THE NATIONAL CENTER FOR
COVERAGE INNOVATION

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COVID-19 and the Urgent Need to Modernize America's Benefit Programs

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A Congressional Briefing and Webinar
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Dedicated to creating a nation where the best health and
health care are equally accessible and affordable to all

Speakers

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Overview

What Went Wrong?

Unemployment Insurance: A Poster-Child Program

Urgent Repairs for the next COVID-19 Legislation

Crisis exposes how America has hollowed out its government

Hunger Program's Slow Start Leaves Millions of Children Waiting

Child hunger is soaring, but two months after Congress approved billions to replace school meals, only 15 percent of eligible children had received benefits.

Ron DeSantis was warned about Florida's broken unemployment website last year, audit shows

As the backlogged IRS struggles to open mail and answer the phone, taxpayers face long delays

States Made It Harder to Get Jobless Benefits. Now That's Hard to Undo.

Systems that were devised to treat each case as potentially fraudulent are now rushing to deal with millions of newly unemployed people.

New data reveal how many poor Americans were deprived of $500 stimulus payment for their children

The IRS lost stimulus payment information for hundreds of thousands of low-income Americans, and they are the lucky ones.

Why New Jersey's Unemployment Insurance System Uses a 60-Year-Old Programming Language

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Public benefit programs matter

In 2018, 54% of U.S. residents benefited from either

- Publicly funded health care (Medicare, Medicaid, etc.)
- Social Security
- Supplemental Nutrition Assistance Program (SNAP)
- Earned income tax credit
- Federal grants and loans for post-secondary-school education

With the COVID-19 pandemic and crash, millions more families are seeking help

- More than 30 million unemployment-insurance (UI) claimants as of June, up from 2 million during January through March. =22% of U.S. labor force
  - By early July, adding new applications, 36 million total UI claimants.
- 17% growth in SNAP caseloads from January to May. 3x any previous increase. >6 million people. Millions more for P-EBT* SNAP.
- 159 million people received stimulus payments. 12 million eligible, may not be receiving.

*Pandemic-Electronic Benefits Transfer (P-EBT) is a new category of SNAP created to serve children who lost access to school nutrition programs because of COVID-19-related school closures.

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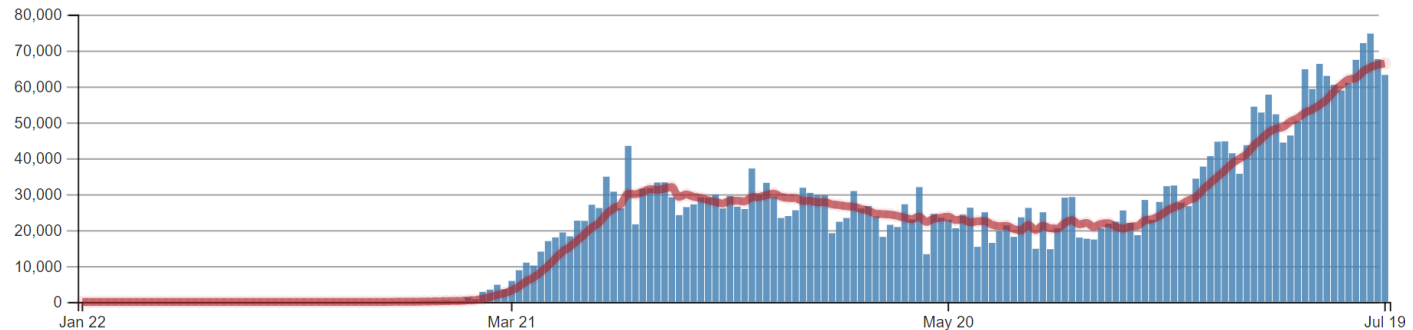# 21st-Century Eligibility for public programs

- Key developments enabling progress
  - Information technology, combined with abundant personal data
  - Behavioral science. Examples:
    - ❖ 401(k) accounts
    - ❖ Louisiana Express Lane Eligibility, moving from SNAP to Medicaid
- Goals
  - For consumers, easy enrollment, no denials driven by red tape
  - For state agencies, operational efficiencies, with the exchange of electrons driving decisions, whenever possible
  - For taxpayers, more accurate eligibility outcomes
    - ❖ Fewer erroneous denials of assistance to eligible people based on paperwork requirements
- Key features of 21st-century eligibility
  - Data-based grants of eligibility
  - Proactive public agencies
  - Context-based defaults
  - Eligibility modernization goes beyond operating a web site where consumers can submit applications
    - ❖ Of course, that functionality is also important and often requires modernization
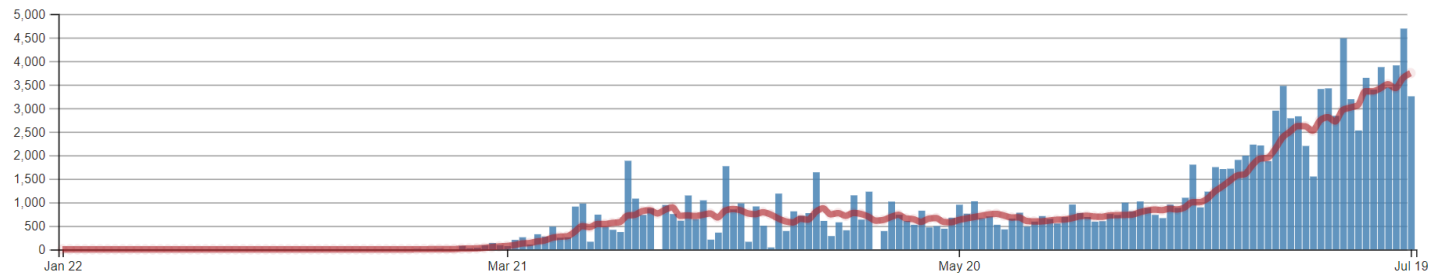
Barriers to modernization

- Archaic information technology
  - Widespread: Internal Revenue Service, Small Business Administration, state Unemployment Insurance (UI) agencies
  - Interferes with effective and efficient direct service
  - Raises the cost, time, and risk of implementing policy change
- Outdated or conflict-ridden business processes
  - Unwillingness to accept findings of behavioral science about the impact of procedural barriers. Failure to respond is equated with indifference or ineligibility, leading to terminations, including of eligible people.
  - Benefit agencies can have a conflict of interest between their financial well-being and residents obtaining services for which they qualify
- Obsolete methods of policy-roll out
  - Steps in federalized programs
    - ❖ Federal guidance issued in English
    - ❖ States promulgate regulations other policy documents in English
    - ❖ State IT contractors or employees turn verbal policy into software
    - ❖ States issue change-orders to contractors
    - ❖ Contractors implement change-orders
  - Impact: delays, obstacles, errors at every stage of the process
- Workforce issues
  - Often limitations on remote working
  - With health programs, role constraints
    - ❖ Example: Medicaid agencies relieved of timeliness obligations during COVID-19
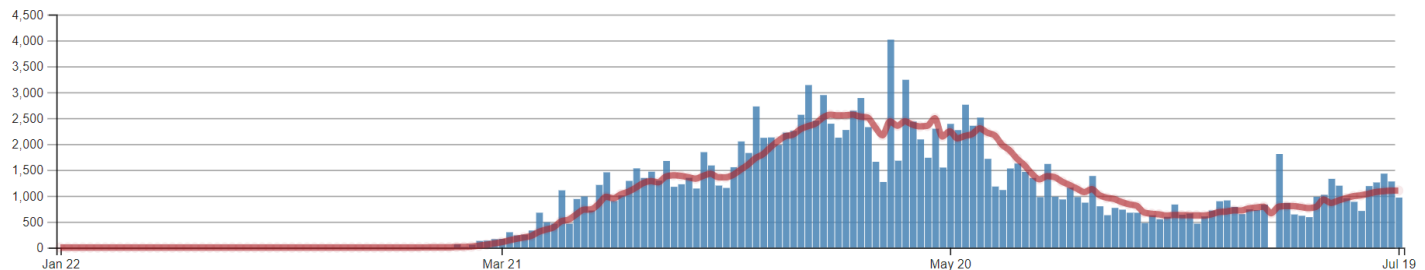
New COVID-19 cases per day

USA

Georgia

Illinois

Source: Centers for Disease Control and Prevention. "Trends in Number of COVID-19 Cases in the US Reported to CDC, by State/Territory." Updated: Jul 20 2020 5:45PM. https://www.cdc.gov/covid-data-tracker/#trends

Dangers ahead for state-run public benefit programs

Caseload spikes could follow on the heels of COVID-19 spikes

- Major uncertainties in U.S. economic forecast
- CBO, Federal Reserve, OECD, and IMF agree that a key variable that will shape the U.S. economy is progress combatting COVID-19
- University of Chicago research
  - ❖ Consumer fear, reluctance to leave the house and spend, more important economic inhibitor than formal, legal lock-down

Limited administrative capacity

- States legally obliged to balance their budgets
- Downturn = less revenue + more demand for need-based assistance = cuts
- **Benefit agencies often highly constrained in administrative spending and hiring. Told to "Do more with less." How is that possible?**

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Mary Philbin in
DANGER AHEAD

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At best, a neglected system

Administrative Funding Insufficient in Crisis

Unemployment Insurance is not an exciting topic when the economy is doing well

- UI is a patchwork of state systems with few federal parameters which makes for inefficiencies in administering benefits

- FY 2020 appropriation for administration of UI - $2.14 billion.

- FY 2001 appropriation for administration of UI - $2.21 billion.

- Adjusted for inflation FY2001 - roughly $3.2 billion in today's dollars

- Highest new claims in history – 295,000 in October of 1982

- New claims exceed 6.6 million two weeks in a row, still processing more than 2 million new claims every week

- No dedicated stream for IT, except special grants made during the last recession

- $4.5 billion went to 39 states for benefits improvements including IT

- States had to be in a consortium to get them, many fell apart and funds allocated were wasted

"Modernized" States

Information Technology Support Center

16 states have fully modernized
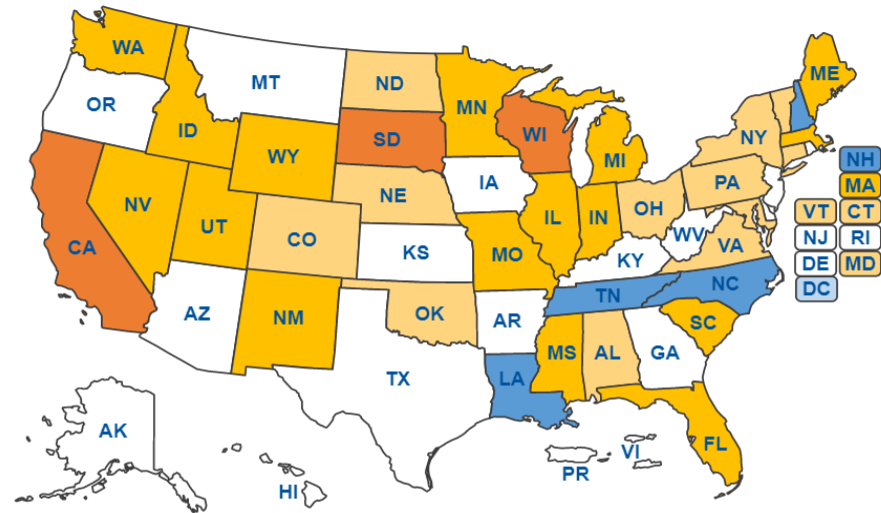
Not all with user access in mind

Modernized does not have a clear meaning other than moved from COBOL mainframes

Many have or are in the process of "re-modernizing"

Modernization is not a one-time process, it is a continuing effort

States must modernize other administrative systems in conjunction with IT system

DOL checklist

Status of State Unemployment Insurance Information Technology Modernization Projects

Status of State UI IT Modernization Projects | Updated: September 2019

Click or Hover over a state for more information.
Click a state with a specific color to view all the states with the same color.

	COMPLETED	IN DEVELOPMENT	
	4	1	Benefits System Only
	3	0	Tax System Only
	16	12	Benefits and Tax System
		17	Planning

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12

Some systems were designed to fail

Florida's CONNECT System

- Launched fall 2013 after legislative reforms implemented to slash access and benefits

- Initial two to four month waits

- Department of Labor Civil Rights Division ruled the system to be discriminatory

- Limited access for limited English proficiency

- Also inaccessible for people with disabilities

- Two failed audits never resolved

- As a result, system crashed at the start of the pandemic and claimants had to stand in line for paper applications

Michigan's MiDAS System

- Launched 2013 after state passed stringent new anti-fraud laws

- Falsely flagged more than 40,000 workers for fraud

- 93% inaccurate

- Penalty for fraud 400% plus 12% interest

- Ongoing lawsuit

- New UI director is turning the system around

- Now, one of the fastest to pay out benefits

- Bottom line, political will can affect IT systems

Suggestions and lessons learned

- Fully fund the states linked to strong accountability standards

- Expand DOL's IT expertise and mandate to ensure full access

- Federal commission on modernization of federally funded benefit programs

- Involve users and stakeholders in modernization process, especially people in underrepresented communities including Black, Latinx, Indigenous, and other communities of color; people with disabilities; people with limited English proficiency; people who earn low incomes; and workers on the other side of the digital divide

- 24/7 access

- Simple password resets

- User experience audits

- Solve for smaller pain points
    - Should be able to go back a page
    - Notified of timeouts
    - Easy ways to access claim status
    - Call-back systems

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A Louisiana example

- During and after the Great Recession of 2008-2009, roughly 30% reduction in staffing levels for Medicaid agency and other benefit programs

- Medicaid agency used 21st-century eligibility strategies to maintain timeliness and accuracy and increase enrollment among eligible families, despite staff reductions
  - Electronic case files
  - Increased use of technology to renew and grant eligibility, based on reliable external data, without seeking documentation from families that required manual processing
  - Modernized eligibility rules that based eligibility on verifiable data
    - Example: Express Lane Eligibility, saving more than $1 million annually on renewals
    - Mining case records for business rules providing reasonable certainty of eligibility
  - Set defaults intelligently, based on context
    - Example: Automated renewal in the absence of information from beneficiaries, when matches with reliable sources of data establish reasonable certainty of continued eligibility

Recommendations for using COVID-19 legislation to help state benefit programs cope with hard times

Coping Skill:
Imagine Your Favorite Place

- Provide administrative funding to help programs cope with increased demand
  - IT modernization
  - Increased staff
  - Funding to develop, test, and implement streamlined business processes
- Modify eligibility rules and procedures enabling more efficient operations. Examples:
  - SNAP flexibilities, like waiver of standard 1950s-style requirements for in-person interviews, have been essential to SNAP's ability to effectively handle a huge surge in applications. Federal officials are discussing ending those waivers. That would be a serious problem.
  - Provide automatic Medicaid eligibility, with 100% federal funding, for UI recipients and their families who attest to lacking health insurance
- Improve access to data relevant to eligibility. Examples:
  - Federal data services hub for health coverage could be used by SNAP and other non-health programs. Requires revised data-use agreements and statutory direction.
  - Give health programs (Medicaid, CHIP, health insurance exchanges) access to quarterly wage data from the National Directory of New Hires (NDNH).

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Recommendations for helping state benefit programs cope with hard times, continued

- Eliminate disincentives to efficient, customer-friendly operations while current conditions last
  - Bar penalties for consumers if state or federal policy decisions result in temporary, unwarranted increases in aid
  - Equalize adverse findings and financial penalties so that incorrect denials (including for procedural reasons) are treated no differently than incorrect grants of eligibility
  - Prohibit adverse federal actions when states reasonably implement expedited procedures allowed under federal law to address crisis conditions

- Authorize and fund state programs to leverage work by the General Services Administration's Technology Transformation Services and the U.S. Digital Service (USDS) of the Executive Office of the President, including
  - Application Programming Interfaces (API), automatically incorporating updated federal rules into eligibility-determination system using open-source code
  - Identity-proofing
  - Forms
  - Cloud-based records

- Workforce modernization
  - Authorize and support work from non-office locations
  - Develop methods for providing short-term surge capacity when needed for responsive and timely program operations

Other short-term recommendations for modernizing benefit programs as part of COVID-19 legislation

- Advance premium tax credits (APTCs) that help make private insurance affordable in health insurance exchanges
  - Structure presumes generally stable income
  - Legislative adjustments to improve effectiveness when income declines
    - Temporary APTC boosts, based on monthly household income determined by the Medicaid agency, not subject to year-end tax "claw-back"
    - Suspend or limit year-end tax "claw-back" for 2020
- Change default rules for UI fraud investigations to fit available data
  - UI agencies suspend payment until fraud investigation is complete, even for families where available data suggest a very low probability of fraud
  - UI Integrity Center maintains a Data Integrity Hub
    - "Allows for use of a suspicious actor repository, suspicious email domains, multi-state cross matching, monitoring foreign and suspicious IP addresses, and fraud alerting"
    - National fraud schemes can be "detected in all states as soon as they are detected in one state"
  - Limit payment suspensions, pending the outcome of fraud investigation, to cases where available data establish a high probability of fraud

HOW TO ADJUST

Questions?

Acknowledgements

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