

Streamlining Program Integrity with Automated Data and Analytics

2022 Unemployment Insurance Issues Conference



Agenda

- Introductions
- Unemployment Insurance Program Integrity Trends
- Data and Analytics for Reducing Overpayments in Utah
- Fair & Equitable Identity Verification
- Program Integrity Data & Analytics Solutions
- Questions & Answers

Unemployment Insurance Program Integrity Trends



THE WORK
NUMBER

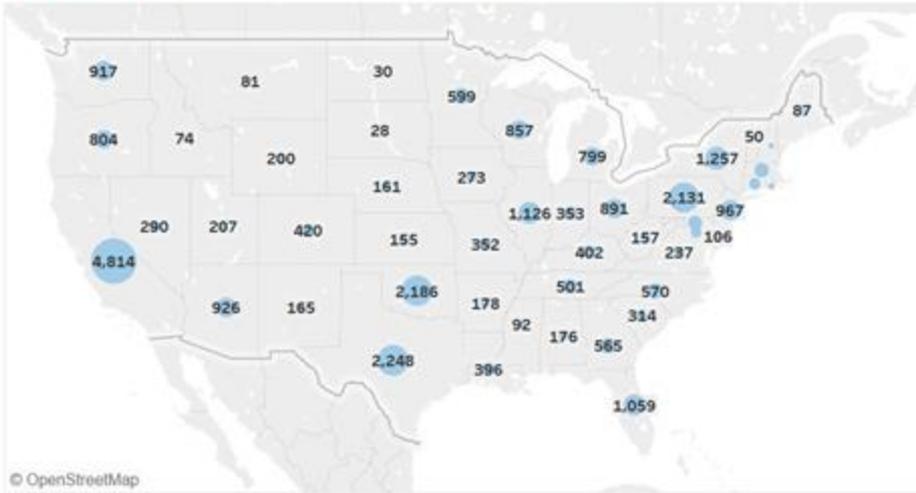
UI State Evaluation from Equifax UCM Claims Data

UI State Evaluation Data
Created: Sept. 2020

2019 Jan - Dec

Total 30.3K claims are potentially improper applications

CA, TX, OK, PA & NY are the top five states with highest # potentially improper applications



2020 Jan - Aug

Total 210.8K claims are potentially improper applications, which is ~7X growth compared with 2019

WA, OK, TX, CA & NY are the top five states with highest # potentially improper applications



Note: "potentially improper application" is defined as a claim application that is denied due to the following reasons:

- 1) Employee is still employed and has NOT filed an unemployment claim, but a claim is associated with employee.
- 2) Individual filing claim is NOT and has never been employed with the filed employer.

Source: Equifax, Inc.

Better Earning Records = Lower Benefit Year Earning Overpayments

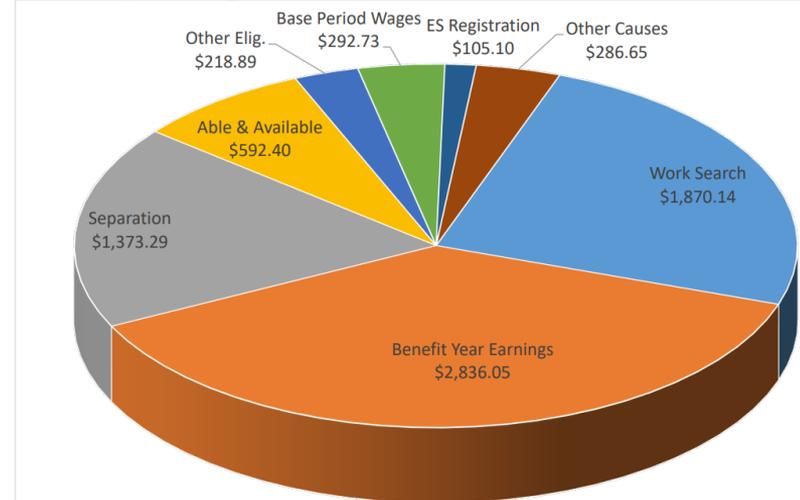
Benefit Year Earnings represents 37.44% of improper payments

According to the DOL-OIG FY 2019 Compliance with Improper Payment Elimination and Recovery Act (IPERA) report:

Benefit Year Earnings (BYE): BYE errors are payments to individuals who continue to claim benefits after they have returned to work and have unreported earnings. Management stated there was at least a 6-week lag in the data sources used by states to identify individuals that continued to claim benefits after returning to work. Additionally, there is a lack of adequate state funding for staff resources to validate and adjudicate “hits” from the cross-matches designed to detect these improper payments.

Real-time, commercial employment and income data is the best source for determining return to work and earnings as soon as their first paycheck – no 6-week lag in data.

**Pie Chart – Causes of UI Overpayments
(IPIA 2020: July 2019 through June 2020)**



ROI – Identifying Return to Work Earlier

4% Return to Work	
	Verifying Return to Work
	Population: Continued Claims
State UI Potential Overpayment	
National UI existing claimant population (5/7/22)	1,293,442
Average weekly national UI payment per recipient	\$ 387.00
4% of claimants have returned to work	51,738
Potential Weekly Overpayments	\$ 20,022,482
Potential Annual Overpayments	\$ 1,041,169,072
Cost of Overpayment Recovery	
Number of claimants with overpayments	51,738
Time spent recovering overpayment (hours)	0.5
Average hourly UI caseworker salary (base salary + benefits)	\$ 22.95
Potential Weekly Avoidance Cost of Overpayment Recovery	\$ 593,690
Potential Annual Avoidance Cost of Overpayment Recovery	\$ 30,871,874

Assume 4% of weekly claimants don't certify properly and average payment of \$387 means potential national overpayment of \$20M every week, \$1B annually.

Assume it takes at least 30 minutes to recover overpayment at a hourly wage of \$23 means national administrative costs of \$500K every week, \$30M annually.

In total, Equifax estimates national BYE overpayments cost \$20.5M weekly, \$1.03B annually.

The challenge of improper payments to incarcerated population

Real-Time Incarceration Search

California state investigators identified \$400 million paid on some 21,000 unemployment benefit claims improperly filed in the names of California prison inmates.¹

About 10,000 state prison inmates in Pennsylvania fraudulently applied for unemployment benefits during the coronavirus pandemic - total cost approaching a quarter-billion dollars.²

¹ <https://www.latimes.com/california/story/2020-12-01/california-prisoner-unemployment-fraud-estimated-400-million>

² <https://www.mcall.com/news/pennsylvania/mc-nws-pa-jobless-pay-inmates-20200825-w7qzfcmspfgvbghh2uvororm4m-story.html>



**6% of fraud
relates to
payments made
to incarcerated
individuals***

Data and Analytics for Reducing Overpayments in Utah



UTAH DEPARTMENT OF
**WORKFORCE
SERVICES**
UNEMPLOYMENT INSURANCE

Utah is not re-inventing the wheel...

- We have a multitude of Cross-matching that is performed both before and after payments are sent.
- Scheduled to automatically skim known data and flag any claims that meet crossmatch parameters.
- Cross matches are designed with Subject Matter Expert (SME) input.
- Analytic strategy utilizes a good mix of staff experience coupled with technology to efficiently monitor and react to evolving fraudulent behavior.



Don't let them get away...

- Flagged claims are automatically assigned to an Investigator or Adjudicator, the following business day, and requests for information are sent out by the system.
- Assigned staff are on the clock to get the information worked as soon as possible.
- Performance expectations are built around accuracy and timely throughput.





- Automatic crossmatch that leverages resources from Equifax’s The work Number to detect unreported wage activity of actively filing claimants.
- Intercepts some wage data overpayments significantly faster than traditional crossmatching the wage data that is submitted by employers 4 times a year.
- Internal study made prior to the pandemic found:
 - Fraud activity was discovered 15.9 weeks sooner than our end of quarter model cross match and 3 weeks sooner than State and National New Hire cross matches.
 - Over 1/3 of claims flagged from the Work number cross matches resulted in an overpayment (*1/5 of model cross matches resulted in overpayment.*)
 - 43% of the work number cross matches that resulted in an overpayment were not caught by the model cross match efforts.

Example- APPRISS INSIGHTS

- Began crossmatching in 2014
- Automatic process that provides specific incarceration information for active filing claimants.
- Effective for early intervention.
- Many time, Appriss will supply information prior to the claimant filing their weekly certification.
- In 2021 a total of 165 weeks were denied due to incarceration

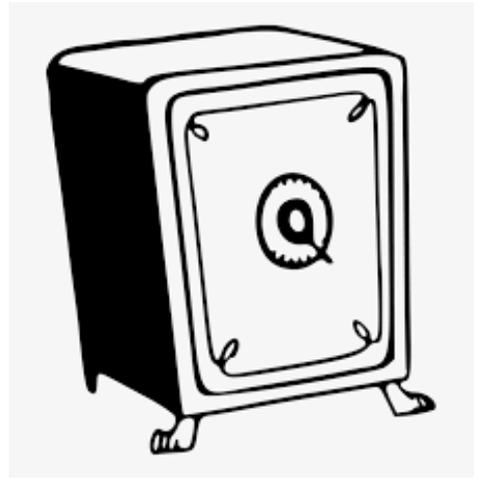


2021 Results

- Benefits paid- \$560,131,147
- # of integrity interventions/cross matches- 156,827
- # of overpayment investigations- 23,470
- # of Overpayments- 29,656
- OP amounts- \$21,617,179

And here is the obligatory “disaster avoided” number...

- **Estimated potential loss with no intervention- \$882,825,348**



Fair & Equitable Identity Verification





Helping You Verify,
Trust, and Serve



Why It Matters

Who We're Fighting For...



"It's just like opening the door that's there, but when you open it up it's all bricked up behind it." Annette Wright-Warmington on being trapped in a legacy vendor's identity purgatory after registering on an app to receive benefits, following the loss of her job.¹

Those most likely to face these problems also tend to be the most vulnerable.

Who We're Fighting



Abidemi Rufai of Nigeria filed 652 fraudulent tax returns against the federal government for \$1.6M between 2016-2019.

In May 2022, he plead guilty to COVID-19 unemployment fraud against Washington and 17 other states, using hundreds of stolen identities.²

¹ [Bloomberg Businessweek Feature: How Did ID.me Get Betw een You and Your Identity?](#)

² [Press Release: Dept of Justice, U.S. Attorney's Office, Western District of Washington](#)



The Next Generation of Identity Verification

Moving From Friction-Based to Graph-Defined Identity Verification



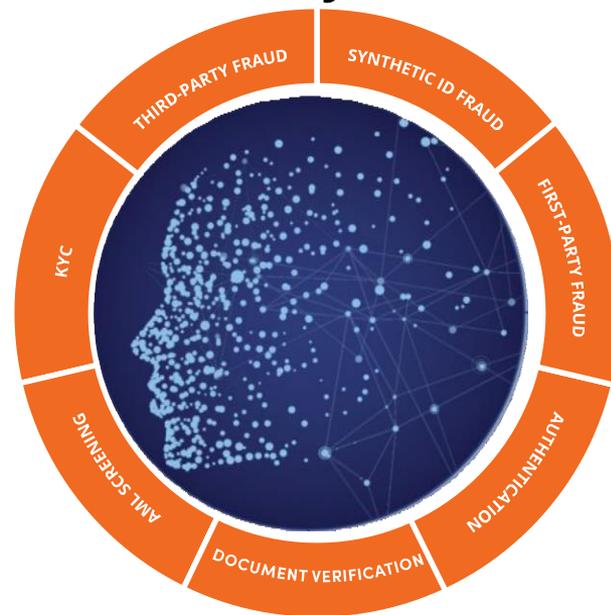
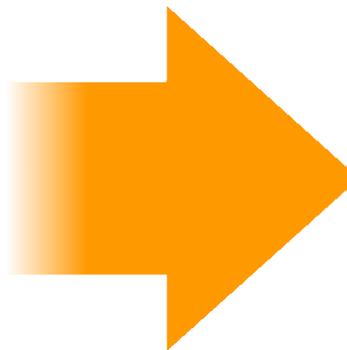
Single-Element
Centric

Document
Centric

Credit Data
Reliant

Friction-based Identity Verification

- High false positives
- Manual reviews
- Poor conversion rates
- High abandonment rate
- Increased costs
- Consumer frustration



Graph-defined Identity Verification

- Low false positives
- High auto-approvals
- Low levels of friction
- High degree of accuracy
- Low abandonment rates
- Increased coverage
- Reduced costs
- Enhanced consumer experience



Metrics That Matter

	Legacy Services	Graph-centric approach	THE DIFFERENCE
Fraud Capture	35-55%	85-90%	35-45% increase
False Positives	6:1	2:1	>13x more accurate
Auto Approval	35-65%	92-98%	30-60% increase
Manual Review/KBA	35-65%	2-8%	>50% reduction

*Socure average results

Program Integrity Data & Analytics Solutions



130,000+

Professionals

\$22B

in annual revenue

50+

Countries

#8

Most valuable IT services brands



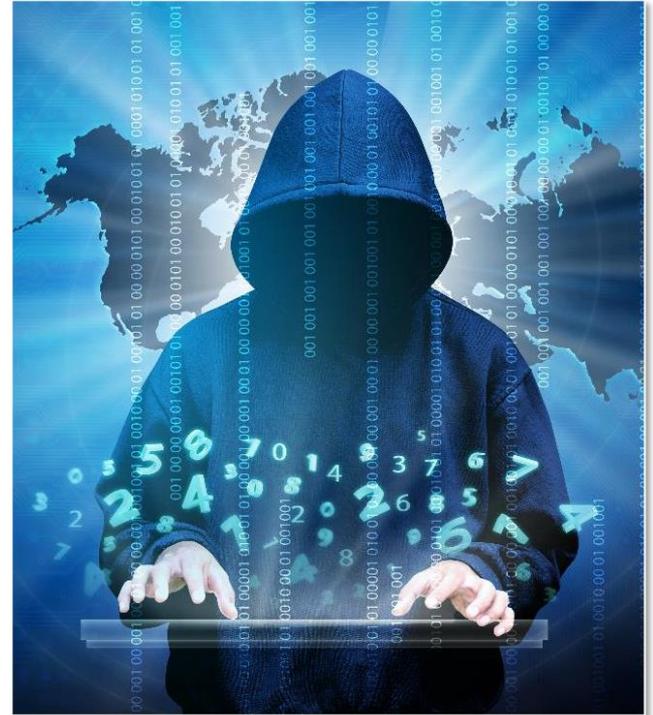
Trusted Global Innovator

NTT DATA

NTT DATA is a top 10 global business and IT services provider with business operations in more than 50 countries and regions. The parent of NTT DATA, the business was established in 1967 as the IT services arm of NTT and became a public company in 1995.

Challenges to Integrity During the Pandemic

- Diminished staffing levels
- Claimant / system load
- Customer CX/UX
- New programs and populations
- Bad actors
- Data availability



Integrity Solutions – CX/UX

- User Experience Improvements
 - Empower the customer
 - Provide automated and context sensitive guidance
 - Robotic Process Automation (RPA)
 - Streamlined Identity Verification
 - + Supporting Data

Reduce customer interactions (staff workload) while increasing claim accuracy.

Integrity Solutions – Analytics

- In addition to Identity Verification, analytics should detect
 - Concealed, misreported wage data (including gig workers)
 - Suspicious claims & user error
 - Synthetic employers
 - Coordinated fraud
 - Incarcerated claimants
 - Worker misclassification / SUTA
 - Work Search
 - Continuous eligibility



Recommendations

- Be proactive
 - Avoid ad hoc solutions
 - Look at integrity as an ongoing exercise
 - Identify sustainable, compliant solutions
 - Supplement data (state, federal, 3rd party)
 - Use automation (where viable)
 - Use machine learning
 - Educate the user
 - Automate recovery

