

## Issue Brief

# Beyond Traditional Eligibility Verification

How Data and Analytics Can Reduce Fraud and Deliver Better Program Compliance

*With already-limited funding for critical programs and resources being stretched thinner than ever, governments are leveraging alternative products and services to help combat fraud, optimize processes and work smarter.*

It is an unfortunate reality. Each day, government agencies that are struggling with limited funding and resources also are subjected to fraudsters who are diverting hundreds of millions of dollars from public assistance programs. Fortunately, new tools exist to make eligibility verification more accurate, more efficient and more relevant while remaining compliant with policy.

Much of the new federal funding for upgrading eligibility systems is aimed at leveraging advanced technologies to modernize antiquated eligibility verification systems. By simply incorporating third-party data and analytics into established processes and infrastructure, agencies immediately gain improved insight for efficient decision making. Tools can authenticate a person's identity online, verify an address and validate one's income and assets — providing a full, real-time view of an applicant so funds go to those who need them most and stay out of the hands of fraudsters or those who are otherwise not eligible. Countless entitlement programs, including the Supplemental Nutrition Assistance Program, Temporary Assistance to Needy Families and Medicaid, can benefit from these new tools, which go beyond traditional processes and assets to ensure the accuracy of eligibility while increasing efficiency.

In this Issue Brief from GOVERNING, we will discuss the innovative tools and techniques that are enabling state agencies to rapidly authenticate individual identities and understand applicants more thoroughly. We'll also show you how they can make a difference in your organization's programs today.

**Innovative solutions and techniques are enabling government agencies to rapidly authenticate individual identities and understand public-assistance applicants more thoroughly.**

## Making Better Decisions

There will always be people who are in need of public assistance. Given that fact, state governments will always play the crucial role of best evaluating initial and ongoing eligibility for government programs and benefits. Unfortunately, an alarming trend is creating substantial losses for individuals and agencies alike. By submitting false documentation or qualifying for programs under false conditions, individuals are committing eligibility fraud in rapidly increasing amounts. Not only does this rob qualified candidates of important benefits, but rampant fraud, waste and abuse can drain precious agency resources as well.

Through The Patient Protection and Affordable Care Act, federal funding is now available to states for upgrading their verification and eligibility systems. States are now using this opportunity to incorporate the latest technology into their processes.

In addition, with the right tools, agencies can easily cross-reference application information against existing government data and third-party sources for enhanced fraud prevention.

## Defining the Problem

These days, newspaper headlines regularly describe how fraudsters are diverting hundreds of millions of dollars from public assistance programs. In fact, an April 2012 study by a RAND Corporation analyst and former Centers for Medicaid and Medicare administrator estimated that fraud and abuse cost Medicare and Medicaid as much as \$98 billion in 2011.<sup>1</sup>

A recent GOVERNING Institute survey of 150 state and local government leaders also highlights the prevalence of fraud across government agencies. According to the survey, 67 percent of respondents said they were either concerned or very concerned about fraud affecting their organizations and the programs they steward. Additionally, 46 percent of respondents said that fraud was an inherent potential problem in every corner of government.<sup>2</sup>

The challenges around identity proofing further increase as state agencies provide citizens with greater access to programs online. These challenges include:

- Fraud rings
- Syndicates
- Ill-intentioned individuals

All of the above factions continue to find ways to electronically misrepresent their identity or their conditions to improperly access government benefits.

State agencies also face complexities in existing federal, state, county and municipal eligibility programs:

- Complex federal program rules on eligibility and stark differences in state and local policies easily can lead to inaccurate eligibility determinations and improper rewards
- Eligibility complexities can pose significant barriers to access for individuals who qualify for public assistance

In addition, because many government programs require individuals to qualify on more than one occasion, reverification of applicants poses yet another challenge to ensure ongoing eligibility verification. Only by ensuring beneficiaries are reverified regularly can state departments truly ensure program integrity.

The need to effectively address these benefit-distribution challenges is the reason to go beyond the traditional methods of eligibility verification. Innovative tools based on data and analytics provide the ability for state agencies to create efficiencies and better combat fraud simultaneously. By reducing waste in government, agencies help curb federal debt and salvage state budgets.

## Knowing Your Benefits Recipient

To this end, an increasing number of state agencies are preventing, detecting and mitigating identity theft with advanced data, robust authentication processes, and decisioning products and services to stop individuals from immediately and improperly accessing government benefits.

Using a single decisioning platform, state agencies can integrate data from multiple sources and optimize decision making to suit their specific needs. By relying on a comprehensive, single system, users can automatically authenticate identities and validate applicant data. This real-time process allows an agency to quickly screen all applicants, moving forward with the ones who are successfully validated and investigating only the ones where data cannot be validated.

More state agencies are discovering the value of screening and cross-checking applications using a combination of sophisticated challenge-response questions and decisioning technology. Together, these tools provide an impactful risk-management and authentication system in a single service.

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Modeled income data also can serve as an identity screening and cross-check tool that assesses an applicant's stated income and provides valuable insight into his or her complete financial picture. Having this capability up front improves decision making when it matters most. In a recent test conducted by industry experts, an income information comparison detected that 20 percent of individuals enrolled in a state's Medicaid program actually made more than the state's required salary limit.

Verification of contact information through multiple third-party data sources provides a more current and accurate picture of the applicant. Furthermore, validating data through multiple third-party data sources via a single system or point of application enables greater efficiencies and ease of detection. Beyond this, there also are turnkey services available that can deliver identity verification, income and asset information, and fraud risk modeling — to name only a few.

Together, these tools and services deliver a number of key benefits:

- Identifying discrepancies in application information that can be flagged immediately for further investigation
- Tracking and monitoring applicant profiles in real time for changes that might influence eligibility
- Gaining flexible, real-time access to multiple data sources for smarter decision making
- Replacing old processes with new data and analytics to provide a next-generation approach to verification

## Four Steps to Solving the Problem

With limited resources and high levels of fraud in benefits programs, state agencies can't afford to ignore today's new crop of eligibility verification tools. That's especially true as federal funding for new digital services creates a perfect opportunity to enhance eligibility systems and infrastructure. Luckily, getting started on a modernization plan doesn't have to be complicated. Here are four key steps to help reduce fraud and improve program compliance.

### 1. Understand the current process, what data is leveraged and how.

State agencies are facing a data deluge. The good news is that, with the right tools, end users can sift through large amounts of data and see it in a meaningful way in order to gain unprecedented insight into benefit applicants. Tools that allow interactive questions, provide advanced analytics and contain decision-engine technology can provide thorough identity proofing. By detangling data streams and uniting them in a single repository of both internal and external data, government leaders can begin the process of understanding their constituents and offering better customer service while simultaneously identifying inconsistent information and immediately flagging fraudsters.

### 2. Understand what available data sources exist.

A state agency's ability to detect fraud is typically commensurate with the amount of data it can access. Consider the power of cross-referencing the information an applicant provides against socio-demographic, income and financial data. Eligibility verification tools that incorporate multiple data sources, from internal information to third-party data, are far more likely to detect inconsistencies and catch fraudsters in real time. It's critical to leverage only high-quality data from dependable sources. Databases for auto ownership, property ownership, credit inquiries and demographics, for example, can be key references to check against.

## Recommendations for better decision making

- Use scores, models and screening questions to assess a beneficiary's true identity or level of identity fraud risk.
- Use income and asset estimation models to compare with stated income as a validation step in determination of benefits eligibility.
- Create a single system for automatic identification and verification of beneficiaries and businesses applying for service.
- Tighten controls around business identity to weed out fraud rings, syndicates and other forms of business fraud.

### 3. Determine where additional data assets could result in better decisioning.

The depth and breadth of data a state agency leverages can have a significant impact on its ability to prevent losses caused by identity fraud. However, knowing precisely where additional data, such as credit history and asset information, is needed can lead to better decision making around eligibility verification. By carefully examining the role data plays in determining an applicant's eligibility for a particular program, and ensuring the right data sources are accessible, a state agency can significantly enhance its ability to decide who does — and doesn't — truly qualify for public assistance.

### 4. Seek out available funding for eligibility improvement and better return on investment.

The federal government is taking sweeping steps to fund new and improved eligibility systems and leveraging progressive and innovative data and analytics offerings. For state agencies, it is a rare opportunity to be able to take advantage of federal funding in order to ensure that those who need help most are receiving it swiftly and efficiently. These new funding sources allow states to improve eligibility verification service infrastructure and to start leveraging unique and verifiable third-party information along with the use of a multilayer approach to verification — going well beyond traditional eligibility verification products and services.

## Conclusion

State agencies' budgets are tight. Losing funds and precious resources to fraud is a frustrating ordeal for taxpayers and agency officials alike. With that in mind, government agencies are turning to advanced data and analytical tools to widen the breadth and depth of information they are working with to best upgrade eligibility systems. Income and asset information, identity and address verification, risk modeling and client-specific decisioning criteria are all tools that provide a full view into an application so funds go to those who need help the most — and stay out of the hands of fraudsters or those who are otherwise not eligible. When government agencies use new data and methods to go beyond traditional eligibility verification, fraudsters are thwarted, eligible applicants receive greater service and state agencies reduce waste while improving efficiencies.

## Endnotes

1. "Eliminating Waste in US Health Care," Donald M. Berwick and Andrew Hackbarth, [http://www.rand.org/pubs/external\\_publications/EP201200117.html](http://www.rand.org/pubs/external_publications/EP201200117.html)
2. "Fighting the New Fraud: Survey Insights from the GOVERNING Institute," GOVERNING Institute, November 2012



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