

WELFARE FRAUD PREVENTION ACT

Section 1. Definitions.

For purposes of this Act, the following definitions apply:

A. "Department" means {insert state public welfare departments, agencies or offices where eligibility is determined for Medicaid and for all other human service benefits}.

B. "Identity information" means an applicant or recipient's full name, aliases, date of birth, address, Social Security number and other related information.

Section 2. Establishment of enhanced eligibility verification system

A. The Department shall establish a computerized income, asset, and identity eligibility verification system in order to verify eligibility, eliminate the duplication of assistance, and deter waste, fraud, and abuse within each respective assistance program administered by the Department.

B. The Department shall enter into a competitively bid contract with a third-party vendor for the purposes of developing a system by which to verify the income, asset, and identity information of applicants to prevent fraud, misrepresentation, and inadequate documentation when determining an applicant's eligibility for assistance prior to the distribution of benefits, periodically between eligibility redeterminations, and during eligibility redeterminations and reviews, as prescribed in this Section. The Department may also contract with a vendor to provide information to facilitate reviews of recipient eligibility conducted by the Department.

C. When the Department enters into a contract with a third-party vendor for the purposes of carrying out this Act, the vendor, in partnership with the Department, shall be required by contract to establish annualized savings realized from implementation of the verification system and savings shall exceed the total yearly cost to the state for implementing the verification system.

D. When the Department enters into a contract with a third-party vendor, the payment structure should be based on a per-applicant rate and may include a performance bonus for achieving above a predetermined rate of success of identifying waste, fraud, and abuse.

E. To avoid any conflict of interest, when the Department enters into a contract with a third-party vendor, that primary vendor may not currently or will not be allowed to bid on or be awarded a state contract to run enrollment services.

F. Nothing in this Act shall preclude the Department from continuing to conduct additional eligibility verification processes, not detailed in this Act, that are currently in practice.

Section 3. Enhanced eligibility verification process.

A. All applications for benefits must be processed within a 10-day period or the minimum required by federal law. Prior to awarding assistance, and on a quarterly basis thereafter, the Department shall verify identity information of each respective applicant and recipient of assistance from the Department against the following:

1. Earned and unearned income information maintained by the Internal Revenue Service;
2. Employer weekly, monthly, and/or quarterly reports of income and unemployment insurance payment information maintained by the **{insert state department of labor}** and **{insert state wage information collection agency}**;
3. Earned income information maintained by the U.S. Social Security Administration;
4. Immigration status information maintained by U.S. Citizenship and Immigration Services;
5. Death register information maintained by the U.S. Social Security Administration;
6. Prisoner information maintained by the U.S. Social Security Administration;
7. Public housing and Section 8 Housing Assistance payment information maintained by the U.S. Department of Housing and Urban Development;
8. National fleeing felon information maintained by the U.S. Federal Bureau of Investigation;
9. Wage reporting and similar information maintained by states contiguous to this state;
10. Beneficiary records and earnings information maintained by the U.S. Social Security Administration in its Beneficiary and Earnings Data Exchange (BENDEX) database;
11. Earnings and pension information maintained by the U.S. Social Security Administration in its Beneficiary Earnings Exchange Record System (BEERS) database;
12. Employment information maintained by the **{insert state department of labor}**;
13. Employment information maintained by the U.S. Department of Health and Human Services in its National Directory of New Hires (NDNH) database;
14. Supplemental Security Income information maintained by the U.S. Social Security Administration in its SSI State Data Exchange (SDX) database;

15. Veterans' benefits information maintained by the U.S. Department of Health and Human Services, in coordination with the **{insert state department of health}** and **{insert state department of veterans' affairs}**, in the federal Public Assistance Reporting Information System (PARIS) database;

16. Child care services information maintained by the **{insert state department of children and families}**;

17. Utility payments information maintained by the state under the Low Income Home Energy Assistance Program;

18. Emergency utility payment information maintained by the state or local entities;

19. A database of all persons who currently hold a license, permit, or certificate from any state agency the cost of which exceeds \$500;

20. Income and employment information maintained by **{insert state agency responsible for child support collections}** and the U.S. Department of Health and Human Services' Office of Child Support Enforcement;

21. Earnings and pension information maintained by **{insert state pension systems}**;

22. Any existing real-time database of persons currently receiving benefits in other states, such as the National Accuracy Clearinghouse; and

23. A database which is substantially similar to or a successor of a database established in this Act.

B. Prior to awarding assistance, and on a quarterly basis, the Department shall match identity information of each respective applicant and recipient of assistance from the Department against, at minimum, the following public records:

1. A nationwide public records data source of physical asset ownership such as real property, automobiles, watercraft, aircraft, and luxury vehicles, or any other vehicle owned by the applicant and recipient of assistance;

2. A nationwide public records data source of incarcerated individuals;

3. A nationwide best-address and driver's license data source to verify individuals are residents of the state;

4. A comprehensive public records database that identifies potential identity fraud or identity theft that can closely associate name, Social Security Number, date of birth, phone, and address information;

5. National and local financial institutions, in order to locate undisclosed depository accounts or verify account balances of disclosed accounts;
6. Outstanding default or arrest warrant information maintained by the criminal history systems board, the criminal justice information system, and the warrant management system; and
7. A database which is substantially similar to or a successor of a database established in this Act.

Section 4. Enhanced identity authentication process.

A. Prior to awarding assistance, applicants for benefits must complete a computerized identity authentication process that shall confirm the applicant owns the identity presented in the application. The Department shall review the respective applicant or recipient's identity ownership using the following procedures:

1. Provide a knowledge-based quiz consisting of financial or personal questions. The quiz must attempt to accommodate non-banked or under-banked applicants who do not have an established credit history.
2. Require the quiz for applications be available to be submitted through all channels, including online, in-person, and via phone.

Section 5. Discrepancies and case review.

A. If a discrepancy results from an applicant or recipient's Identity Information and one or more of the databases or information tools listed under Section 3 or Section 4, the Department shall review the respective applicant or recipient's case using the following procedures:

1. If the information discovered does not result in the Department finding a discrepancy or change in an applicant's or recipient's circumstances that may affect eligibility, the Department shall take no further action.
2. If the information discovered under Section 3 or Section 4 results in the Department finding a discrepancy or change in a recipient's circumstances that may affect eligibility, the Department shall promptly redetermine eligibility after receiving such information.
3. If the information discovered under Section 3 or Section 4 results in the Department finding a discrepancy or change in an applicant's or recipient's circumstances that may affect eligibility, the applicant or recipient shall be given an opportunity to explain the discrepancy; provided, however, that self-declarations by applicants or recipients shall not be accepted as verification of categorical and financial eligibility during eligibility evaluations, reviews, and redeterminations.

The Department shall provide written notice to said applicant or recipient, which shall describe in sufficient detail the circumstances of the discrepancy or change, the manner in which the applicant or recipient may respond, and the consequences of failing to take action. The applicant or recipient shall have 10 business days, or the minimum required by state or federal law, to respond in an attempt to resolve the discrepancy or change. The explanation provided by the recipient or applicant shall be given in writing. After receiving the explanation, the Department may request additional documentation if it determines that there is risk of fraud, misrepresentation, or inadequate documentation.

4. If the applicant or recipient does not respond to the notice, the Department shall deny or discontinue assistance for failure to cooperate, in which case the Department shall provide notice of intent to deny or discontinue assistance. Eligibility for assistance shall not be established or reestablished until the discrepancy or change has been resolved.

5. If an applicant or recipient responds to the notice and disagrees with the findings of the match between his or her Identity Information and one or more databases or information tools listed under this Act, the Department shall reinvestigate the matter. If the Department finds that there has been an error, the Department shall take immediate action to correct it and no further action shall be taken. If, after an investigation, the Department determines that there is no error, the Department shall determine the effect on the applicant's or recipient's case and take appropriate action. Written notice of the respective Department's action shall be given to the applicant or recipient.

6. If the applicant or recipient agrees with the findings of the match between the applicant's or recipient's Identity Information and one or more databases or information tools listed under this Act, the Department shall determine the effect on the applicant or recipient's case and take appropriate action. Written notice of the Department's action shall be given to the applicant or recipient. In no case shall the Department discontinue assistance upon finding a discrepancy or change in circumstances between an individual's Identity Information and one or more databases or information tools listed under this Act until the applicant or recipient has been given notice of the discrepancy and the opportunity to respond as required under this Act.

B. The Department shall promulgate rules and regulations necessary for the purposes of carrying out this Act.

Section 6. Referrals for fraud, misrepresentation, or inadequate documentation.

A. After reviewing changes or discrepancies that may affect program eligibility, the Department shall refer suspected cases of fraud to **{insert Medicaid inspector general, Attorney General, state's attorney, or other agency responsible for prosecuting eligibility fraud}** for investigation and possible criminal prosecution, recovery of improper payments, and collection of civil penalties.

B. After reviewing changes or discrepancies that may affect program eligibility, the Department shall refer suspected cases of identity fraud to **{insert Attorney General, state’s attorney, or other agency responsible for prosecuting identity theft}** for criminal prosecution.

C. In cases of fraud substantiated by the Department , upon conviction the state should review all legal options to remove enrollees from other public programs and garnish wages or state income tax refunds until the state recovers an equal amount of benefits fraudulently received.

D. After reviewing changes or discrepancies that may affect program eligibility, the Department shall refer suspected cases of fraud, misrepresentation, or inadequate documentation to appropriate agencies, divisions, or departments for review of eligibility discrepancies in other public programs. This should also include cases where an individual is determined to be no longer eligible for the original program.

Section 7. Implementation date and reporting.

A. This Act shall be implemented six months following legislative enactment.

B. Six months following the Act’s implementation, and quarterly thereafter, the Department shall provide a written report to the governor, legislature, and **{insert state inspector general or chief financial officer}** detailing the effectiveness and general findings of the eligibility verification system, including the number of cases reviewed, the number of case closures, the number of referrals for criminal prosecution, recovery of improper payment, collection of civil penalties, the outcomes of cases referred to **{insert Medicaid inspector general, attorney general, state’s attorney, or other agency responsible for prosecuting eligibility fraud}** under this Act, and the savings that have resulted from the system.

Section 8. Transparency in Medicaid.

A. Following the precedent set by Medicare, the Department shall electronically release to the public data that includes but is not limited to the following: the provider’s name and office locations; a provider’s National Provider Identifier (NPI); the type of service provided by Healthcare Common Procedure Coding System (HCPCS) code; and whether the service was performed in a facility or office setting. This public data shall also include the number of services, average submitted charges, average allowed amount, average Medicaid payment, and a count of unique beneficiaries treated.