



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



MAURA D. CORRIGAN
DIRECTOR

September 30, 2011

The Honorable Bruce Caswell, Chair
Senate Appropriations Subcommittee on DHS
Michigan State Senate
Lansing, MI 48933

The Honorable David Agema, Chair
House Appropriations Subcommittee on DHS
Michigan House of Representatives
Lansing, MI 48933

Subject: Section 278 (3) Revenue Maximization Contracts

Dear Senator Caswell and Representative Agema:

Section 278 (3) of 2010 Public Act No. 190 requires the Department of Human Services (DHS) to report on the waste, fraud, error and abuse located through revenue maximization contracts.

In FY 2010, it was estimated that Michigan could be liable for \$5.7 million in federal financial Food Assistance Program (FAP) penalties. The Department of Human Services contracted with Public Consulting Group, Inc. to avoid federal error sanctions or federal financial penalties, and improve FAP accuracy rates resulting in receipt of a high performance bonus.

The revenue maximization/cost avoidance contract achieved the following outcomes:

1. Michigan's FAP active payment error rate was reduced from 6.75% in 2009 to 3.31% in 2010.
2. Michigan's negative error rate was reduced from 28.37% in 2009 to 7.82% in 2010.
3. Michigan was awarded a negative error rate improvement bonus of \$3,338,653.

If you have questions regarding the work participation rates, please contact Julie Horn Alexander, director, Office of Quality Assurance, at (517) 373-4659.

Sincerely,

Susan Kangas
Chief Financial Officer

C: Senate and House Appropriations Subcommittee on DHS
Senate Families, Seniors and Human Services Committee
House Families, Children and Seniors Committee