

Inappropriate Use of Bridge Cards Report

(FY2018 Appropriation Act - Public Act 107 of 2017)

February 15, 2018

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. The department shall provide information on the number of recipients of services who used their electronic benefit transfer 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 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) It shall be the policy of the department that the department shall require an explanation from a recipient if a bridge card is replaced more than 2 times over any 3-month period.

(3) As used in this section, "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.



Michigan Department of
Health & Human Services

RICK SNYDER, GOVERNOR
NICK LYON, DIRECTOR

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

MICHIGAN EBT

Electronic Benefits Transfer (EBT) is the current method used by the Michigan Department of Health and Human Services (MDHHS) to provide clients with food and cash assistance. EBT is the alternative to paper food stamps and paper checks. The federal government has mandated that all states use EBT for food assistance benefits. 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 9,957 retailers and over 9,500 ATMs are available for Bridge Card use within the state.

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG) is the criminal justice agency within Michigan Department of Health and Human Services (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 and investigative analytics). 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 and EBT retailers. 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 Food Assistance Program 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 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 ten agents equipped with mobile office equipment to allow them state-wide investigation coverage. The BTU team investigates MDHHS recipients, non-recipients and Michigan retailers and other businesses attempting to buy or sell FAP benefits.

The OIG also includes a Special Investigations Unit that 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. This unit also works 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 2017

In fiscal year 2017, the OIG was able to save over \$150.5 million in public benefits through the Front End Eligibility (FEE) process and fraud prevention and detection efforts.

FY 2017 STATISTICS/OUTCOMES	
Food Assistance Program (FAP)	<ul style="list-style-type: none"> ➤ 10,024 FAP fraud referrals received ➤ 5,504 fraud investigative dispositions ➤ \$14.7 million in FAP recipient fraud identified ➤ 214 criminal warrants issued ➤ 7,938 administrative hearings for Intentional Program Violations (IPV) and voluntary repayment disqualifications

FY 2017 STATISTICS/OUTCOMES									
	<ul style="list-style-type: none"> ➤ 5,132 FAP IPV disqualifications <ul style="list-style-type: none"> • IPV disqualifications resulted in \$11.6 million in cost avoidance • Disqualifications include 1 year, 2 year, 10 year and lifetime disqualifications ➤ \$14.1 million in FAP fraud receivables ➤ \$48.9 million in FEE cost avoidance from OIG investigations 								
FAP Trafficking Statistics¹	<ul style="list-style-type: none"> ➤ \$2.9 million in trafficked benefits identified ➤ 22 criminal warrants issued ➤ \$2 million in fraud receivables established ➤ 2,129 trafficking dispositions ➤ 1,841 administrative hearings and waivers 								
Retailer Fraud Disqualifications	<i>The Federal Food and Nutrition Service (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>40,180 Complaints received by OIG</p> <ul style="list-style-type: none"> ➤ 6,970 fraud complaints ➤ 33,210 FEE referrals <p>44,664 Investigations completed by OIG</p> <ul style="list-style-type: none"> ➤ 11,187 fraud investigative dispositions ➤ 33,477 FEE investigations completed <p>Fraud found: \$20.1 million FEE cost savings: \$118.1 million Established receivables: \$19.4 million Criminal warrants issued: 252</p>								
All Recipient Programs Financial Savings	<table> <tr> <td>Front End Eligibility</td> <td>\$118,182,363</td> </tr> <tr> <td>Fraud Found</td> <td>\$20,180,917</td> </tr> <tr> <td>IPV Disqualifications</td> <td>\$12,215,232</td> </tr> <tr> <td>TOTAL FY 2017 SAVINGS</td> <td>\$150,578,512</td> </tr> </table>	Front End Eligibility	\$118,182,363	Fraud Found	\$20,180,917	IPV Disqualifications	\$12,215,232	TOTAL FY 2017 SAVINGS	\$150,578,512
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TRACKING INAPPROPRIATE USE

To proactively reduce the access of EBT funds at inappropriate locations, as of September 2017, MDHHS facilitated the removal of EBT card access to ATMs and Point

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

of Sale devices at 34 Adult Entertainment centers, 66 casinos and gaming centers and 240 liquor stores. MDHHS continues to work with our EBT vendor to identify and coordinate the removal of EBT access points that are contrary to state law.

MDHHS also 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 2017, over 1,300 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 Food Assistance Program. 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 Benefits Trafficking Unit (BTU) continues to combat trafficking and illegal use of EBT cards in the Food Assistance Program. During FY 2017 the unit received 3,170 referrals and identified almost \$2.9 million 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:

FAP Recipient/Grocery Store Employee

The OIG investigated a FAP recipient who claimed to be unemployed but was discovered to be an employee of a grocery store involved in a scheme to traffic FAP benefits. The subject admitted to working for cash (under the table) at the store and assisting customers in exchanging FAP benefits for cash and other ineligible items. The subject pled guilty to defrauding the State of Michigan of \$64,372 in FAP benefits.

Catering Business

OIG received information that an individual was using a social media site to generate unreported income with an in-home catering business. The investigation revealed that the husband and wife duo regularly posted on social media to announce when "the fryers" were on, generating a steady source of income from their FAP benefits. The investigation confirmed that the couple purchased food supplied for the business using their FAP benefits. During the investigation, the wife admitted to the trafficking, as well as other unreported income from babysitting. The subject agreed to repay the State of Michigan \$12,559 and serve a disqualification from the FAP program.

Store Owner Recipient

OIG's Benefit Trafficking Unit worked in conjunction with USDA-OIG agents to investigate a store owner involved in FAP Trafficking while he and his family received FAP and Medicaid (MA) benefits. The investigation determined that the suspect owned the store location from 2007 to 2014 during which time he failed to report ownership, assets, and income from the business to MDHHS. The son of the owner was also a household member and manager of the business; his income was also not reported. The subject was tried in federal court and sentenced to six months in prison and ordered to pay restitution to the State of Michigan of \$54,813 and \$142,553 in FAP and MA benefits respectively.

ADDITIONAL FISCAL YEAR 2017 PROGRAM ENHANCEMENTS

In fiscal year 2017, Michigan continued focus on the following efforts to address fraud, waste and abuse:

- **OIG Investigative Analytics Unit (IAU)** continues to be dedicated to fraud analytics to assist with targeted investigations. In addition to data-mining activities, IAU staff are developing queries and reports to assist OIG agents when investigating misuse of public assistance benefits via the Bridge Card.
- **OIG-IAU** utilizes the national 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 2017, PARIS matches also resulted in \$26 million in annual cost avoidance. The investigations also identified over \$145,600 in fraud.
- **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 2017 this match identified over \$6.5 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, those that are college students but failing to report their student status to MDHHS, and instances of identity fraud schemes. Investigations are assigned on identified individuals whose residency, student status, or identity is in

question. These investigations led to over \$1.2 million in annualized cost avoidance and over \$14,562 in fraud found in FY 2017.

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 Food Assistance Program 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 benefits purchases must be authorized by the federal Food and Nutrition Service (FNS).

PUBLIC AWARENESS

To enhance public awareness of EBT fraud and reduce abuse of food benefits, MDHHS advertises the Welfare Fraud Hotline on State of Michigan websites and on billboards and posters across Michigan. Anyone can report suspected fraud by calling 1-800-222-8558 or by going to the following link:

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