claims established and sanctions. In the Medicaid and FoodShare programs, counties receive incentive payments of 15% of the collections for client error and fraud.

Under the bill, the county and tribal share for FoodShare fraud collections increases to the full federal amount of 35 percent and client error to 20 percent. Also under the bill,

the incentive amounts for Medicaid and FoodShare fraud identification would be based on a 12-month savings estimate (20 percent of the estimated 12-month savings to Medical Assistance and/or FoodShare programs that would result from the elimination of the fraudulent activity).

Wisconsin's counties have raised concerns in the past about "fragmented, inadequate and inconsistent" funding for both front-end verification (FEV) and fraud investigations. In 2010, the Legislative Council Special Committee on Public Assistance Program Integrity also discussed increased funding and training for county income maintenance agencies. Counties have limited local funds available to allocate to fraud prevention / investigation activities.

As mentioned earlier, the 2015-17 state biennial budget provided an additional \$500,000 annually to county income maintenance consortia for fraud prevention and detection activities. The need, however, is much greater than that. Based on work completed by the Wisconsin County Human Services Association (WCHSA), income maintenance consortia need an additional \$1,000,000 annually to eliminate the fraud referral and overpayment backlog (see attached).

The inclusion of fraud detection and prevention services in public assistance programs lends credibility to the programs and assures taxpayers that funding paid to assist families in need is allocated appropriately and utilized for its intended purposes. The Wisconsin Counties Association thanks Representative Jacque and Senator Cowles for recognizing the valuable role county income maintenance consortia play in fraud detection and prevention and is pleased to lend its support to Assembly Bill 535.

Thank you for considering our comments.

## INCOME MAINTENANCE FRAUD FUNDING

Wisconsin's income maintenance and fraud consortia understand the high priority our Governor has put on eliminating fraud and are working diligently on those efforts. We are requesting adequate resources to reduce the backlog of investigations and overpayments and expand our efforts to eliminate waste, and abuse and to fight fraud.

### **Historical Landscape**

All county and tribal agencies are required to operate a Fraud Prevention and Investigation Program (FPIP). Fraud prevention and detection have always been an integral part of locally run income maintenance (IM) programs. Historically, local IM fraud staff have developed relationships with community stakeholders. The knowledge and affiliations gained through this local presence help support and enhance local fraud efforts. For example, fraud staff receive referrals from local grocery stores/vendors and have conducted joint investigations with local law enforcement and child support agencies. These efforts have saved Wisconsin taxpayers more than \$68M dollars in the last four years despite significant decreases in funding for fraud investigations /prevention and increasing caseloads.

In 2002, county IM agencies (including Milwaukee County) received \$2.7M in fraud funding and by 2009, that funding was reduced to \$1.8M. In 2011, it was again reduced to \$500,000 for all counties (except Milwaukee).

From 2002 through 2014, many changes affecting program administration occurred including:

- Program policy changes;
- Emphasis on program integrity varied;
- Service delivery model changed from a county model to a consortium model in 2013; and
- Caseloads increased.

These variations contributed to the changing landscape of funding and outcomes of the IM agencies' fraud and overpayment efforts.

### **Changes to Program Policies**

The program policy changes mentioned above included:

- Annual Renewals - the time between eligibility reviews increased from six months to annually;
- Reduced reporting – customers are now expected to report fewer changes in their circumstances between their renewals;
- Increased access to Income Maintenance programs –customers can apply online and over the phone;

## Program Integrity

Program integrity includes payment accuracy, steps taken to prevent fraud from occurring, as well as investigating when fraud is suspected. Between 2009 and 2014, efficiencies in improving program integrity were developed. They include:

- Automation of data exchanges and discrepancy reports; and
- Availability of Investigative tools such as The Work Number, CLEAR, Lexus/Nexus, etc.

These all provide opportunities for more extensive desk investigations; however, access to online investigative tools comes at a significant cost to the agencies.

## Service Delivery Model (Creation of IM and fraud consortia)

In 2012, the ten income maintenance (IM) consortia were formed. In 2014, the fraud consortia lines were redrawn to align with the IM consortia. This has allowed counties already working closely together to extend collaboration and efficiencies into running their fraud programs.

## Increased Caseloads

The number of individuals served by the IM programs has increased over time. The number of individuals enrolled in Medicaid increased by 7% from 2009 to 2014. The number of individuals receiving FoodShare benefits increased by 40% between 2009 and 2014.

INDIVIDUALS SERVED STATEWIDE (Monthly Average)							
	2009	2010	2011	2012	2013	2014	Percent Increase
MA	1,102,516	1,159,153	1,173,587	1,158,509	1,150,796	1,181,817	7%
FS	595,025	743,836	816,215	840,193	856,177	836,118	40%

## Focus

Community awareness of public assistance fraud and abuse has been on the rise. In the 2011-12 Session of the Legislature, the Joint Legislative Council recommended several changes to Ch. 49 of the State Statutes that included requiring ongoing training to agency employees on fraud prevention and investigation, error reduction, and related activities.

In September of 2013, Governor Walker directed the Department of Health Services (DHS) to:

*“evaluate and implement six strategies strengthening the state’s public assistance programs by increasing fraud prevention and giving DHS access to more information that it can use to verify individuals and families are eligible for public assistance benefits.”*

This resulted in an increased awareness of the State’s focus on program integrity and provided the impetus for DHS to implement tools that have aided agencies in their increased efforts to maintain program integrity, including:

- Automated Error Prone Profile;
- Additional data exchanges; and
- Milwaukee County pilot project which includes front end verification or investigation of all self employment cases.

These initiatives have helped IM workers uncover fraudulent activities and, as a result, the number of fraud referrals has increased. Because funding levels have remained low, agencies have not been able to increase resources to absorb the increase in referrals. This has caused local agencies to experience a growing backlog of investigation and claims establishment requests and fraud referrals.

The State has also emphasized the need to increase the number of intentional program violations (IPV) sanctions. The counties have responded - the number of IPV sanctions statewide have increased from 203 in 2012 to 1,085 in 2014.

Expanding the Milwaukee self employment front end investigation efforts statewide and continuing to increase IPV referrals will require more staffing. IPV proceedings require up to four hours of staff time to prepare for and appear at a hearing.

### **Six-Year Funding and Productivity Results**

Between the years 2009 and 2014, as the State increased its focus on program integrity, caseloads were rising, consortia were finding efficiencies, additional automated tools were made available and funding was decreasing. To be more specific:

1. Fraud funding for counties/consortia was reduced by about 80% by 2011 and has remained at that lower level;
2. The number of FoodShare participants increased by 40%;
3. The number of individuals covered by Medicaid/BadgerCare+ increased by 7%; and the
4. State revenues from collections increased (140%) from \$353,987 in 2009 to \$851,919 in 2014 for a total of \$3.3M.

As a result, the unprocessed backlog has risen to an all time high. Estimated value of collections if claims had been established for this backlog is \$19.1M.

Attachment 1 shows historical data of the funding and the work accomplished. The data shows that even with reduced funding, the local programs have been able to increase their efforts as a result of efficiencies created by new technologies and the forming of consortia.

**Funding Request**

We are requesting \$1.5M in additional fraud funding for the FPIP consortia (for a total of \$2M) . This request is based on backlog data plus current averages of investigations per year, see Attachment 1. The increased funding is essential to reducing the backlog and reversing that trend and ensuring adequate resources are available to eliminate waste and fight fraud and abuse. Fraud not only wastes taxpayer funds, but it also undercuts those truly in need.

The State realizes incentive funding as a direct result of the claims established by the FPIP consortia and the resulting collection of overpayments.

<b>FoodShare Overpayment Collection Incentives</b>			
	Federal Share	DHS State Share	Local Agency/FPIP Consortia Share
Client Error	80%	5%	15%
Fraud	65%	20%	15%
Non-Client Error	100%	0%	0%
<b>Medicaid/BadgerCare Plus Overpayment Collection Incentives</b>			
Client Error	60%	25%	15%
Fraud	60%	25%	15%
Non-Client Error	Not Applicable – no recovery for these types of errors.		

If incentive dollars are used to increase the fraud funding, this increase should be cost neutral.

**Historical View for Balance of State**  
(Milw. Excluded)

	2009	2010	2011	2012	2013	2014	TOTALS
<b>FUNDING</b>							
Total Funding BOS (excluding Milwaukee)	\$1.8M	\$1.8M	\$ .5M	\$ .5M	\$ .5M	\$ .5M	\$5.6M
<b>FRAUD EFFORTS</b>							
Claims Established			\$4.6M	\$6M	\$9M	\$10.8M	\$30.4M
Cost Avoidance (Future Savings)			\$6.8M	\$8.5M	\$11.4M	\$11.1M	\$37.8M
Total Program Savings			\$11.4M	\$14.5M	\$20.4M	\$21.9M	\$68.2M
Individuals Suspended for IPV	126	82	106	203	549	1,085	2,151
IPV Savings					\$ .5M	\$1M	\$1.5M
FPIP Consortia Investigations			3,759	4,837	7,032	8,002	23,630
<b>STATE REVENUE FROM COLLECTIONS (SFY)</b>							
Food Stamps	\$156,935	\$138,072	\$184,191	\$335,263	\$470,028	\$533,726	\$1.8M
Medicaid	\$197,052	\$250,515	\$200,133	\$231,597	\$297,415	\$318,193	\$1.5M
TOTALS	\$353,987	\$388,587	\$384,324	\$566,860	\$767,443	\$851,919	\$3.3M
<b>COST:BENEFIT SAVINGS</b>							
County Model	1:\$11.40						
Consortia	1:\$14.75			1:\$16.52	1:\$16.52	1:\$18.13	
<b>BACKLOG</b>							
BOS Fraud Referral Backlog	175	383	831	1,508	4,336	4,348	11,581
BOS Overpayment Backlog	88	299	100	494	1,334	4,418	6,733
Est. Backlog Claims Amt.	\$268,278	\$510,799	\$1,056,862	\$2,027,596	\$5,461,830	\$9,744,589	\$19.1M
Funding Needed to Eliminate Backlog							\$1.5M