Attachment

Synopses of Erroneous Payments and Integrity Analyses

The complete analyses are available on the OWS Web site, www.ows.doleta.gov or by e-mail by contacting Burman Skrable at skrable.burman@dol.gov.

- *The Distribution of UI Overpayment Rates and Dollars by State, CY 2001*. This analysis arrays BAM's estimate of the percentages of dollars overpaid and estimated dollar overpayment amounts for all states by the point in the eligibility determination process where the error occurred. The analysis also makes a distinction between errors that are recoverable and those that are not recoverable due to provisions in state law. BAM estimated that total overpayments for CY 2001 were 8.2% of dollars paid, a total of about $2.5 billion for all causes. The three major causes were receipt of earnings and other disqualifying income while claiming UI benefits (31%); voluntary separation from work (21%; three fifths of these issues were not detectable by the state agency); and failure to meet work search requirements (15%). Eliminating technical and non-recoverable overpayments produces an operational overpayment rate of about 4.7%. This operational overpayment rate was discussed UIPL 33-02. The analysis covers all states except Colorado and Puerto Rico (which did not complete a sufficient number of BAM cases to produce reliable estimates) and the Virgin Islands, which has no BAM program.

- *Detectable and Recoverable UI Overpayments in FY 2001*. The BAM data used in this analysis indicates that about 85% of the instances--73% of dollars--of overpayments occur because UI agencies cannot detect eligibility issues at the time payment decisions are made. The primary reason states could not detect the issues was because pertinent information--such as whether a claimant who returned to work continued to file for UI benefits--was not available when the payment decision was made. Further, BAM estimates that 21% of dollars overpaid cannot be recovered after they are made because of state finality rules, or because the agency is responsible for the error. This amounted to nearly $500 million in FY 2001. Of the remaining $1.8 billion, state BPC operations are most likely to detect about 69%. This most detectable portion of recoverable overpayments amounted to about 54% of all overpayments—in FY 2001, about $1.235 billion out of $2.285 billion overpaid in total. The analysis concludes that this $1.235 billion of recoverable and most detectable overpayments is the most reasonable basis for judging the completeness of state BPC establishment efforts.

- *Cost Benefit Analysis of Reducing UI Payment Errors*. This paper combines data from BAM, Denied Claim Accuracy and administrative reports to identify where errors occur in the payment process and how these errors relate to the extent of information is available to agencies when they make payment decisions. The paper's primary focus is on the analysis of overpayment errors. It concludes that these errors occur primarily because agencies lack enough information to know that a claim has an eligibility issue.

This is particularly the case with errors made at the continuing eligibility level, which account for about 70% of all dollars overpaid. However, BAM data indicate that overpayments due to voluntary separations have the highest average weekly overpayment--$200 nationally--because these errors involve the whole week's payment amount. Thus, efforts to prevent or recover separation errors should be given priority. (The average continuing eligibility error is about $135, smaller than separation errors because many involve partials and part-total benefits. The higher incidence of such errors accounts for their predominance among total overpayments. The average monetary error is $33.) The paper develops a methodological framework for analyses to explore the benefits and costs of different approaches to attempting to prevent overpayments and of attempting to detect and recover them after the fact. This framework has been the basis for National Office analyses and could also be the basis for state analyses.

- *Preliminary Cost Benefit Analysis of Identifying Overpayments BPC Misses*. This analysis explores the costs and benefits of agencies taking additional steps to identify, establish and collect the types of overpayments that they do not usually identify through BPC operations. It explored three alternative telephone contact approaches, all carried out at the 10th week of the claim: contacting base period and separating employers to obtain eligibility information; contacting the claimant to obtain eligibility information; and (based on a prior claimant contact) following up with work search employers to verify work search contacts. Benefits were computed using BAM data on the incidence of error and overpayment per case to determine likely payoff in recoveries. Costs were based on data from a 1990 telephone claims pilot that indicated the time to make and complete telephone contacts. None of the approaches appeared to be cost-effective; benefit-to-cost ratios ranged from about 0.01 to 0.06—in other words, at best, spending a dollar on this kind of follow-up would yield about 6 cents in recoveries.

- *Cost-Benefit Analysis of Expanded Employer Contacts.* This analysis complements the preliminary cost-benefit analysis (above) by exploring three scenarios for interviewing employers via telephone *before* the first payment is made, i.e., what might be the value of obtaining additional information in time to *prevent* overpayments instead of only in time to *detect and recover* overpayments. (The analysis did not explore potential effects on timeliness of nonmonetary determinations or first payments.) Three scenarios were explored: (1) interviewing all base period and separating employers to obtain monetary, separation, and related information; (2) interviewing all separating employers at the time a claimant filed either a new or additional claim to verify separation eligibility; and (3) interviewing separating employers to ensure complete information before a decision to pay benefits is rendered on a separation issue. As with the previous study, BAM data for FY 2001 plus information from the telephone pilot study were used to compute costs and benefits. The results showed that only (3), interviewing separating employers prior to making a decision to pay benefits after a separation issue has been raised, is likely to be cost effective: the ratio was over 1.20. This analysis suggests that not only does ensuring contact with employers fulfill one of the key requirements for a quality nonmonetary determination, but it is also a cost-effective step in preventing potential

overpayments. The analysis also noted that about 30% of separation overpayments occurred because the agency failed to detect an issue or draw the right conclusion even though it had adequate information. Therefore, it would be valuable for states to examine the extent to which overpayments occur because they are mishandling information that would identify eligibility issues or are drawing the wrong conclusion on separation issues and other issues from adequate information.

- *Cost-Benefit Analysis of Expanding Benefit Payment Control Activities.* This analysis explored the costs and benefits of expanding the scale of BPC activities in 41 states. In these states, the overpayment amounts established in FY 2000 and FY 2001 averaged less than 80% of the amount BAM estimated was most detectable and recoverable by BPC. BPC cost data for FY 2001 were obtained from the Resource Justification Model. The basic analysis assumed that:
  (1) states could increase their ratios of overpayments established to the BAM estimate of what was most detectable and recoverable by BPC by one half of the difference between where they are and 80% (this seemed to represent a reasonable and attainable level of effort for most states); and
  (2) the productivity in establishing and recovering additional overpayments was the same as it had been in FY 2000 and 2001.

  The analysis also examined whether establishment and recovery productivity might decline if effort increased and concluded that declines might be on the order of 5 to 10 percent. It concludes that nationally, over four dollars could be recovered per additional dollar expended for BPC, even after allowing for a 10% drop-off in establishment and recovery productivity.