MYTHS vs. REALITY: Stop the Scam

**MYTH** Welfare fraud doesn’t exist.

**REALITY** Welfare fraud is a huge problem.

Audits of various welfare programs have revealed significant vulnerabilities to waste, fraud, and abuse. According to data from the U.S. Department of Health and Human Services, nearly 10 percent of all Medicaid spending is improper and most improper Medicaid payments since 2010 have been the result of eligibility errors. While many states have focused efforts on reducing fraud by providers or merchants, states must take steps to crack down on eligibility fraud and preserve limited resources for the truly needy.

**MYTH** Welfare enrollees self-report major life changes, so fraud isn’t really likely.

**REALITY** Relying on self-reporting is like asking a bank robber to pay income taxes.

Many states rely on welfare enrollees to report changes that affect eligibility, but if they don’t, their eligibility goes largely unchecked until their next redetermination period. Unfortunately, enrollees frequently fail to report these changes. In a recent audit, one state found that more than 93 percent of all eligibility errors were due to enrollees not reporting information or reporting incorrect or incomplete information.

**MYTH** Stop the Scam will require a massive IT overhaul.

**REALITY** Stop the Scam can be implemented without any new IT.

Stop the Scam can complement existing IT systems or planned upgrades and does not require additional investment in IT or the creation of any new IT systems. While some states have used technology to better automate eligibility crosschecks, others have implemented the initiative by sharing spreadsheets or text files across agencies and with independent vendors. States can also contract with independent vendors to rent access to additional databases or review cases for potential red flags.
MYTHS vs. REALITY: Stop the Scam

**MYTH**
Computers in one agency can’t communicate with computers in others, making Stop the Scam impossible.

**REALITY**
Unified IT systems are not necessary to implement Stop the Scam. Stop the Scam can be implemented in states with unified IT systems, IT systems that bridge across agencies, or legacy IT systems that cannot communicate with one another. Agencies in some states have shared relevant information through spreadsheets and text files, so IT system incompatibility should not prevent competent agencies from implementing Stop the Scam.

**MYTH**
Stop the Scam can’t be implemented until the state completes overhauling legacy IT systems.

**REALITY**
Stop the Scam can be implemented before, during, or after major changes to agencies’ IT systems. Because Stop the Scam does not necessarily rely on any particular IT system upgrade, it may be implemented regardless of planned IT system changes. Given the fact that some states have used even rudimentary methods to share information with one another experienced agencies should be able to implement Stop the Scam even during IT system overhauls.

**MYTH**
Stop the Scam could require large contracts with vendors.

**REALITY**
Taxpayer savings vastly outweigh costs. States can begin implementing Stop the Scam with existing data sources. However, they can also contract with independent experts to gain access to additional data and help identifying potential red flags. While pricing ultimately depends upon how frequently checks are performed and the number of enrollees, the experiences in other states suggests that even without competitive bidding, such a contract could run between $0.38 to $1.00 per person checked. Some states have been able to secure discounts with vendors of up to 50 percent through the competitive procurement process. But overall, states using Stop the Scam have seen costs be more than offset by savings and savings requirements can be built into the contracts. Some states have seen a return on investment of near 10 to 1.