



TESTIMONY ON SENATE BILL 17

Ohio Legislature Senate Government Oversight and Reform Committee

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Good morning Chair Roegner, Vice-Chair McColley and members of the Committee. My name is Sam Adolphsen — I am a visiting fellow with the Opportunity Solutions Project. I appreciate the opportunity to speak to you today in support of Senate Bill 17.

Senate Bill 17 is a practical and principled bill. It is comprehensive, but it is also a straightforward piece of legislation that establishes best practices and commonsense safeguards.

The bill is practical because, right now, Ohio faces a serious crisis. The pandemic and shutdown have created havoc for the Ohio economy and state budget. That challenge, made worse by federal changes that bind your hands, has thrown your benefits programs into chaos.

The bill is principled because it deters, protects, and secures. It deters welfare fraud. It protects benefits for the truly needy. And it secures the budget—and the faith of the taxpayers who fund it. They expect their hard-earned tax dollars to be used for good—from Medicaid to unemployment to food stamps—not to be wasted and stolen. And that's why the bill includes more thorough data cross-checks in unemployment, closes loopholes and gets single-parent families more support in food stamps, and data cross-checks and program integrity measures in Medicaid.

This is a good time to take stock of what we know. We know that Medicaid enrollment and costs have increased dramatically, leaving Ohio on the precipice of a budget disaster. Ohio's Medicaid program has added hundreds of thousands of enrollees in recent months—now totaling more than 3.1 million, or more than one in four people in Ohio.¹

We know that because of federal rules, Ohio is not allowed to remove anyone who enters the program, at a minimum through the remainder of this year, and likely even longer. We know that means Ohio's opportunities to prevent waste and fraud are limited. The primary opportunity is at the point of initial enrollment. The state must do more than want to prevent waste. It must enact—in law—the tools to do so.

We also know that the state's unemployment insurance program is facing similarly significant problems. Yes, the governor's name was used to defraud the very system he oversees. But the problems run much deeper than that. Ohio's unemployment trust fund is currently almost \$1.5 billion in the hole – near the bottom of solvency rating in the entire country. Year-over-year, Ohio's unemployment insurance trust fund has plummeted by 217 percent—moving from \$1.2 billion in the black to nearly \$1.5 billion in the red—among the sharpest declines in the nation.²

Fraud and waste threaten the solvency of the state's unemployment trust fund, a problem that has major and long-term impacts on businesses, workers, and taxpayers.

Finally, we know that food stamps have never been a more critical lifeline for the truly needy. Because so many newly unemployed and struggling Ohio residents rely on this supplemental, temporary benefit, it is imperative that the program take every option available to preserve benefits for those who rely on them. Unfortunately, that hasn't always been the case, like when an Akron woman was shown to have stolen \$140,000 in food stamps and childcare over nine years by lying to the Summit County Department of Jobs and Family Services (JFS).³

There are some voices, growing more numerous in D.C., who argue that there is no need for this practical vigilance because there is unlimited money. After all, some will say, it comes to the state for free from the printing presses at the treasury. You and I know where that money really comes from—businesses and workers trying to make it through this crisis, praying that their government is on their side, knowing that every I.O.U will be paid by our kids and grandkids. They know there are truly needy people out there, and they believe these benefits are meant for them.

Others are simply in denial that fraud and waste is a problem in these programs. There *are* many cases of outright fraud—just ask the governor. But even worse is the pervasive presence of errors that result not from malicious actors

but from weak program policies. I call it fraud by design. Unemployment in Ohio has a 12 percent improper payment rate over the last three years. Food stamp overpayments are nearly seven percent, and Medicaid nationally has a 21 percent payment error rate. Those numbers do not indicate isolated or rare instances. They indicate systemic, regular, and, frankly, intolerable waste in the programs which can least afford it.

And that's just what we know. An award winning JFS Director in Allen County said a couple years ago that he believes the rate of misuse in food stamps could reach as high as 20 percent. "I know we aren't catching it all," he said.⁴

Each provision of SB 17 helps solve the practical problems Ohio faces. And each affirms the principled approach the state should take to protect benefits programs from fraud and waste. I'd like to walk through each program and explain exactly how SB 17 accomplishes this:

Unemployment Insurance

In Unemployment Insurance, SB 17 applies some very basic principles that are best practice for benefits programs.

In **Section 4141.286** the bill simply requires that the JFS Office of Unemployment Insurance, prior to granting to unemployment benefits, check three basic data sources. Both the state and national "new hire" databases, as well as the integrity data hub or a similar data source maintained by the national workforce groups.

Section 4141.287 requires the Unemployment office to enter into an agreement with corrections to make sure they aren't giving benefits to inmates. Sounds like something that is hard to believe is a problem, but we know that Ohio had more than a thousand prisoners getting benefits not long ago and is currently dealing with hundreds of millions of dollars in fraud.⁵⁻⁶ California inmates stole more than \$1 billion in unemployment benefits in 2020.⁷ We may hear from the department that they are doing this already. Fine, if that is true that is good, so it should be put into law to prevent this outrageous fraud from happening again in Ohio.

Sections 4141.351 and 4141.60 require the Unemployment agency to collect on established overpayment cases and report on the results of these checks and anti-fraud measures annually to the legislature.

Of course, these reforms won't solve every problem. For example, Governor DeWine is not a prisoner or a new hire—unless I've missed something. But this is a good starting point to fighting fraud and preventing waste.

And they will help Ohio begin to dig out of the hole the trust fund is in so that businesses and their workers can recover with more certainty and, eventually, lower taxes.

Food Stamps (SNAP)

In the Food Stamp program, SB 17 makes common-sense changes that will protect the program for the truly needy.

In **Section 5101.331** the bill requires a photo on each electronic benefit card. The debit card, known as an EBT card, dispenses both Food Stamps and cash benefits through the Temporary Assistance for Needy Families program. EBT fraud is a common occurrence. Although some claim fraud is just "1.5 percent or less," a recent U.S. Government Accountability Office (GAO) report showed that the rate of food stamp trafficking may be as high as 6.5 percent of benefits and that retailer trafficking occurs in as much as 19 percent of retailers.⁸ Photos on EBT cards are not a silver bullet to stop fraud, but they can help.

Section 5101.545 requires that folks on food stamps report changes in their income or situation to the department. This is very common sense – program eligibility is based on income levels and household makeup, but right now Ohio's food stamp allows many changes to go unreported until the six-month or annual review. This creates the opportunity for months to go by before changes are reported.

Section 5101.546 ends the practice of Ohio using a Clinton-era food stamp loophole to ignore the liquid assets of participating households by handing them a brochure to “qualify” them and waive the asset test. Ohio has nearly 200,000 individuals gaining access to food stamps who have assets in excess of what federal law allows.⁹ Eliminating this loophole would put Ohio in the company of states like Virginia, Tennessee, or Missouri, who do not use it at all. Indiana uses it but caps liquid assets at \$5,000. Ohio is more in line with California and New York, which have no limits.¹⁰

In **Section 5101.547** SB 17 would have Ohio join nine other states, including Virginia, Michigan, and Florida, in requiring that parents cooperate with the child support agency in order to receive an adult portion of the food stamp benefit. This is an option in federal law and is quite simple—custodial and non-custodial parents must work with the child support agency to get the kids the cash they are owed, plain and simple. If they do not, then they cannot receive food stamps for themselves. No matter what the parents do, the kids still get the benefit to which they are entitled. This reform increased child support collections by 40 percent within just six months when it was implemented in Kansas in recent years.¹¹

Finally, **Sections 5101.548 and 5120.212** require JFS to report quarterly to the legislature on the number of fraud cases and referrals to the Attorney General and requires Corrections to share data with JFS for administration of the program.

While some professional welfare advocates may think program, integrity is “ludicrous,” these changes are basic, simple steps found in federal food stamp law that many other states have taken advantage of to protect a program prone to fraud and errors.

Medicaid for Able-Bodied Adults

Finally, SB 17 includes several positive reforms in the Medicaid program. As you know, this benefit, originally meant for the elderly, individuals with disabilities, and children, has been massively expanded to able-bodied adults. It is eating the Ohio budget alive. Ohio spends 38 percent of its budget on Medicaid, second highest in the country. Enrollment has doubled since 2000. One out of 4 people in Ohio are now on Medicaid, including nearly 750,000 able-bodied adults added through expansion, 58 percent of whom do not work at all. The national payment error rate is 21 percent¹²—applied to Ohio, that would amount to \$5.7 billion in improper spending in Medicaid. All while 68,000 disabled Ohio residents wait for the care they need.

SB 17 alone will not fix all of Medicaid’s problems in Ohio. Repealing Medicaid expansion would do fix more problems. But SB 17 does offer some sound solutions that can help to shelter the state from the crushing tidal wave of Medicaid spending rolling in.

Section 5163.50 is a straightforward data matching requirement that will direct the Medicaid eligibility office to use data to verify lottery winnings, deaths, change of residence, change in income, and other critical information on a monthly or quarterly basis. States have found significant usage of EBT cards outside their state, indicating non-residents on Medicaid, as well as significant lottery winners continuing to receive benefits. Reviewing these available data sets will end this misuse.

Section 5163.51 is an important section that reigns in some of the new permissions the JFS has received during the pandemic to waive certain rules and procedures. Ohio has elected to opt-in to many new federally allowed options that strip the state of Medicaid eligibility safeguards. For example, the state deemed the Medicaid agency as a “qualified entity” that can make “presumptive eligibility determinations” based on a person’s self-attestations. It also waived a public notice requirement for state plan changes. Ohio also accepts self-attestation for things like household composition. This section requires the agency to adhere to best practices and common sense, like verifying eligibility before enrollment.

In **Section 5163.52**, SB 17 attempts to limit the damage done by a Nancy Pelosi-led federal provision that requires Ohio to keep everyone on Medicaid, even after they become ineligible, for the duration of the COVID-19 health emergency. The bill will make sure the state keeps track of who would normally be eligible and who would not, and quickly move ineligible people off the caseload as soon as legally allowed. It would also require some basic reporting to the legislature on these details.

Finally, **Sections 5166.37 and 5166.45** broaden the modest Medicaid work requirement to include able-bodied adults ages 55 to 65, and it also asks the department to request several policy changes to be approved by the federal government. These changes include a lockout for those who commit fraud, eliminating Hospital Presumptive Eligibility, another prime example of fraud by design, and more frequent redeterminations for able-bodied adults.

If Ohio is in a hole right now, each section of SB 17 provides another step on the ladder out of that hole. And it will help this state recover the right way—by protecting the truly needy and their benefits by fighting waste and fraud. Your budget—and taxpayers—will thank you.

References

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⁹ <https://thefga.org/wp-content/uploads/2019/08/BBCF-paper-map-updated-8-19-1-1.pdf>

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¹¹ <https://thefga.org/wp-content/uploads/2018/03/Child-Support-Cooperation-Ending-the-Cycle-of-Dependency-3-20-18.pdf>

¹² <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicaid-and-CHIP-Compliance/PERM/PERMErrorRateFindingsandReport>