

Unemployment Insurance

Transformation Needed to Address Program Design, Infrastructure, and Integrity Risks

UWC National UI Conference, June 30, 2022



Unemployment Insurance Transformation: Objectives of GAO's Review

- To examine:
 - Challenges with UI's ability to respond to the needs of unemployed workers and to economic changes;
 - Risks of improper payments, including from fraud;
 - The extent to which UI experienced impaired performance and financial loss; and
 - Potential options for UI transformation suggested by stakeholder panels.



The UI System Faced Long-Standing and New Challenges

- Challenges in responding to the needs of unemployed workers and economic changes
 - Decline in reciprocity rate over the years
 - Substantial variation in state program design for benefit amounts, duration, etc.
 - Limited effectiveness of Extended Benefits program during economic downturns
 - Increased state reliance on federal loans to pay UI benefits
 - State challenges with customer service and payment timeliness
 - Urgency of implementing new pandemic programs with record claims volume
 - Limitations of state legacy IT systems, and lack of funding to assist in modernization efforts

UI Pandemic Programs Exposed the UI System to Increased Risk of Improper Payments

- Risks of improper payments, including from fraud
 - Estimated improper payments in UI have been historically high and increased substantially during COVID
 - Fraud schemes during COVID exacerbated existing risks and also created new fraud risks
 - Untimely and unclear federal guidance and insufficient and undertrained state UI staff also contributed to increased risk of improper payments



Adding the UI System to the GAO High Risk List Because of the Risks It Faces

- The extent to which UI experienced impaired performance and financial loss
- Challenges in the UI system pose significant risk to UI service delivery and have exposed the UI system to potentially significant financial losses:
 - **Service delivery:** Risks to the system's ability to respond to economic downturns while ensuring equity across states and worker groups; and
 - **Financial loss:** Estimated improper payments above \$1 billion, and the elevated improper payment rate that is expected to continue.

Actions to Address High Risk

- **Leadership commitment:** Demonstrated strong commitment and top leadership support.
- **Capacity:** Agency has the capacity (i.e., people and resources) to resolve the risks.
- **Action plan:** A corrective action plan exists that defines the root cause, solutions, and provides for substantially completing corrective measures including steps necessary to implement solutions we recommended.
- **Monitoring:** A program has been instituted to monitor and independently validate the effectiveness and sustainability of corrective measures.
- **Demonstrated progress:** Ability to demonstrate progress in implementing corrective measures and resolving the high-risk area.

DOL Efforts

- DOL outlined several principles for reforming the UI system in its fiscal year 2022 and 2023 congressional budget justifications, including the need for a modern system to
 - Provide adequate benefits in every state;
 - Be easily scalable;
 - Respond automatically to economic downturns;
 - Reflect the modern economy and labor force; and
 - Ensure access and integrity before the next crisis.
- DOL's Equity Action Plan, released in April 2022, outlined existing barriers to equitable outcomes in the UI system and summarized DOL's ongoing and planned actions to advance equity and support marginalized, vulnerable, and underserved communities.

Areas Where Progress Is Needed

- A long-term strategic plan and sustained leadership to ensure fulfillment of a UI modernization plan (Leadership commitment)
- Staffing, IT infrastructure, and benefit triggers to respond to economic downturns (Capacity)
- A comprehensive analysis of the extent of or potential causes of system-wide disparities in benefit receipt and fraud risks (Action plan)
- Continuous monitoring of the effectiveness of UI modernization activities (Monitoring)
- Reducing the improper payment rate; advancing equity; better reaching current worker populations; restoring pre-pandemic payment timeliness; and improving response to economic downturns (Demonstrated progress)

Stakeholders Suggested Various Options for Transforming the UI System

- Potential options for UI transformation suggested by stakeholder panels:
 - Increase access to UI
 - Better target UI benefit amounts
 - Increase consistency of UI support
 - Ensure sufficient UI funding

Stakeholders Suggested Various Options for Transforming the UI System (Continued)

- Improve and modernize IT systems
- Strengthen existing internal controls
- Identify and improve the use of resources to address fraud



Considerations for Assessing UI Proposals

Consideration	Example/Description of consideration
Comprehensiveness	To what extent will participation in the UI program reflect the current U.S. workforce?
Flexibility	To what extent could the UI program change with the state of the economy?
Funding	The risk to the taxpayer and likelihood of deficit financing.
Provision of stimulus	To what extent could the UI program provide a stabilizing effect on the U.S. economy during economic downturns?
Practicality	To what extent will the UI program minimize administrative burden and use reliable data for key metrics?
Sufficiency	To what extent will UI benefit levels and duration reduce financial hardship by compensating for lost income?
Unintended effects	To what extent will the UI program take account of incentives to limit duration of unemployment spells?

Source: GAO analysis of stakeholder panel discussion. | GAO-22-105162

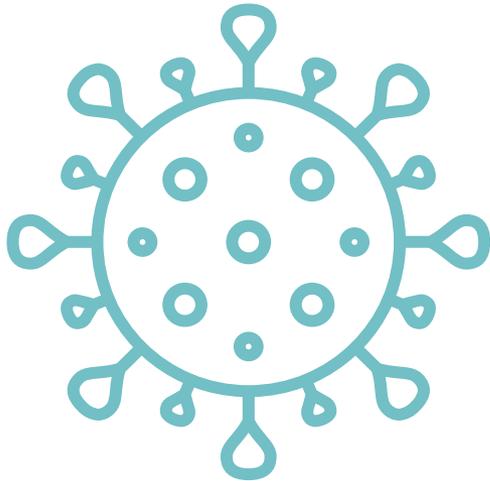
Useful Links

Recent reports on UI:

- <https://www.gao.gov/products/gao-22-105162>
- <https://www.gao.gov/products/gao-22-104251>
- <https://www.gao.gov/products/gao-22-104438>

GAO's High Risk list:

- [GAO Designates Unemployment Insurance System as "High Risk" | U.S. GAO](#)
- <https://www.gao.gov/high-risk-list>



Residual Issues from the Pandemic

State Workforce Unemployment
Insurance Perspective

Timothy Rush

Deputy Executive Director

Mississippi Department of Employment Security



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Status of UI IT Modernization

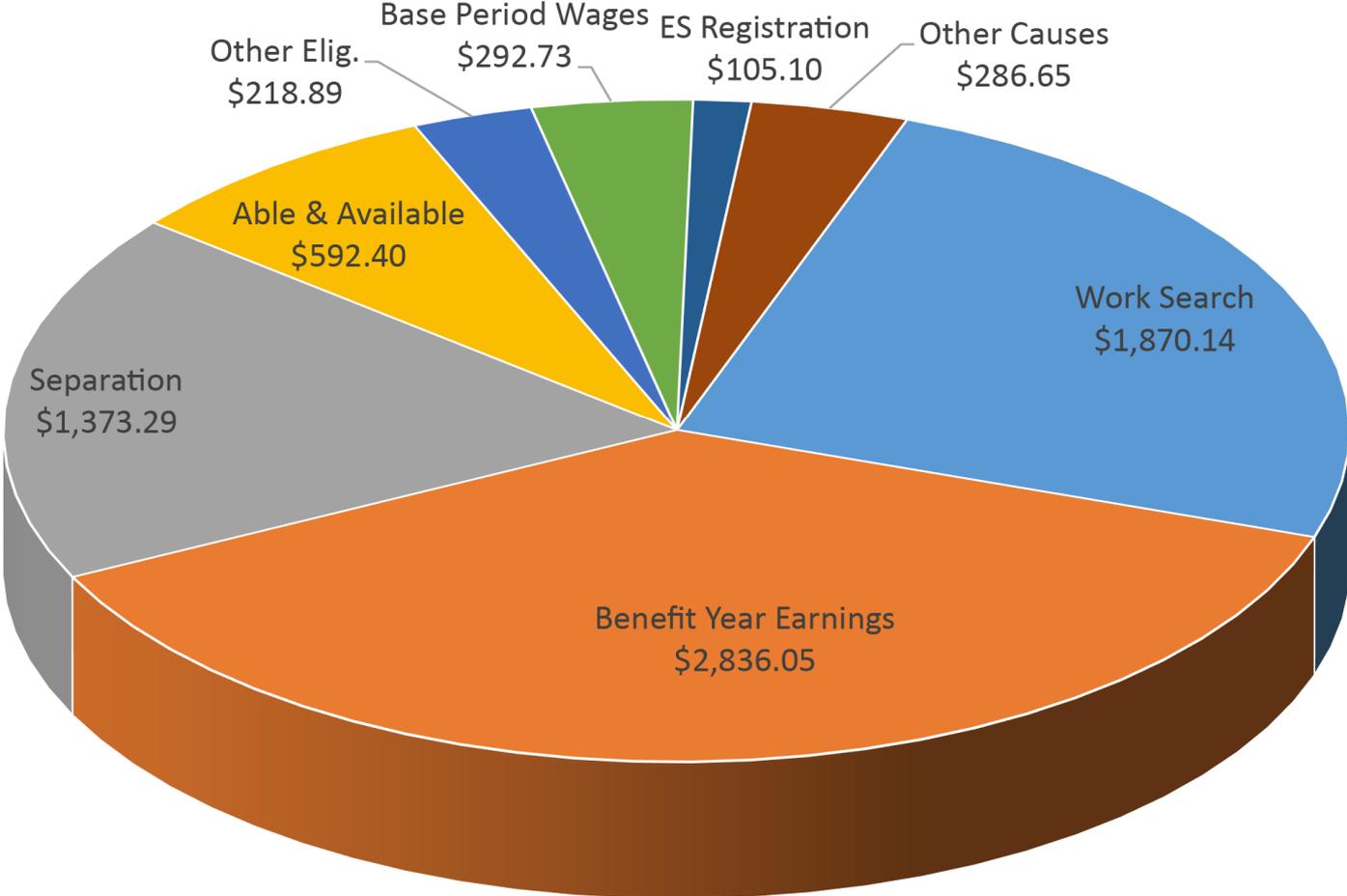
Preliminary Results

Modernized Systems	2010	2021
UI Benefits Systems	8 states	25 states
UI Tax Systems	3 states	27 states



In 2021, **11+ states reported using the Cloud** for Benefits.
In 2010, no state was using the Cloud, a few were exploring at the time.

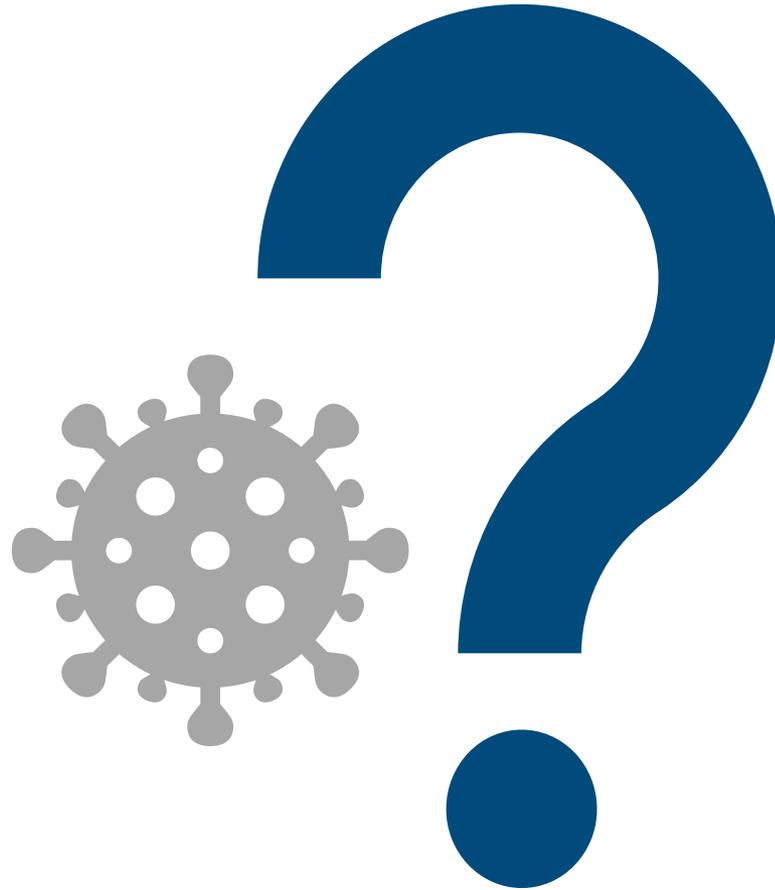
Causes of UI Overpayments



MS's Pandemic Residual Merit Staffing Levels

Number of Employees	Years Employed	Percentage of Staff
78	0-2	46
41	3-5	24
25	6-10	15
11	11-15	7
9	15-20	6
4	21-30	2

Questions



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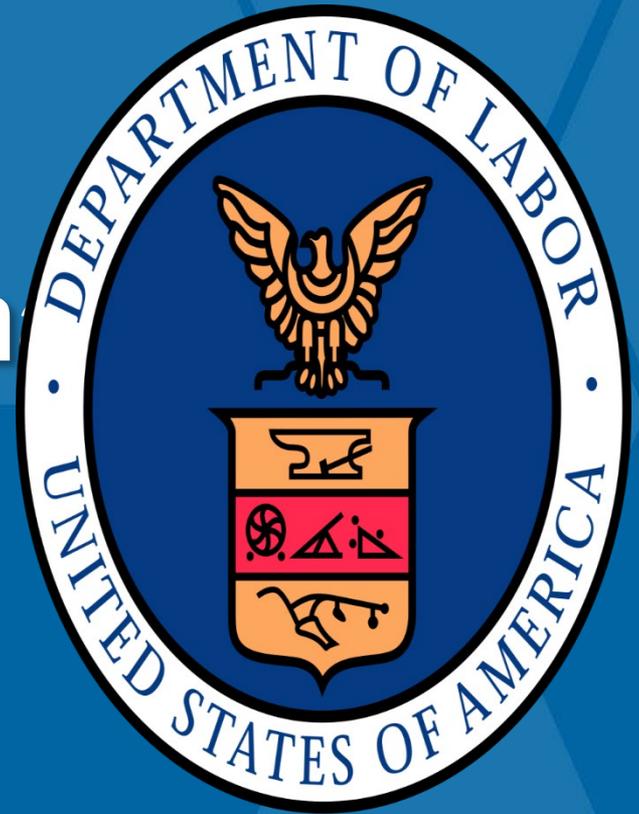
Building Integrated Workforce Development Systems

**Residual Issues from Pandemic
UWC Conference
Tampa, FL
June 30, 2022**

**Magnus Hines
UI Business Development
Executive**

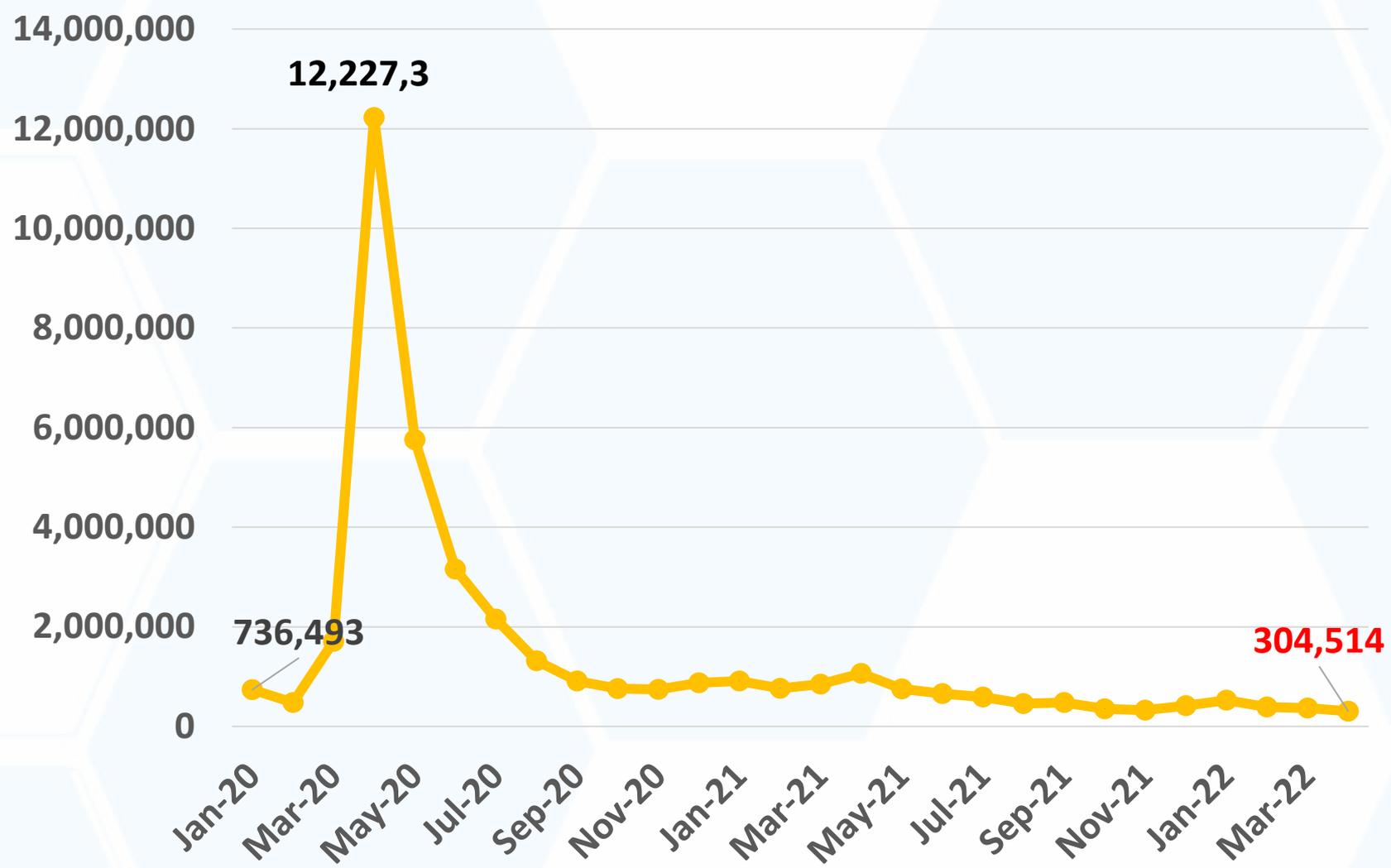


Where UI Perform Currently Stands



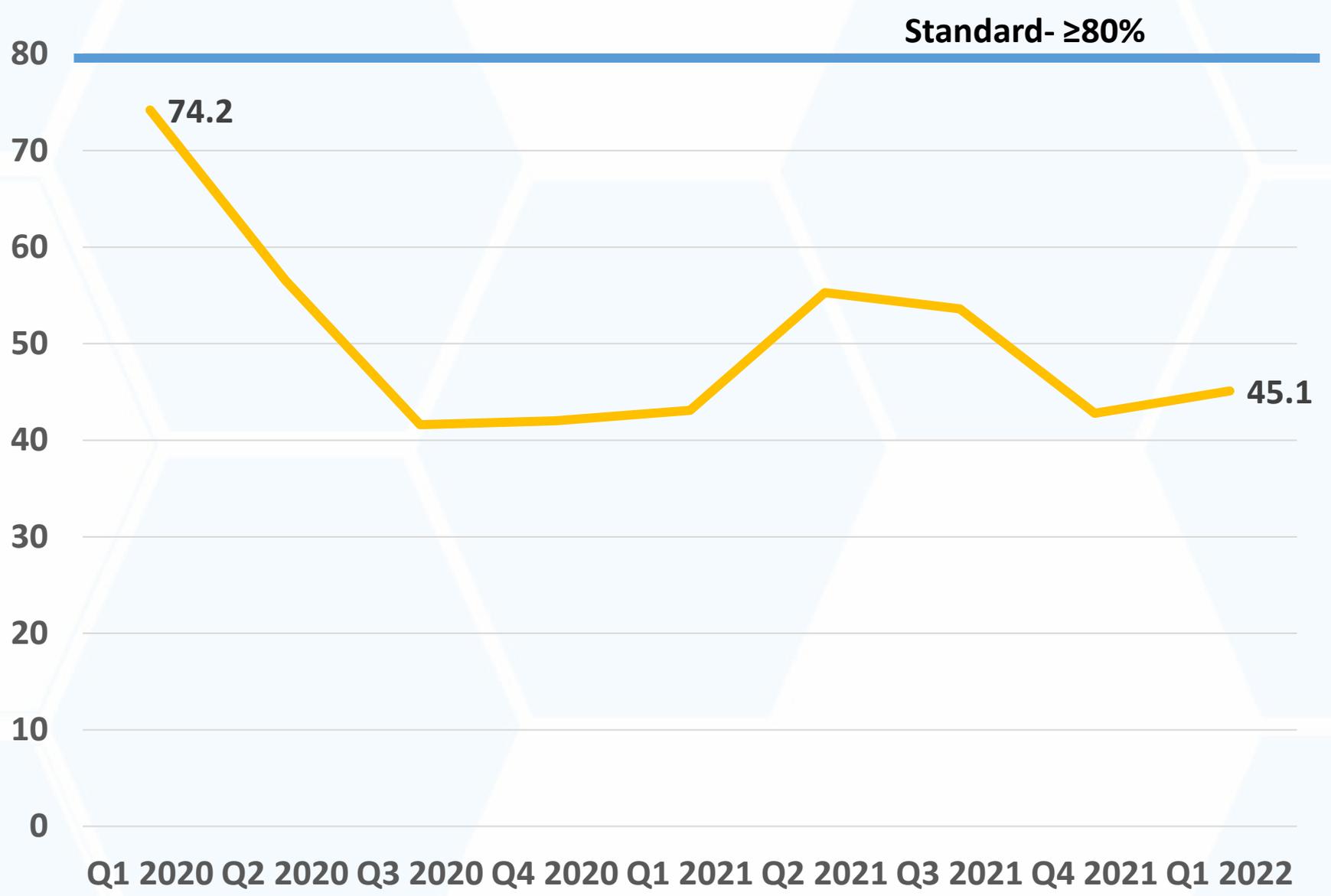


First Payments by Month (US)



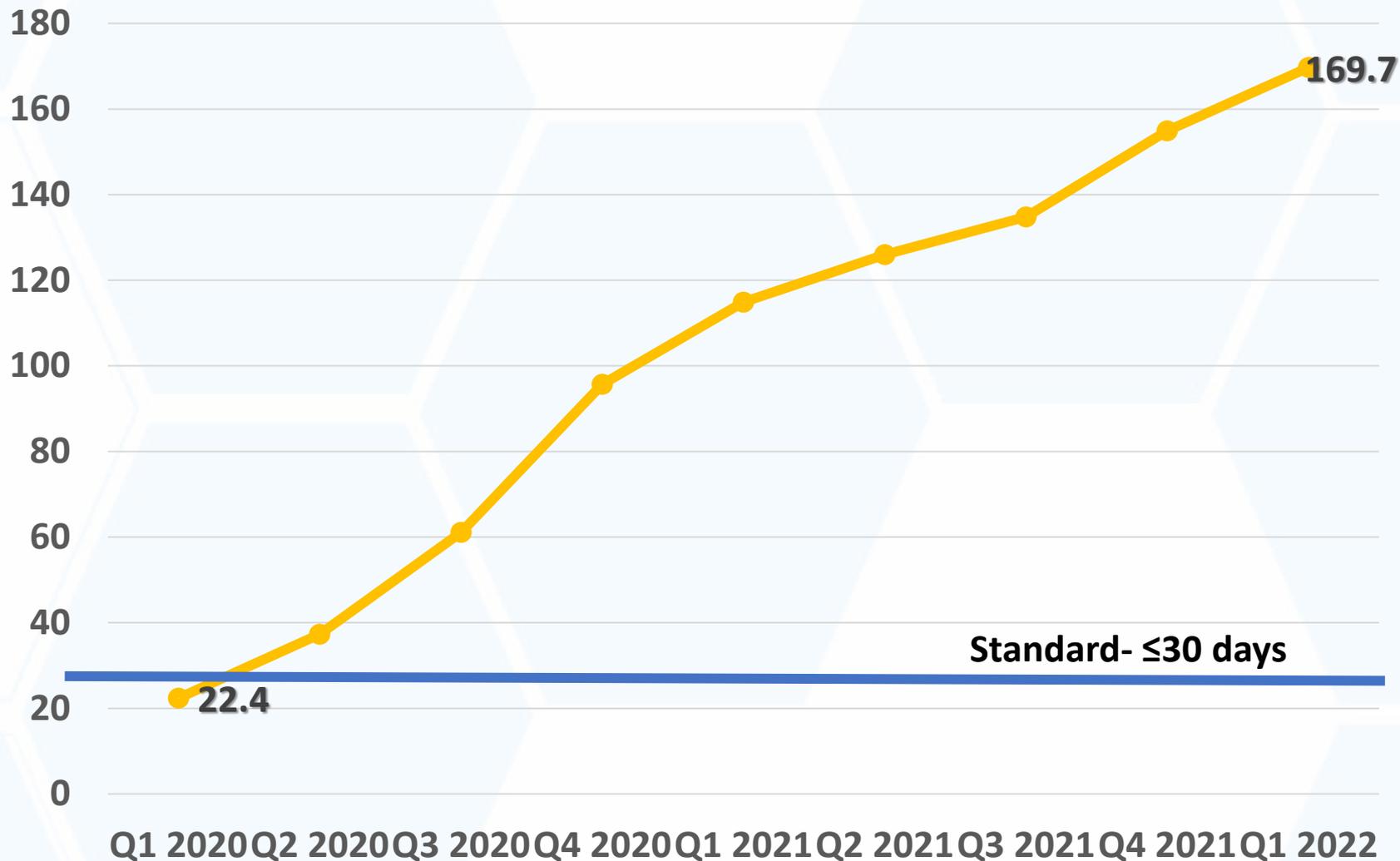


Non-Monetary Determinations in 21 days (%)



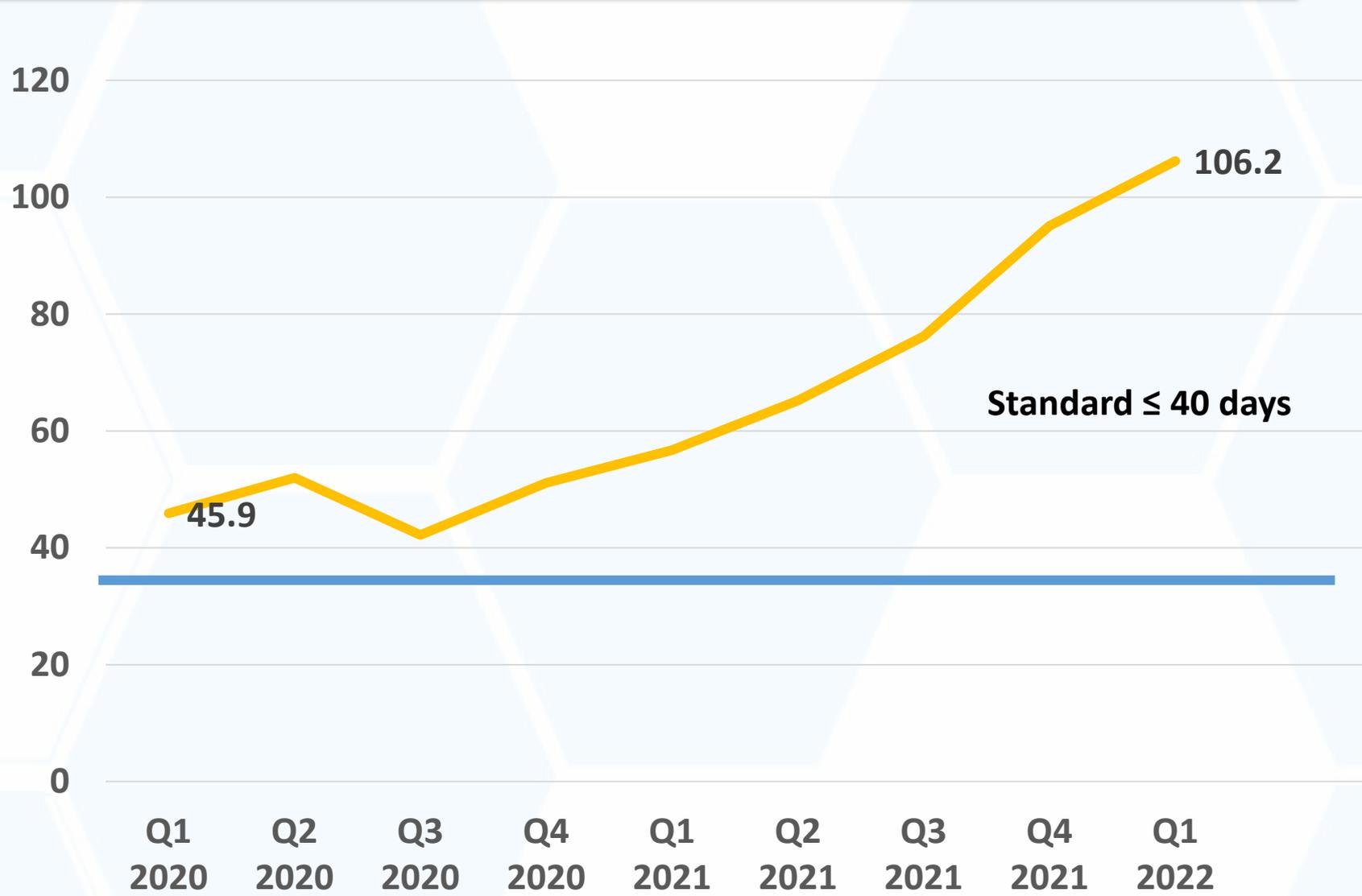


Average Age of Pending LA Appeals



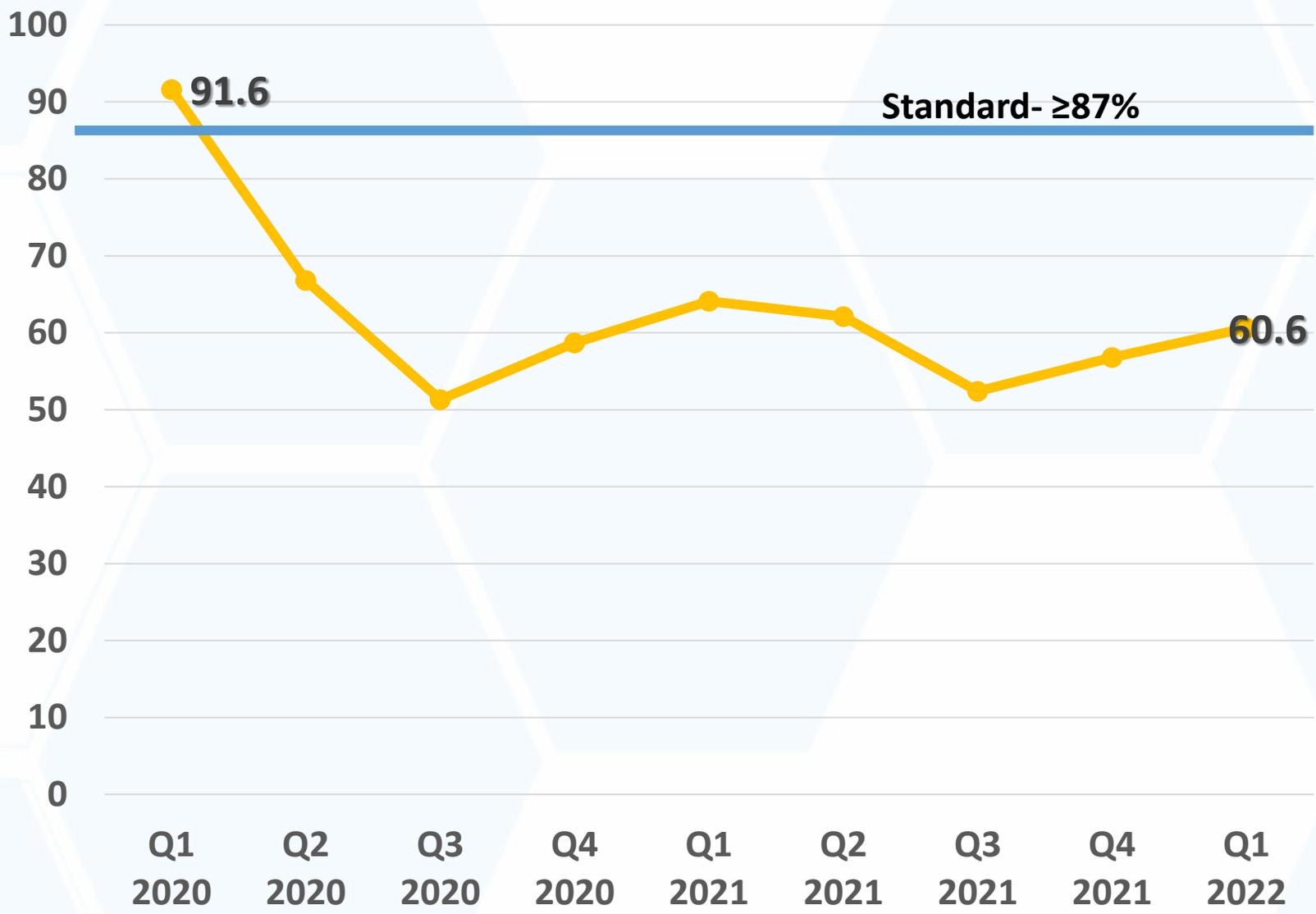


Average Age of Pending HA Appeals





First Payment Time Lapse Average (%)





Outstanding Loans for Federal Unemployment Account

California	\$17,718,541,570.45
Colorado	\$133,089,860.58
Connecticut	\$157,499,599.01
Illinois	\$1,812,645,002.82
Massachusetts	\$1,768,015,459.63
New York	\$8,137,283,402.88
Virgin Islands	\$99,336,877.29
Total	\$29,826,411,772.66



Sales Taxes for Online Purchases

\$1,000,000,000 per year

- Fair to FL businesses
- Creates alternate source of revenue for solvency



Questions and Contact Information

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Residual Issues from the Pandemic Third-Party Administrator Perspective

James Weant
Manager, UI Program Relationship

UWC National UI Issues Conference
June 30, 2022
Tampa, Florida

Benefit Administration Challenges

- **Marked increase in adjudicator calls**
 - Calls made when all information has been provided because it is a requirement
 - Calls made to “confirm the SIDES response” question by question
 - Adjudicator states he/she does not have access to the SIDES response
- **Benefit charge credits / account reconciliation**
 - Missing or incorrect credits
 - Reimbursing billing - CARES Act and ARPA
 - Imposter claims/fraud

Benefits Administration Challenges (Continued)

- **Hearings**
 - Hearings taking place so far from separation date that witnesses are no longer available
 - Reimbursers continuing to be charged/refunds not issued until overpayment recovered
- **Wage Audits / Earning Verifications**
 - Requests being made via phone call vs. issuance of paper inquiry
 - Paper inquiries being mailed directly to employer clients

Technical Challenges

- **Mail**
 - Delivery delays much worse in early months of the pandemic, but continue
 - Late receipt or non-receipt of UI documents
 - Highlighted positive benefits of SIDES exchanges
- **USPS**
 - 10-year plan announced. 2-3 day additional delivery time for First Class mail
 - Root of delays does not track back to UI agencies for the most part

Observations for Improvement

- Website Messaging
 - Dedicated web pages for Reimbursing Employers
- Agency-TPA Liaison
 - Dedicated email address for questions
- System Modernizations
 - TPAs at the table during planning, development, and testing



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