

**FRAUD
PREVENTION
INVESTIGATIONS**

FY 01

***COST BENEFIT
ANALYSIS***

OIG 01-0268



SEPTEMBER 2001

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The FPI program's success has been the result of the cooperation of the Office of Inspector General, Department of Human Services local offices and the private contractor.

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In five years, the FPI program has proven its value to help ensure the integrity of public assistance programs in Illinois and, what is more important, increased savings for the taxpayers of Illinois.

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EXECUTIVE SUMMARY

The Fraud Prevention Investigations (FPI) program targets error-prone public assistance applications containing suspicious information or meeting special criteria for pre-eligibility investigation. The program is administered through twenty-three Cook County Illinois Department of Human Services (DHS) local offices and the program's goal is to prevent ineligible persons from receiving welfare benefits, thereby saving tax dollars.

The Bureau of Investigations (BOI) calculated the estimated net savings at more than \$8.6 million for all assistance programs – Temporary Assistance for Needy Families (TANF), Medicaid and food stamps. Substantial savings are derived from this program and are shared between the Department of Public Aid (DPA) (Medicaid 51%) and DHS (TANF/Food Stamp 49%) programs. Generating 4,000 investigations, the program identified 2,273 cases that were either reduced, denied or canceled. The program's estimated total net savings have reached nearly \$31.4 million, since its inception in fiscal year 1996 (see Appendix A, page 6).

OVERVIEW

The FPI program's success has been the result of the cooperation of the Office of Inspector General (OIG), DHS local offices and the contractor. The program's focus is to detect and prevent fraud in TANF, Medicaid and food stamps during the application process. The contractor has conducted the fraud prevention investigations in Cook County since the program's implementation in fiscal year 1996.

The OIG and DHS' Division of Community Operations developed error-prone referral criteria used by local office staff to identify applications for referral to the FPI program. The criteria was revised, effective with fiscal year 2001 referrals.

Local office intake staff sends referrals by inter-office mail or FAX to the BOI's Cook County office (see Appendix B, page 7). The FPI contract monitor, a BOI employee, reviews the referral the same day it is received and determines if it warrants investigation. If it does not warrant further review, the monitor discusses the reasons with the DHS local office staff. If the referral does warrant investigation, the case and referral information is entered into the FPI database. The contractor then retrieves the case by electronic link to the FPI database, and the completed investigation report is returned to BOI in the same manner.

The contractor must complete its investigation within five days for food stamp applications and eight days for TANF and Medicaid applications, which demands prompt decisions on whether to approve or deny benefits to applicants. The time frames help the state act quickly to prevent benefits being paid to persons who are not eligible, which is the FPI program's goal.¹

Generally, each investigation includes a visit to the applicant's home and, whenever possible, an interview with the applicant or other household members. The investigation also may involve contacts with employers, landlords, neighbors, school officials and others to get reliable, timely and pertinent information.

The contract monitor reviews the completed report to decide if the investigation was satisfactory, examining it for timeliness, facts, findings and supporting documentation. The monitor makes recommendations as to whether the application should be approved or whether benefits should be denied or reduced. The report with a recommendation is sent to the DHS local office Assistant Local Office Administrator (ALOA), who makes the eligibility determination.

BOI staff works closely with DHS local offices and the contractor's employees to ensure quality and efficiency. BOI staff make outreach visits to talk with DHS intake administrators and local office staff

¹Applications are sometimes approved but are subsequently canceled immediately after the investigation.

to answer questions and address concerns. Out of the 4,000 cases investigated there were five complaints against the contractor from clients. Each complaint was reviewed by the BOI and the contractor. All issues identified by the complaints were quickly addressed and resolved.

COST BENEFIT ANALYSIS

The savings realized by the project must be weighed against the costs of operating the program. The net savings represent the denial, reduction or cancellation of TANF, Medicaid and food stamp benefits. By subtracting the costs paid for administrative and contract expenses, the net savings realized from the FPI program has been calculated at \$8,629,350 for fiscal year 2001.

Costs associated with the project include department staff salaries, fringe benefits, travel expenses, indirect costs and the contract with the private firm. Two full-time Department professional staff members worked on the project and one temporary clerical, who did data entry and routed reports. The combined BOI staff salaries, benefits and travel amounted to \$178,892.

During fiscal year 2001, the same information was used as last fiscal year to determine DHS' administrative costs for the FPI program. DHS local office intake staff spent an estimated 30 minutes per case and local office administrative staff spent an estimated three minutes, determining if they should refer a case to the contractor monitor.² Using the amount of time devoted to each case, it was calculated that local office administrative and staff salaries, fringe benefits and indirect costs totaled \$59,563. The BOI and DHS administrative costs for the program in fiscal year 2001 totaled \$238,455.

During fiscal year 2001, there were 4,000 cases referred to the contractor at the rate of \$165 per investigation. A total of 3,988 satisfactory investigations were paid and twelve cases were deemed unsatisfactory. Total contractor costs amounted to \$658,020 for fiscal year 2001.

Project benefits were calculated on case information from DHS local offices. Of the total 4,000 cases investigated, 2,273, or 57%, led to negative action – cases denied or public assistance benefits reduced or canceled. In fiscal year 2001, reduced accounted for 30% of the negative action, as compared with only 2% in fiscal year 2000. The increase in reduced cases in fiscal year 2001, is attributed to the referral of applicants who were applying for additional benefits. The reduction or denial of cases were typically applications for TANF and/or food stamps, since the clients were already receiving medical assistance.

The cases with negative actions were categorized by the assistance program. A total of 3,888 persons were denied assistance; while 2,185 persons were canceled or had their assistance reduced. The total

²The source is a 01/26/99 Inter-Office memorandum from James Dimas, DHS to Lauren Page, OIG.

percentage of savings by assistance programs was: Medicaid (51%), TANF (23%), Food Stamps (26%).

Using information from DHS' Bureau of Research and Analysis, BOI calculated the average monthly benefit per person per program(s) applied for. The rate was then multiplied by the number of clients in negative action cases per program by six months. The calculation produced \$8,629,350 in public assistance net savings that would have most likely been paid if the FPI program had not conducted the investigations.

The six-month multiplier was used in the calculation for two reasons. The federal Internal Revenue Service uses six months in its cost analysis of public assistance. Other states operating programs similar to the FPI program also use six months. In June 1999, the OIG's Fraud Science Team (FST) conducted an analysis of the FPI program and recommended that the cost benefit should be calculated using twelve months. However, BOI preferred to use the more conservative six-month multiplier to calculate cost benefits.

In some instances, cases were referred more than once for investigation. Clients who had benefits reduced or their application denied the first time reapplied. It was possible that the second referral could have resulted in a reduction of benefits or denial again. However, every case was examined and the cost benefit for the first referral did not overlap the calculated cost benefit for the second referral.

SUMMARY

The FPI program has expanded and matured since its introduction in fiscal year 1996. All twenty-three DHS local offices in Cook County participate in the FPI program.

The program's estimated total net savings have reached nearly \$31.4 million since its inception in fiscal year 1996. The FPI program continues to prove its value to help ensure the integrity of public assistance programs in Illinois and, what is more important, increased savings for the taxpayers of Illinois.

Fraud Prevention Investigations
Cost Benefit Analysis
01-0268

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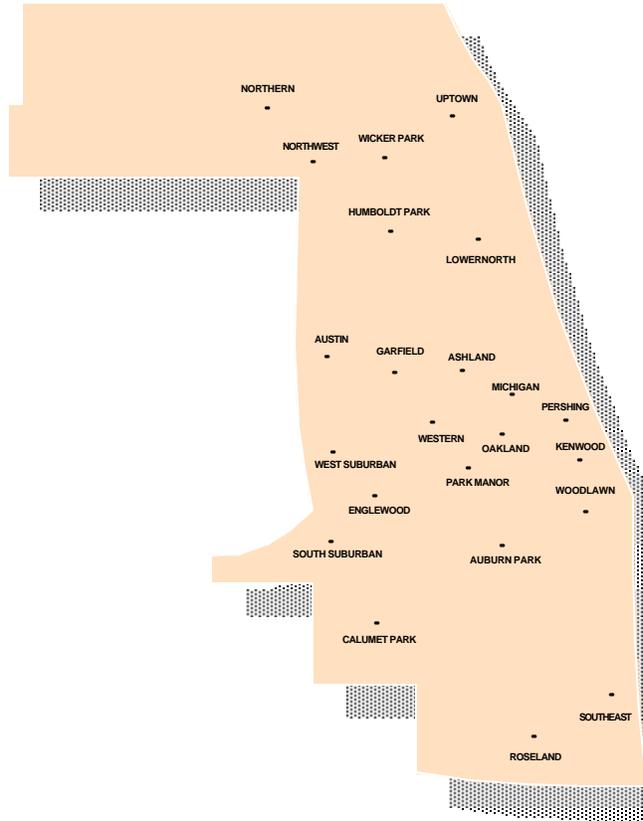
www.state.il.us/agency/oig

Appendix A

Results of prior FPI Programs by Fiscal Year.							
	FY 96	FY 97	FY 98	FY99	FY00	FY01	TOTAL
# of completed investigations	737	1,493	1,493	1,766	3,913	4,000	13,402
# of cases denied eligibility	515	885	896	956	1,742	1,466	6,460
# of cases with reduced benefits	12	13	7	21	32	678	763
# of cases canceled	9	45	62	115	264	129	624
Overall % of cases with negative actions	73%	63%	65%	62%	52%	57%	59%
Gross Savings / Medicaid	\$950,123	\$1,990,188	\$2,189,898	\$2,691,685	\$5,257,967	\$4,842,697	\$17,922,558
Gross Savings / Financial & Food Stamp Assistance	\$1,097,232	\$1,945,107	\$2,216,187	\$2,259,770	\$4,289,480	\$4,683,128	\$16,490,904
Total Gross Savings	\$2,047,355	\$3,935,295	\$4,406,085	\$4,951,455	\$9,547,447	\$9,525,825	\$34,413,462
Administrative Costs & Contract Cost of Program	\$210,986	\$302,182	\$309,212	\$408,530	\$823,127	\$896,475	\$2,950,512
Net savings and cost avoidance	\$1,836,369	\$3,633,113	\$4,096,873	\$4,542,925	\$8,724,320	\$8,629,350	\$31,462,950
Amount Saved For Every \$1.00 Spent On FPI Program:	\$9.70	\$13.02	\$14.25	\$12.12	\$11.60	\$10.63	\$11.66
Number of Local Offices participating	5	12	12	23	23	23	

Appendix B

L.O. NAME:	#	# OF REFERRALS:
WESTERN	201	719
MICHIGAN	202	146
OAKLAND	203	180
UPTOWN	204	11
PARK MANOR	205	6
KENWOOD	206	286
ASHLAND	207	29
ENGLEWOOD	208	273
WOODLAWN	212	27
CALUMET PARK	213	133
GARFIELD	215	171
WICKER PARK	217	271
SOUTHEAST	218	276
SOUTH SUBURBAN	226	72
LOWER NORTH	228	224
WEST SUBURBAN	229	70
HUMBOLDT PARK	231	64
AUBURN PARK	232	96
NORTHERN	233	196
AUSTIN	234	114
PERSHING	235	46
ROSELAND	236	214
NORTHWEST	237	376
TOTAL:		4,000



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