TESTIMONY ON HOUSE BILL 119

Ohio House of Representatives
Community and Family Advancement Committee

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Thank you members of the committee for allowing me to come and testify on HB 119. My name is Jonathan Ingram and I am here today as a senior research fellow on behalf of Opportunity Solutions Project. We are a non-partisan organization dedicated to sharing proven state-level best practices in welfare reform nationwide to help expand opportunity for all.

I am here today to share with you some best practices outlined in HB 119 and share the experiences in other states as they've implemented similar reforms. These reforms have one major purpose in common: they all aim to preserve limited resources for the truly needy.

Imagine if you could – in close to real time – know if someone on food stamps, Medicaid, or both has moved out of state, has gotten a new job, or a raise, or even worked more hours, has won a lottery jackpot, has gone to jail, or even died. Life changes happen throughout the year; the only way to capture those changes is through more active monitoring between eligibility certification periods.

This bill would codify some of what the Department of Job and Family Services is already doing to fight fraud on the front end and provide them with additional tools on the back end to ensure that only those who are actually eligible for these programs remain enrolled. Because remember: every dollar spent on someone who is not eligible is a dollar that can't be spent on the truly needy. With Medicaid in particular, as a managed care state, you are paying the MCOs a fixed capitated rate per person – whether they are eligible or not; whether they are using any services or not.

So what kind of life changes are we talking about? Changes in wages or employment, changes in residency status, changes in financial resources for programs with resource limits, lottery winnings, death records, and things of that sort.

Just a few years ago, the State Auditor identified nearly a million out-of-state EBT transactions over the course of six months. Many were in faraway places like Florida, Georgia, or New York. How many of those were people using their benefits month after month, exclusively out-of-state? That's a pretty good indication that they are no longer residents. Utah, Maine, and a few other states now analyze out-of-state spending patterns to flag those cases immediately, instead of waiting until the next recertification period or the next redetermination.

That transaction data can be useful for a lot of other things as well. It can help identify suspicious patterns – large, even-dollar transactions, transactions that wipe out the entire balance at once, manual entries, multiple consecutive transactions, transactions at retailers where multiple red flags like these have been raised, etc. The transaction data will be helpful in real-time fraud prevention, because it's an unfortunate reality that EBT cards in particular are being sold for pennies on the dollar or used as currency in the drug trade.

I spent just a few minutes on Facebook a few nights ago and searched for the terms "Ohio Direction Card" and "For Sale." And there were people selling EBT cards. One young man named Kevin, who lives near Akron, had a public posting that said:

> OHIO DIRECTION CARD FOR SALE... 50¢ ON THE DOLLA #FIRSTOFTHEMONTH #STOCKINGFRIDGEWITHBOOZE

Once you start looking at transaction data for eligibility, it's a smooth process to using it for other anti-fraud purposes.
Other states also contract with private vendors to provide nationwide best address searches. Arkansas, for example, recently ran all Medicaid enrollees through a residency audit. They identified nearly 43,000 individuals with most recent addresses out-of-state. Roughly 7,000 had no record of ever even living in Arkansas.

But this goes beyond just residency. Crosschecking death records is vitally important. A recent audit in Illinois identified more than 14,000 individuals who had died – some as early as 1989 – were still enrolled in Medicaid. The State Auditor's report on food stamps identified some people receiving food stamps for more than a year after they died. Even Florida, which has one of the most advanced identity verification systems in the country, recently

found $30 million in spending on enrollees who had died an average of 264 days before being removed – with dates of death stretching back to 1981.

This bill would also give the state new tools to crosscheck welfare enrollees against lottery winners – Michigan recently identified more than 7,000 lottery winners still receiving welfare, including some who won jackpots of up to $4 million. Most of those winnings went unreported until the state began sharing data between the agencies.

It would also give the Administration new tools for identity authentication. And here is why that matters: when Arkansas cross-checked their enrollment against one of those identity data sources, they found more than 20,000 enrollees with high risk identities. That means that those individuals had Social Security numbers that were linked to multiple people, were stolen, or even faked in some cases.

Based on the experiences we've seen in other states, we think you could conservatively save between 2 to 4 percent of Medicaid spending by using more frequently cross-checking and better data tools, once fully implemented.

But let's go back for a second to why that matters. Again, it's all about preserving resources for the truly needy. Every dollar spent on someone who isn't eligible is a dollar that can't be spent on, say, services for kids with developmental disabilities.

Let me put a name on that point for you. There's a young man a few hours away in Streator, Illinois named Jake Chalkey. Jake has a rare brain disorder – he's one of just 18 kids in the world with this condition who are still alive. His doctors never thought he'd walk, or talk, or even live past the age of two. Jake is the oldest living survivor with this condition – he recently celebrated his 22nd birthday.

But Jake's disorder also causes severe seizures. And there's only one medicine that has worked well enough to keep them under control – he still has seizures, but they're more manageable.

But as many of you know, Illinois has been under a budget crunch for quite some time. In 2012, the state stopped paying for Jake's lifesaving medication altogether. Alternative therapies were tried to no avail. Jake had a grand mal seizure and almost died.

But why did it come to that? Because the state of Illinois was spending money on people who were no longer eligible – people who had moved out of state. People who no longer met the income criteria. People who were dead. That money wasn't there for kids like Jake, because it was being used for people who weren't even eligible. That's why this matters.

Despite renewed efforts in recent years, there are still many individuals with developmental disabilities stuck on a waiting list for services here in Ohio. This bill would help free up resources to help serve more of those individuals.

HB 119 will bring Ohio's welfare programs into the 21st century and ensure that the state can preserve its limited resources for the truly needy. Thank you and I am happy to answer any questions.