

**Electronic Benefit Transfer (Bridge Cards)
Efforts to Reduce Inappropriate Use**
(FY2019 Appropriation Act - Public Act 207 of 2018)

February 15, 2019

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.



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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 9,725 retailers and 8,900 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, Investigative Analytics, Policy & Training and Quality Assurance). 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 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 thirteen 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 2018

In fiscal year 2018, the OIG was able to save \$145.9 million in public benefits through the FEE process and fraud prevention and detection efforts.

| FY 2018 STATISTICS/OUTCOMES | |
|--------------------------------------|---|
| Food Assistance Program (FAP) | <ul style="list-style-type: none"> ➤ 7,722 FAP fraud referrals received ➤ 3,797 fraud investigative dispositions ➤ \$8.9 million in FAP recipient fraud identified |

| FY 2018 STATISTICS/OUTCOMES | | | | | | | | | |
|--|--|-----------------------|---------------|-------------|--------------|-----------------------|-------------|------------------------------|----------------------|
| | <ul style="list-style-type: none"> ➤ 226 criminal warrants issued ➤ 5,273 administrative hearings for Intentional Program Violations (IPV) and voluntary repayment disqualifications ➤ 4,076 FAP IPV disqualifications <ul style="list-style-type: none"> • IPV disqualifications resulted in \$8.9 million in cost avoidance • Disqualifications include 1 year, 2 year, 10 year and lifetime disqualifications ➤ \$9.8 million in FAP fraud receivables ➤ \$43.7 million in FEE cost avoidance from OIG investigations | | | | | | | | |
| FAP Trafficking Statistics¹ | <ul style="list-style-type: none"> ➤ \$2.0 million in trafficked benefits identified ➤ 14 criminal warrants issued ➤ \$1.8 million in fraud receivables established ➤ 2,172 trafficking dispositions ➤ 1,710 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>37,916 Complaints received by OIG</p> <ul style="list-style-type: none"> ➤ 5,584 fraud complaints ➤ 32,332 FEE referrals <p>44,387 Investigations completed by OIG</p> <ul style="list-style-type: none"> ➤ 9,596 fraud investigative dispositions ➤ 34,791 FEE investigations completed <p>Fraud found: \$13.1 million FEE cost savings: \$123.5 million Established receivables: \$13.9 million Criminal warrants issued: 255</p> | | | | | | | | |
| All Recipient Programs Financial Savings | <table> <tr> <td>Front End Eligibility</td> <td>\$123,598,251</td> </tr> <tr> <td>Fraud Found</td> <td>\$13,118,025</td> </tr> <tr> <td>IPV Disqualifications</td> <td>\$9,241,968</td> </tr> <tr> <td>TOTAL FY 2018 SAVINGS</td> <td>\$145,958,244</td> </tr> </table> | Front End Eligibility | \$123,598,251 | Fraud Found | \$13,118,025 | IPV Disqualifications | \$9,241,968 | TOTAL FY 2018 SAVINGS | \$145,958,244 |
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¹ FAP Trafficking Statistics are a sub-set of the FAP Fraud Statistics.

TRACKING INAPPROPRIATE USE

To proactively reduce the access of EBT funds at inappropriate locations, MDHHS facilitated the removal of EBT card access to ATMs and Point of Sale devices at eight Adult Entertainment centers, 21 casinos and gaming centers and 157 liquor stores in FY 2018. 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 2018, over 1,200 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 2018 the unit received 2,604 referrals and identified almost \$2.0 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 Trafficking Scheme

An OIG agent uncovered a conspiracy where an individual utilized FAP benefits to supply retail stores with stock. The individual, acting as an intermediary, purchased FAP benefits from recipients at a reduced rate and used the benefits to purchase products which were then sold to convenience stores for retail sales. Over \$100,000 in FAP benefits were misused in the scheme, which resulted in criminal charges and enforcement actions involving multiple suspects.

Identity Theft Investigation

An OIG agent uncovered a scheme involving the use of multiple fictitious identities to illegally obtain FAP benefits. The investigation identified a business owner and his wife who used nearly \$15,000 in fraudulent benefits to purchase stock for his restaurant. The couple also concealed the profits from their business and received personal public assistance program benefits to which they were not entitled. Both were charged with multiple felony counts of conducting a criminal enterprise and food stamp fraud.

ADDITIONAL FISCAL YEAR 2018 PROGRAM ENHANCEMENTS

In fiscal year 2018, 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 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 2018, PARIS matches also resulted in \$40.4 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 2018 this match identified \$5.0 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 \$424,000 in annualized cost avoidance in FY 2018.

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.

MDHHS-OIG was awarded an Integrity Education Grant in September 2017. MDHHS-OIG utilized the grant to educate Michigan citizens that buying and/or selling their Bridge Card benefits is a crime. In FY 2018, poster (billboard), radio, social media and mobile display ads were purchased by the department and run statewide.

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

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