

Electronic Benefit Transfer (Bridge Cards) Efforts to Reduce Inappropriate Use

(FY 2022 Appropriation Act - Public Act 87 of 2021)

February 15, 2022

Sec. 672. (1) The department's office of inspector general shall report to the senate and house of representatives appropriations subcommittees on the department budget, the senate and house fiscal agencies, and the senate and house policy offices by February 15 of the current fiscal year on department efforts to reduce inappropriate use of Michigan bridge cards and food assistance program trafficking. The department shall provide information on the number of recipients of services who used their Michigan bridge card inappropriately and the current status of each case, the number of recipients whose benefits were revoked, whether permanently or temporarily, as a result of inappropriate use, and the number of retailers that were fined or removed from the electronic benefit transfer program for permitting inappropriate use of the cards. The report shall also include the number of Michigan bridge card trafficking instances and overall welfare fraud referrals that includes such information as the number of investigations completed, fraud and intentional program violation dollar amounts identified, the number of referrals to prosecutors, the number of administrative hearing referrals and waivers, and the number of program disqualifications imposed. The report shall distinguish between savings and cost avoidance. Savings include receivables established from instances of fraud committed. Cost avoidance includes expenditures avoided due to front-end eligibility investigations and other preemptive actions undertaken in the prevention of fraud.

(2) If a fourth Michigan bridge card has been issued in a 12-month period, the department shall notify the household that they have reached the number of issued cards threshold. At their fifth and each subsequent card replacement request, a card will not be issued until the recipient has spoken directly to the local office district manager or county director. The district manager or county director may issue a new Michigan bridge card under their authority based on their assessment of the recipient's situation and explanation.

(3) As used in this section:

(a) "Food assistance trafficking" means the buying and selling of food assistance benefits for cash or items not authorized under the food and nutrition act, 7 USC 2036.

(b) "Inappropriate use" means not used to meet a family's ongoing basic needs, including food, clothing, shelter, utilities, household goods, personal care items, and general incidentals.



Electronic Benefit Transfer (EBT) (Bridge Cards)

Efforts to Reduce Inappropriate Use

MICHIGAN EBT

EBT is the current method used by the Michigan Department of Health and Human Services (MDHHS) to provide clients with food and cash assistance. Clients are issued a card when they become eligible for food and/or cash assistance. In Michigan, the EBT card is called a Bridge Card.

Approximately 9,600 retailers and 8,100 ATMs are available for Bridge Card use within the state.

OFFICE OF INSPECTOR GENERAL (OIG)

The OIG is the criminal justice agency within MDHHS providing program integrity services. OIG agents provide investigation and advisory services to ensure appropriate and efficient use of available public resources. Within the OIG there are three divisions: Integrity (Medicaid providers), Enforcement (recipients/vendors and non-Medicaid providers) and Operations (Administrative, Investigative Analytics and Policy & Training). OIG agents and their managers are strategically located throughout Michigan to assist MDHHS in maintaining integrity and accountability in the administration of all its programs.

The OIG Enforcement Division tracks and investigates illegal Bridge Card use by MDHHS clients. Through data sharing and advanced analytics, OIG analysts and agents conduct sophisticated anti-trafficking efforts in the food assistance area.

Food Assistance Program (FAP) trafficking is the buying and selling of food assistance benefits for cash or items not authorized under the Food and Nutrition Act of 2008. Some examples of retailer and client food assistance trafficking are:

- The selling of food assistance benefits for cash at less than face value.
- Purchasing food assistance benefits for cash at less than face value.
- Allowing purchases of unauthorized items such as tobacco, alcohol, lottery tickets or other methods of gambling.
- Soliciting the sale or purchase of a Bridge Card with food assistance benefits through social media portals.
- Purchasing containers with deposits, dumping/discarding the product, and then returning the containers to obtain cash refund deposits.
- The exchange of food assistance for contraband such as drugs or weapons.

In addition to trafficking, it is a violation of state law to allow an individual access to cash benefits via a Bridge Card at casinos, horse racing tracks, liquor stores, or adult entertainment establishments. Individuals who violate the FAP and cash assistance program rules may be disqualified from the program, fined, imprisoned, or all three; *and* are required to pay back benefits they received illegally.

The OIG uses multiple data sources, including MDHHS recipient and EBT databases, as well as United States Department of Agriculture's Food and Nutrition Service (FNS) retailer database for its investigations. OIG's analysts produce retailer matrix reports, individual recipient reports and individual retailer reports as investigative tools.

The OIG conducts investigations when clients are suspected of misrepresenting their eligibility for public assistance. Front End Eligibility (FEE) investigations target cases in which MDHHS field staff have requested an investigation when assistance applications or other submitted documentation appear to contain suspicious or error-prone information.

OIG's Benefit Trafficking Unit (BTU) is a specialized unit charged with investigating trafficking of benefits issued by MDHHS. This unit is comprised of six agents equipped with mobile office equipment to allow them state-wide investigation coverage. The BTU investigates MDHHS recipients, non-recipients and Michigan retailers and other businesses attempting to buy or sell FAP benefits.

The OIG identifies weaknesses and develops recommendations to address fraud vulnerability, internal controls and accountability relating to programs, legislation, federal regulations, policy, and procedures for the most complex investigations. OIG employees also work with local MDHHS staff and law enforcement officials in developing and implementing ways and means to deter and/or detect fraud.

MEASURABLE RESULTS - FRAUD ESTABLISHED FISCAL YEAR 2021

In fiscal year 2021, the OIG saved \$65.4 million in public benefits through the FEE process and fraud prevention and detection efforts.

FY 2021 STATISTICS/OUTCOMES	
FAP	<ul style="list-style-type: none">➤ 2,093 FAP fraud referrals received➤ 3,858 fraud investigative dispositions➤ \$5.7 million in FAP recipient fraud identified

FY 2021 STATISTICS/OUTCOMES									
	<ul style="list-style-type: none"> ➤ 182 criminal warrants issued ➤ 492 prosecutor referrals ➤ 4,159 administrative hearings for Intentional Program Violations (IPV) and voluntary repayment disqualifications ➤ 2,266 FAP IPV disqualifications <ul style="list-style-type: none"> • IPV disqualifications resulted in \$4.5 million in cost avoidance • Disqualifications include 1 year, 2 year, 10 year and lifetime disqualifications ➤ \$6.1 million in FAP fraud receivables ➤ \$25.2 million in FEE cost avoidance from OIG investigations on FAP 								
FAP Trafficking Statistics¹	<ul style="list-style-type: none"> ➤ \$363,000 in trafficked benefits identified ➤ 15 criminal warrants issued ➤ \$627,000 in fraud receivables established ➤ 702 trafficking dispositions ➤ 398 administrative hearings and waivers 								
Retailer Fraud Disqualifications	<i>The Federal FNS has sole responsibility for the disqualification of EBT retailers, and the USDA-OIG handle prosecution of the FNS retailers.</i>								
All Recipient Programs* FEE and Fraud Complaints	<p>21,620 Complaints received by OIG</p> <ul style="list-style-type: none"> ➤ 2,723 fraud complaints ➤ 18,897 FEE referrals <p>21,767 Investigations completed by OIG</p> <ul style="list-style-type: none"> ➤ 4,386 fraud investigative dispositions ➤ 17,381 FEE investigations completed <p>Fraud found: \$8 million FEE cost savings: \$52.6 million Established receivables: \$7.7 million Criminal warrants issued: 214</p>								
All Recipient Programs* Financial Savings	<table> <tr> <td>FEE</td><td>\$52,662,997</td></tr> <tr> <td>Fraud Found</td><td>\$8,019,217</td></tr> <tr> <td>IPV Disqualifications</td><td>\$4,719,378</td></tr> <tr> <td>TOTAL FY 2021 SAVINGS</td><td>\$65,401,592</td></tr> </table>	FEE	\$52,662,997	Fraud Found	\$8,019,217	IPV Disqualifications	\$4,719,378	TOTAL FY 2021 SAVINGS	\$65,401,592
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*Programs include: Adult Home Help (AHH), Adoption Subsidy Program (ASP), Child Development and Care (CDC), Food Assistance Program (FAP)/Disaster Food Assistance Program (DFAP), Family Independence Program (FIP), Medicaid, Medicaid Long Term Care (LTC), State Disability Assistance (SDA), State Emergency Relief (SER), and State SSI Payment (SSP).

¹ FAP Trafficking Statistics are a sub-set of the FAP Fraud Statistics.

TRACKING INAPPROPRIATE USE

FNS proactively identifies retailers permitting the inappropriate use of EBT cards nationwide. This monitoring helps reduce the redemption of EBT funds at FNS retailers who are potential compliance violators. FNS will sanction or warn retailers found violating program rules. These sanctions include permanent or time-limited term disqualifications and fines. In Michigan for FY 2021 FNS permanently disqualified eight retailers, had six time-limited term disqualifications, and fined four retailers for violating program rules.

MDHHS monitors excessive card replacements for all clients who have ordered four or more replacement cards within a 12-month period. Clients are notified in writing that they have reached the four-card limit and are notified at the time of their request for a fifth card that they cannot receive the card until they go to the local MDHHS office and successfully explain their excessive card replacements to the county director or regional manager. This monitoring process has been incorporated into MDHHS' EBT card vendor's (Conduent Business Services, LLC) automated processes. In the last three months of FY 2021, over 1,500 letters were sent out to households notifying them they had reached their limit.

Michigan Bridge Cards are the mechanism that the department uses for administering not only food assistance benefits, but also certain types of cash assistance. Cash assistance can be used for purchasing non-food items and for accessing cash benefits to pay for housing expenses and approved goods and services. Tracking illegal use of Bridge Cards is, in large part, limited to the FAP. Clients who receive cash benefits can withdraw those dollars, which they can then spend anywhere. Aside from educating clients on appropriate use of the cash benefits, it is difficult to monitor or curtail inappropriate use.

MDHHS-OIG's BTU continues to combat trafficking and illegal use of EBT cards in the FAP. During FY 2021 the unit received 2,140 referrals and identified \$363,000 in fraud. The investigations have ranged from EBT retailers and non-EBT retailers to MDHHS recipients offering benefits for sale on social media sites. Examples of such cases include:

Identity Theft Investigation

In July 2018, BTU was contacted by the Michigan Department of Attorney General's office to request assistance in locating a recipient related to a Medicaid prescription fraud investigation. The BTU investigation revealed that the individual fraudulently received MDHHS benefits by failing to report accurate eligibility information and by submitting two additional fraudulent identifications to obtain additional program benefits. In December 2019, the individual was arraigned on 29 felony theft-related crimes, including multiple counts of *Food Stamp Fraud*, *Obtaining a Controlled Substance by Fraud*, *Medicaid Fraud and Forgery*, and a *Habitual Offender - Fourth Offense count*, punishable by up to Life in prison. The individual pled guilty to six felony counts, including Habitual Offender 2nd degree, and in August 2021, was

sentenced to 30 months imprisonment and ordered to pay restitution to the State of Michigan of \$31,276.34 in Food Assistance Program and Medicaid benefits.

Food Assistance Program (FAP) Trafficking

A BTU Agent determined that a neighborhood ice cream truck driver and business owner routinely purchased Electronic Benefit Transfer (EBT) cards from residents in the area. The investigation revealed the business owner used various EBT cards to stock candy items and ice cream inventory to increase business profits for several years. In November 2021, the individual pled guilty to felony *Food Stamp Fraud* > \$1,000 and misdemeanor *Food Stamp Fraud* < \$250 and was also ordered to pay \$12,500 in restitution to the State of Michigan in Food Assistance Program benefits.

OIG Working with Other Agencies

A BTU Agent was contacted by a local police department regarding an investigation of false imprisonment and torture of a subject. The police investigation also revealed that the victim's Michigan Bridge Card was stolen and used without consent. The BTU Agent worked collaboratively with law enforcement partners to secure EBT transaction evidence and identified who used the victim's Bridge Card. As a result, two individuals were charged with several felony counts including *Stealing, Taking, or Removing Financial Transaction Device, Possession of Fraudulent or Altered Financial Transaction, as well as Delivery, Circulation, or Sale of Financial Transaction Device Obtained or Held under Prescribed Circumstances*, in addition to several other felony charges relating to the kidnapping and torture incident. A preliminary examination was held and the matter was bound over to circuit court. The two individuals remain in custody and await trial.

ADDITIONAL FISCAL YEAR 2021 PROGRAM ENHANCEMENTS

In fiscal year 2021, Michigan continued focus on the following efforts to address fraud, waste and abuse:

- OIG's Investigative Analytics Unit (IAU) continues to develop fraud analytics to assist with targeted investigations. In addition to data-mining activities, IAU staff develop queries and reports to assist OIG agents when investigating misuse of public assistance benefits via the Bridge Card.
- OIG-IAU utilizes the national Public Assistance Reporting Information System (PARIS) Interstate Match as an investigative tool to identify individuals who may be concurrently receiving public assistance in two or more states. The match data provides a concise description of the individual's circumstances in both states at the point of the match, as well as contact information. OIG actively investigates individuals identified in the PARIS match for receiving public assistance benefits in another state. This often results in the assistance case being closed in Michigan and a warrant request for welfare fraud. The utilization of the PARIS Interstate Match has been instrumental in lowering

public assistance program expenditures by removing ineligible non-resident clients. In FY 2021, PARIS matches also resulted in \$8.6 million in annual cost avoidance.

- OIG-IAU has facilitated participation by Michigan county sheriff offices in the OIG Jail Match process. This process identifies individuals incarcerated for over 30 days, making them ineligible for FAP and other cash assistance programs. During FY 2021 this match identified \$2.6 million in annualized cost avoidance.
- The OIG-IAU is using IP address tracking software that allows them to monitor online benefit applications and benefit checks. This allows for the identification of individuals who are accessing MI Bridges while located outside the State of Michigan, and instances of identity theft/fraud schemes. Investigations are assigned on identified individuals whose residency or identity is in question. These investigations led to \$3.7 million in annualized cost avoidance in FY 2021.

TRAINING AND EDUCATION

The first line of defense in reducing inappropriate use of Bridge Cards is education. MDHHS provides client and retailer training which includes guidelines for appropriate use of Bridge Cards as well as fraud and abuse information.

Michigan offers a toll free EBT information phone line (1-888-678-8914) that is available 24 hours a day, seven days a week. The phone number is located on the back of the Bridge Card and allows card holders to access benefit availability in English, Spanish and Arabic.

Bridge Card holders are also provided with written materials when they become eligible for assistance. DHS Publication 322, "How to Use Your Bridge Card," includes the following information about inappropriate use:

- Misuse of your food benefits is a violation of state and federal laws.
- DO NOT sell, trade or give away your food assistance benefits, PIN or Michigan Bridge Card.
- DO NOT allow a retailer to buy your food benefits in exchange for cash.
- DO NOT use someone else's food benefits or Bridge Card for your household.
- People who break FAP rules may be disqualified from the program, fined, put in prison, or all three; *and* must repay the food benefits.

EBT authorized retailers are also provided with training and are required to understand and comply with all federal and state guidelines for EBT acceptance. Retailers interested in accepting the Bridge Card for Food Assistance benefits purchases must be authorized by FNS.

PUBLIC AWARENESS

To enhance public awareness of EBT fraud and reduce abuse of food benefits, MDHHS lists the Welfare Fraud Hotline on their websites.

Anyone can report suspected fraud by calling 1-800-222-8558 or by going to the following link:

<https://mdhhs.michigan.gov/Fraud/>