



Iowa Department of
INSPECTIONS & APPEALS

Fraud in Public Assistance Programs Report

State Fiscal Year 2020

Submitted pursuant to [House File 2643](#)

Overview

The Iowa Department of Inspections and Appeals (DIA) is pleased to submit this report regarding the State fiscal year 2020 (SFY 20) activities of the investigations division pursuant to House File 2643, which states in part:

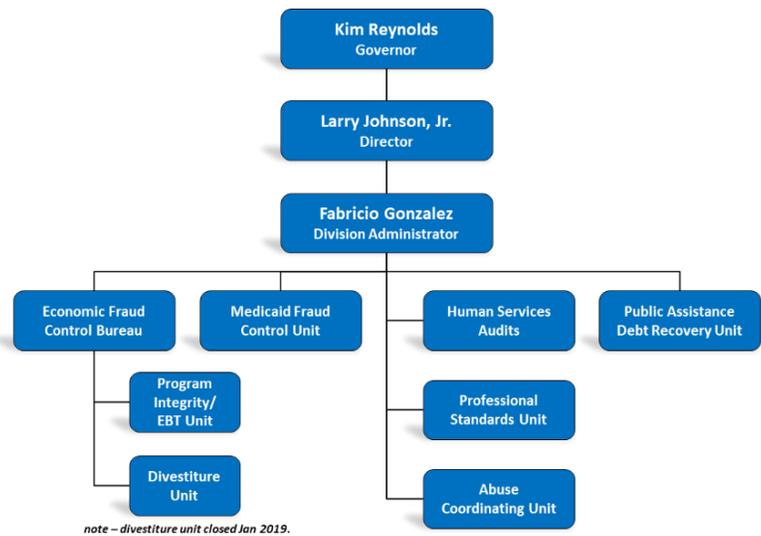
By December 1, 2020, the department, in coordination with the investigations division, shall submit a report to the general assembly concerning the division's activities relative to fraud in public assistance programs for the fiscal year beginning July 1, 2019, and ending June 30, 2020. The report shall include but is not limited to a summary of the number of cases investigated, case outcomes, overpayment dollars identified, amount of cost avoidance, and actual dollars recovered.

The division is comprised of three distinct areas:

- **Economic Fraud Control Bureau**
- **Medicaid Fraud Control Unit**
- **Public Assistance Debt Recovery Unit**

The division also operates three additional units that are included in this report for reference. As their work product does not fall within the parameters of House File 2643, they are included here to provide a comprehensive overview of the division's SFY 20 activities:

- **Abuse Coordinating Unit** – This unit is responsible for the detection, investigation, and central registry placement of dependent adult abusers in facilities and programs in Iowa, in accordance with Iowa Code Chapter 235E. The unit's goal is to protect the health, safety, and welfare of the state's most vulnerable citizens. At the close of SFY 20, the unit operated with three compliance officers.
- **Human Services Audits Unit** – This unit performs expenditure audits at local Iowa Department of Human Services (Iowa DHS) offices to determine eligibility for federal reimbursements and to ensure compliance with State and federal funding requirements. Audits are also performed at residential care facilities, nursing facilities, and intermediate care facilities for the intellectually disabled, to ensure that residents' funds are being properly maintained. The audits are used to verify that Medicaid reimbursement procedures meet all applicable government requirements. At the close of SFY 20, the unit operated with four field auditors (one in each quadrant of the state) and one executive officer.
- **Professional Standards Unit** – This unit conducts professional practice investigations on behalf of 19 different professional licensing boards under the jurisdiction of the Iowa Department of Public Health. The unit operates with two investigators.



Economic Fraud Control Bureau

In SFY 20, the Economic Fraud Control Bureau (EFCB) was comprised of two combined units: the Program Integrity Unit and Electronic Benefit Transfer (EBT) Unit. The bureau operated with 19 investigators, one executive officer, one lead investigator, one administrative assistant, and one bureau chief.

These combined units are responsible for investigating Iowa DHS' public assistance programs: Supplemental Nutrition Assistance Program (SNAP), EBT trafficking and/or misuse, Medicaid (recipients), Family Investment Program (FIP), and Child Care Assistance (CCA). In addition, staff investigate allegations related to federally-funded U.S. Department of Housing and Urban Development (HUD) programs referred from the regional housing agencies around the state.

During SFY 20, the bureau renewed a memorandum of understanding with the Iowa Department of Human Rights (DHR) to investigate referrals related to fraud within the Low-Income Home Energy Assistance and winterization programs. The bureau also conducts investigations for the Iowa Department of Revenue (IDR) to investigate false, frivolous, and fraudulent tax matters.

When required, investigators work closely with State and federal prosecutors and local law enforcement to gather evidence that may be used to prosecute individuals accused of defrauding Iowa's public assistance programs. Investigators verify the accuracy of information submitted to Iowa DHS, HUD, DHR, and IDR by the applicant, recipient, or tax filer.

In SFY 20, the bureau responded to **5,022** referrals.¹ The EFCB's investigations resulted in total savings to the State of **\$5,288,021**, comprised of \$3,156,205 in cost avoidance and \$2,131,816 in debt establishment. Of the 5,022 referrals, 4,663 (**92%**) were related to SNAP investigations.

Impacts of SNAP Investigations

A SNAP overpayment claim may be established when a recipient commits an intentional program violation (IPV) or when an inadvertent household error (IHE) occurs.

- An IPV occurs when a household member intentionally: (1) makes a false or misleading statement, or misrepresents, conceals, or withholds facts to obtain SNAP benefits that the household is not entitled to receive; or (2) commits any act that violates federal or State law relating to SNAP benefits.
- An IHE occurs when an overpayment results from a misunderstanding or unintentional error by the household member. The amount of the claim is equal to the amount of benefits overpaid due to the IPV or IHE.²

In addition to establishing a claim for an IPV, household members determined to have committed an IPV are ineligible to participate in SNAP for a period determined by the violation. A household member cannot be disqualified until an administrative law judge determines the individual committed an IPV, through an administrative disqualification hearing (ADH).

¹ Referrals are allegations of fraud or abuse related to a specific investigative unit within the division.

² SNAP allows states to keep a portion of the funds collected to repay IHE and IPV claims; retention rates are 35% for IPV claims and 20% for IHE claims. [7 C.F.R. 273.18 \(k\) \(2020\)](#).

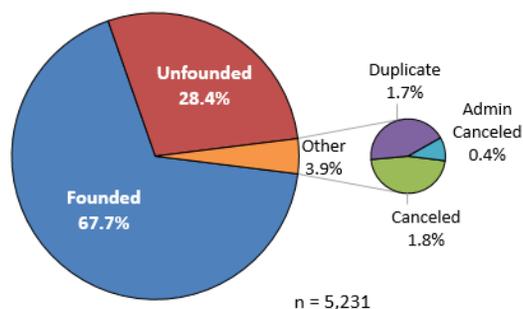
Federal regulations require the bureau and Iowa DHS to report State-specific data for SNAP to the Federal Nutrition Service (FNS) on a quarterly basis. In SFY 20, Iowa DHS disqualified **299** SNAP recipients through an ADH, which resulted in **\$1,339,534** subject to claim establishment and **\$613,477** in cost avoidance.

Cases in which EBT trafficking/misuse is found are referred by the EBT unit for an intentional program violation (IPV) on behalf of Iowa DHS. Out of the 299 IPV's reported to FNS, the EBT unit successfully disqualified **134** individuals through this process, resulting in a total savings of **\$336,251**, comprised of \$329,615 in cost avoidance and \$6,636 in debt establishment.

5,231 EFCB investigations by outcome by final case disposition

- **Founded** - 3,541 (**67.7%**) An investigation is “founded” if sufficient evidence supports the allegation(s) in the referral. A founded investigation may result in the establishment of a claim to recover the amount of benefits over-issued or the amount trafficked as well as the potential for civil and/or criminal prosecution.
- **Unfounded** - 1,484 (**28.4%**) An investigation is “unfounded” if evidence does not support the allegation(s) in the referral sufficient to affect the public assistance benefit or the information was reported to the referring agency correctly.
- **Canceled** - 96 (**1.8%**) An investigation is “canceled” when the referring agency cancels or recalls the referral prior to commencement.
- **Duplicate** - 89 (**1.7%**) An investigation is a “duplicate” (and canceled) when the referral was previously assigned to DIA investigatory personnel.
- **Administrative Canceled** - 21 (**0.4%**) An investigation is “administratively canceled” when DIA management cancels the investigation.

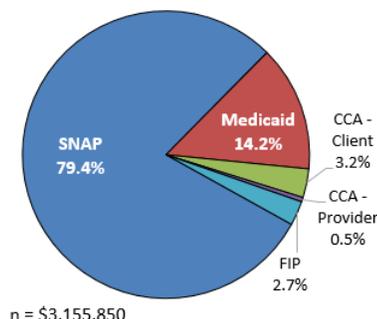
EFCB Investigations by Outcome, SFY 20



\$3,155,850 in cost avoidance by individual program

- \$2,504,543 (**79.4%**) - SNAP
- \$447,024 (**14.2%**) - Medicaid (Recipient)
- \$102,081 (**3.2%**) - Child Care Assistance (Client)
- \$15,900 (**0.5%**) - Child Care Assistance (Provider)
- \$86,302 (**2.7%**) - Family Investment Program

Cost Avoidance by Program, SFY 20



Medicaid Fraud Control Unit

At the close of SFY 20, the Iowa Medicaid Fraud Control Unit (MFCU) consisted of seven full-time employees (FTEs), consisting of four investigators, one assistant attorney general assigned exclusively to MFCU, one field auditor, and one bureau chief. The primary mission of MFCU is to maintain the integrity of the Iowa Medicaid program by conducting criminal and civil investigations involving allegations of fraud committed by Medicaid providers and fraud within the administration of the program. MFCU also conducts criminal investigations involving allegations of abuse and neglect against patients and residents receiving services within healthcare facilities that receive Medicaid funds.

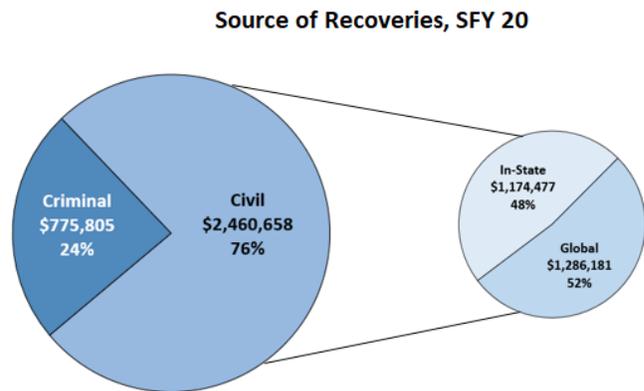
At the close of SFY 20, MFCU maintained **303** open cases consisting of 270 fraud cases (89.1%) and 33 criminal abuse/neglect cases (10.9%). The 270 fraud cases consisted of 223 multi-state civil cases assigned to the MFCU assistant attorney general and 47 criminal and in-state civil fraud cases assigned to MFCU investigators.

In SFY 20, MFCU reported recoveries totaling **\$3,005,003** as a result of criminal³ and civil cases. MFCU also recovered an additional **\$231,460** during SFY 20 as a result of global civil settlement, which was not originally reported due to a significant delay in notification of this settlement agreement. Including this recovery, MFCU recovered **\$3,236,463** as a result of criminal and civil cases in SFY 20. Civil recoveries included both global and in-state recoveries.

Global cases consist primarily of multi-state civil fraud cases that include Iowa and are resolved by settlement and litigation teams assigned by the [National Association of Medicaid Fraud Control units](#) (NAMFCU) that result in recoveries of all the participating states' shares of Medicaid dollars.

In-state civil cases consist primarily of fraud cases originating in Iowa and being resolved because of cooperation between MFCU and the U.S. Attorney offices of the Northern and Southern Districts of Iowa.

Criminal cases consist primarily of cases investigated by MFCU and prosecuted by local county attorneys throughout the state or federal prosecuting agencies. The breakdown of recovery sources during SFY 20 was predominantly global civil cases, as illustrated to the right.



Public Assistance Debt Recovery Unit

The Public Assistance Debt Recovery Unit (PADRU) initiates collections of overpayment debts owed to Iowa DHS as a result of payments made to recipients from the State's public assistance programs, including the Iowa Medicaid program, FIP, SNAP, Promise Jobs, HAWK-I, IowaCare, CCA, and Divestiture. The unit operates with two investigators, one executive officer, and one administrative assistant.

³ Criminal recoveries are defined as the total amount of money defendants were ordered to pay in criminal cases during the reporting period. Civil recoveries are defined as the total amount of money ordered to be paid from civil settlements or judgments during the reporting period.

In SFY 20, PADRU collected **\$2,553,089** in overpayments for benefits that were issued to Iowa DHS recipients in error. This represents a 22.75% decrease from SFY 19's level of collections. The total debt owed to the State at the conclusion of SFY 20 was **\$44,302**, which is an increase of \$116.972 from SFY 19.

In total, **4,049** new overpayment claims were entered into Iowa DHS' web-based overpayment recovery system (WOPR), representing a 24% decrease from SFY 19's entries. The total value of the claims entered into WOPR during SFY 20 was \$3,865,694, or approximately \$955 per claim. PADRU staff collect on these newly-established debts through a variety of methods, including repayment agreements, judgments, wage garnishment, and income tax offsets.

Looking Forward

During the last two quarters of SFY 20, COVID-19 posed some challenges to the division in its daily operations, including the reduction of overpayment collection due to the division's federal partners authorizing Iowa DHS to suspend collections, and the need to adjust field investigative operations and techniques that delayed the completion of a small number of investigations. After the deployment of personal protective equipment (PPE) to its staff, the division noticed a return to pre-pandemic normal activities.

As it navigates the new "pandemic normal," the division is committed to reducing fraud, waste, and abuse. Moving forward, the division will continue to build on its successes as well as streamline and create more efficient processes. The division will continue to collaborate with local, State, and federal partners and maximize its effort to protect the integrity of Iowa's public assistance programs.