



Iowa Department of
INSPECTIONS & APPEALS

FRAUD IN PUBLIC ASSISTANCE PROGRAMS REPORT

STATE FISCAL YEAR 2021

Submitted pursuant to House File 867

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Overview

The Iowa Department of Inspections and Appeals is pleased to submit this report regarding the State fiscal year 2021 (SFY 21) activities of the investigations division pursuant to [House File 867](#), which states in part:

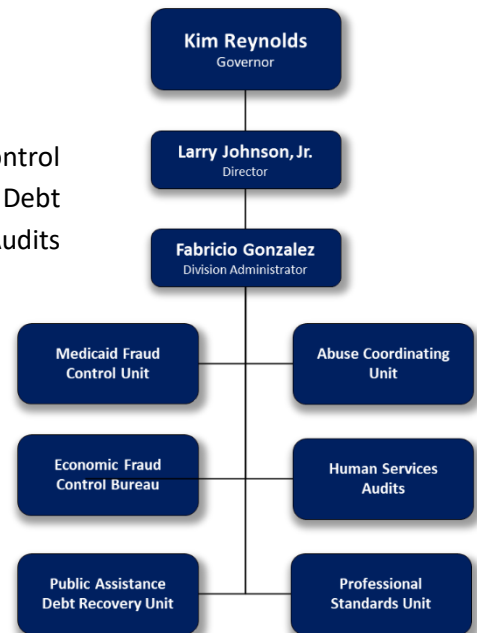
By December 1, 2021, the department, in coordination with the investigations division, shall submit a report to the general assembly concerning the division’s activities relative to fraud in public assistance programs for the fiscal year beginning July 1, 2020, and ending June 30, 2021. The report shall 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.

Organization

The division is comprised of six distinct areas: the Economic Fraud Control Bureau, the Medicaid Fraud Control Unit, the Public Assistance Debt Recovery Unit, the Abuse Coordinating Unit, the Human Services Audits Unit, and the Professional Standards Unit.

As the work product of the Abuse Coordinating Unit, the Human Services Audits Unit, and the Professional Standards Unit does not fall within the parameters of House File 867, a summary of their responsibilities is included here to provide a comprehensive overview of the division’s SFY 21 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.
- **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.
- **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.



Economic Fraud Control Bureau

The bureau is primarily responsible for investigating the Iowa Department of Human Services’ public assistance programs, including the Supplemental Nutrition Assistance Program (SNAP); Electronic Benefit Transfer (EBT) card trafficking and/or misuse; Medicaid recipients; the Family Investment Program; and Child Care Assistance.

The bureau further investigates allegations related to federally funded U.S. Department of Housing and Urban Development programs referred from regional housing authorities.

The bureau also contracts with State agencies to conduct investigations on their behalf, including:

- **Iowa Department of Human Rights** to investigate fraud within the Low-Income Home Energy Assistance Program.
- **Iowa Department of Revenue** to investigate fraud related to tax matters.
- **Iowa Finance Authority** to investigate fraud within the Iowa Eviction and Foreclosure Prevention Program and the Iowa Rent and Utility Assistance Program.
- **Iowa Workforce Development** to investigate fraud within the Unemployment Compensation Program.

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.

In SFY 21, the bureau responded to **4,966** referrals.¹ Corresponding investigations resulted in total savings to the State of **\$5,034,141**, illustrated in Figure 1.

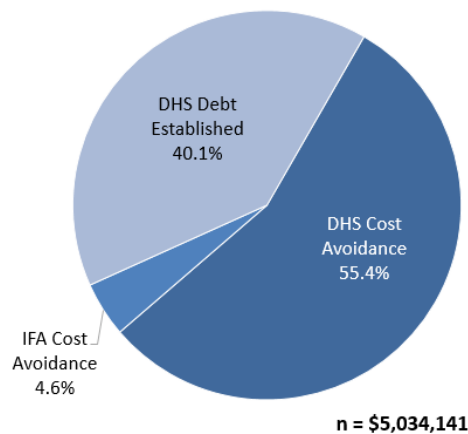


Figure 1. EFCB captured savings by type, SFY 21

SNAP INVESTIGATIONS

Of the 4,966 referrals received by the bureau during the fiscal year, **96%** were related to 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.

INTENTIONAL PROGRAM VIOLATION

An IPV occurs when a household member intentionally:

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

- 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
- Commits any act that violates federal or State law relating to SNAP benefits.

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.

INADVERTENT HOUSEHOLD ERROR

An IHE has occurred 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

Federal regulations require the bureau and DHS to report state-specific SNAP data to the U.S. Department of Agriculture Food and Nutrition Service (USDA-FNS) on a quarterly basis.

In SFY 21, Iowa DHS disqualified **233** SNAP recipients through an administrative disqualification hearing, which resulted in **\$975,110** in claim establishment and **\$493,272** in cost avoidance.

INVESTIGATIVE OUTCOMES

The bureau closed **5,024** investigations during SFY 21, as illustrated in Figure 2.

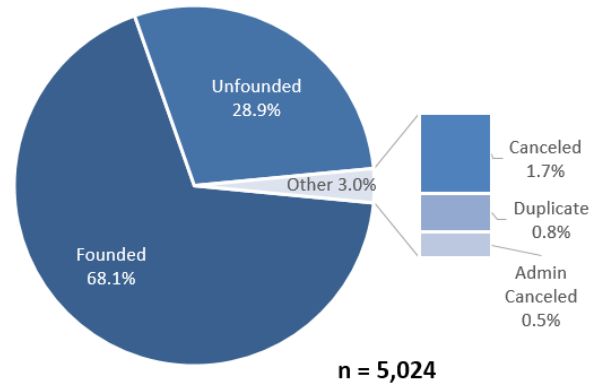


Figure 2. EFCB Investigative Outcome by Type, SFY 21

FOUNDED (3,421)

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 (1,450)

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.

OTHER (153)

- Canceled (85) – The referring agency cancels or recalls the referral prior to commencement.

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 \(k\) \(2020\)](#).

- Duplicate (41) – The referral was previously assigned to DIA investigatory personnel.
- Admin Canceled (27) – DIA management administratively cancels the investigation.

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 233 IPVs reported to USDA-FNS, the unit successfully disqualified **75** individuals through this process, resulting in a total savings of **\$159,732**, comprised of \$156,318 in cost avoidance and \$3,414 in debt establishment.

TOTAL COST AVOIDANCE

As a result of the bureau’s investigative work, the State recognized **\$2,791,069** in total cost avoidance for SFY 21. A breakdown of cost avoidance by program is illustrated in Figure 3.

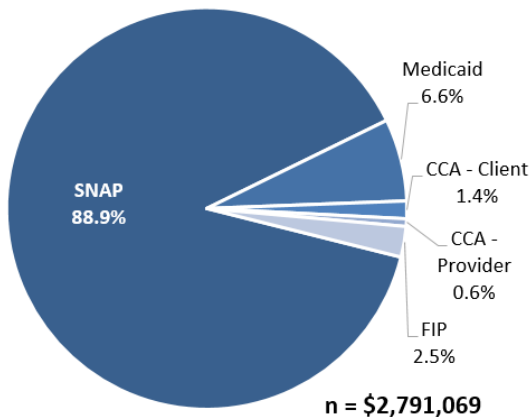


Figure 3. Cost Avoidance by Program, SFY 21

Medicaid Fraud Control Unit

The mission of the Medicaid Fraud Control Unit (MFCU) is to maintain the integrity of the Iowa Medicaid program and the provision of Medicaid services by investigating allegations of fraud committed against the Iowa Medicaid program, fraudulent activities, and patient abuse pertaining to the provision of Medicaid goods and services.

At the close of SFY 21, MFCU maintained **314** open cases consisting of 287 fraud cases (91.4%) and 27 patient abuse cases (8.6%).

The 287 fraud cases consisted of 230 multi-state civil cases assigned to the MFCU assistant attorney general and 57 criminal and in-state civil fraud cases assigned to MFCU investigators.

In SFY 21, MFCU reported recoveries totaling **\$1,763,462** as a result of criminal and civil cases.

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](#) 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 by federal prosecuting agencies.

The breakdown of recovery sources during SFY 21 was predominantly global civil cases, as illustrated in Figure 4.

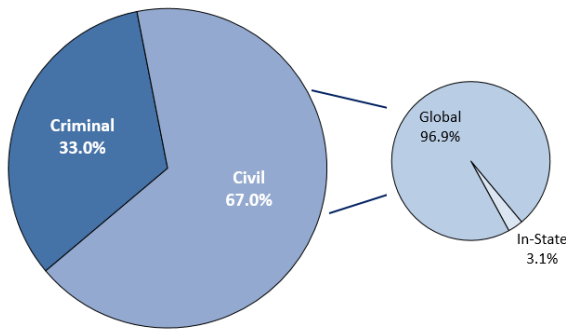


Figure 4. Source of MFCU Recoveries, SFY 21

In SFY 21, PADRU collected **\$3,356,506** in overpayments for benefits that were issued to Iowa DHS recipients in error. The total debt owed to the State at the conclusion of SFY 21 was **\$43,462,997**.

In total, **2,279** new overpayment claims were entered into Iowa DHS' web-based overpayment recovery system (WOPR). The total value of the claims entered into WOPR during SFY 21 was **\$3,649,169** or approximately \$1,601 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

The division remains committed to reducing fraud, waste, and abuse in the state's public assistance and benefit programs, and will continue to collaborate with local, State, and federal partners to protect the integrity of Iowa's public assistance programs.

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.

Programs include the Medicaid program, Family Investment Program (FIP), Supplemental Nutrition Assistance Program (SNAP), Promise Jobs, HAWK-I, IowaCare, Child Care Assistance, and Divestiture.

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