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Lives

REPORT TO THE LEGISLATURE

Improvement Efforts Regarding Potential Overpayments and Program Integrity Efforts in the Working Connections Child Care Program

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**Report to the Legislature:
Improvement Efforts Regarding Potential Overpayments and Program Integrity Efforts
in the Working Connections Child Care Program
April-June 2017**

Introduction

ESSB 6052¹ requires the Department of Social and Health Services (DSHS) and Department of Early Learning (DEL) to provide updates on efforts to reduce overpayments in the Working Connections Child Care subsidy program (WCCC). This report covers the period: April – June 2017.

Current Prioritization and Continuous Improvement Efforts

DSHS Community Services Division (CSD) childcare eligibility determination staff and DEL staff identify potential overpayments to clients and childcare providers and refer to the DSHS Office of Financial Recovery (OFR) to establish and collect the debt owed to the state.

DSHS OFR currently prioritizes the oldest cases first to prevent the statute of limitations from becoming a bar to collection, and because collection becomes less likely as cases age. DSHS reviews each case to determine whether the evidence supports an overpayment.

It is important to note there is a distinct process for investigation of fraud and associated potential overpayments: DSHS and DEL staff make referrals to the DSHS Office of Fraud and Accountability (OFA) when it appears fraud may have occurred. OFA investigates and refers for prosecution as appropriate. At the request of OFA, CSD and DEL do not establish overpayments in cases that the agencies sent to OFA for fraud. This is to prevent the attempt to collect these debts civilly while OFA is pursuing them criminally.

CSD and DEL work with OFR and OFA to assess periodically whether other prioritization methods are likely to increase collections and deter fraud.

Potential Overpayments

During this reporting period, CSD decreased the total number of potential overpayment backlog by 3,951 cases and continued to process the incoming work. CSD wrote 4,659 overpayments, with an average overpayment amount of \$2,020.76.

Quarter	Cases Reviewed	Cases with Potential Debt Referred to OFR
Oct-Dec 2016	5027	2629 (\$4.1 M)
Jan-Mar 2017	7269	5215 (\$9.5 M)
Apr-Jun 2017	7281	4659 (\$9.3 M)

The remaining backlog of potential overpayments, defined as cases awaiting review or in the review process for greater than 60 days after a discrepancy is noted, is 1,434.

Note that not all potential debt is collected. The debt does not become collectable until OFR notifies the provider of their right to an administrative hearing. Typically, the administrative hearing process

reduces the potential debt by about one third. Once a debt is established, OFR is able to offset current provider payments by up to 25 percent to recoup the debt if the provider is unwilling to make voluntary payments. Less common collection remedies include property liens and garnishments against provider funds held by third party asset holders, most often bank accounts. OFR ultimately collects about 67 percent of the established debt.

Additional Program Integrity Efforts

DSHS and DEL are in the process of developing additional internal controls recommended by SAO that will reduce the potential for employee unintentional error, client and provider mistakes, and fraud.

These controls include:

- Pre-authorization review of cases that are either: (1) high risk for employee or client/provider mistakes; or (2) very high cost, where the financial consequences of error are high;
- Develop and implement a payment review process (PRP) by the Division of Program Integrity similar to that used for the Basic Food program; and
- Rule changes, staff training, IT changes, and desk aids to increase the accuracy of staff verification of the household composition and other eligibility requirements of applicant families.

In addition to the fraud reporting training, DEL has further developed an agency suspected fraud policy and a reporting process identifying program violations to address provider errors that result in overpayments but may not rise to a fraud finding. This process has been well received by DSHS OFA and currently in bargaining with the SEIU 925 before full implementation.

For January through June 2017, DEL referred 17 cases to OFA for suspected fraud and questioned amounts of over \$82,000. The referrals came from DEL's Licensing and Quality Assurance units.

DEL has also implemented risk-based fraud detection methods. This includes expanding provider audits based on criteria developed from data analysis of provider payments.

DEL and DSHS will be providing several reports to the legislature in the 2017-2019 biennium on the progress of these and related efforts.

¹ Section 207(1)(d) ESSB 6052, the 2015-2017 Economic Services Administration Budget

(d) \$426,750,000 of the amounts in (a) of this subsection are provided solely for the working connections childcare program under 16 RCW 43.215.135. The amounts provided in this subsection (d) are provided conditioned on the department of social and health services and the department of early learning taking additional actions to identify and reduce the backlog of overpayment cases related to public assistance programs, including the working connections childcare program. The departments shall collaborate and create a plan to triage overpayment cases in a manner that identifies and prioritizes cases with large overpayments and likelihood of fraudulent activity. The departments shall provide a quarterly report to the appropriate policy and fiscal committees of the legislature detailing the specific actions taken as a result of this subsection (d).