HUMAN RESOURCES SUBCOMMITTEE HEARING ON THE USE OF DATA MATCHING TO IMPROVE CUSTOMER SERVICE, PROGRAM INTEGRITY, AND TAXPAYER SAVINGS

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

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FRIDAY, MARCH 11, 2011

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:01 a.m., in Room B–318, Rayburn House Office Building, the Hon. Geoff Davis [Chairman of the Subcommittee] presiding.

[The advisory of the hearing follows:]

HEARING ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

Davis Announces Hearing on the Use of Data Matching to Improve Customer Service, Program Integrity, and Taxpayer Savings

March 4, 2011

By (202) 225–1025

Congressman Geoff Davis (R–KY), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the use of data matching to improve the administration of government benefit programs. **The hearing will take place on Friday, March 11, 2011, in Room B–318 Rayburn House Office Building, beginning at 10:00 A.M.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include public and private sector experts on how data matching is currently used to effectively administer public sector benefits as well as efficiently provide private goods and services. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Data matching has long been employed in an effort to effectively administer public benefits such as Temporary Assistance for Needy Families, Child Support Enforcement, Unemployment Insurance, and other programs in the Human Resources Subcommittee's jurisdiction. For example, the 1996 welfare reform law (P.L. 104–193) created the National Directory of New Hires to improve the effectiveness of child support and related programs through the use of a database of newly hired individuals and their wages, facilitating more immediate and reliable wage garnishment when necessary. Subsequent legislation gave States expanded access to this data to improve the administration of housing (P.L. 108–199), unemployment (P.L. 108–295), and food stamp (P.L. 109–250) benefits, achieving additional program savings and reducing administrative expense and complexity.

Despite these advances, some public benefit programs continue to rely on program applicants or recipients to accurately report information that could affect their eligibility for and amount of benefits. Reliance on such self-reports can undermine program integrity, increase program spending, and compromise public confidence in the effective administration of benefits. By providing access to the latest information on an applicant, data matching can make eligibility determinations more timely and accurate, allowing individuals in need to more quickly access benefits while ensuring that those who do not satisfy eligibility criteria do not receive taxpayer-funded benefits for which they do not qualify. And by reducing the manual burden on caseworkers, more effective data matching can free caseworkers to spend more time with applicants and beneficiaries whose cases are more complicated.

Beyond better utilizing data to improve customer service, data matching can help achieve program savings both at the State and Federal levels. For example, the Public Assistance Reporting Information System (PARIS) project is designed to match State enrollment data for the TANF, food stamps, Medicaid, and child care programs with data from other participating States and from a selected group of Federal databases. In the State of Colorado, the return on investment for PARIS has been 40 to 1, while New York State annually saves an average of $62 million through its participation in PARIS. At the Federal level, the Social Security Administration compares Supplemental Security Income and Social Security benefit rolls against a regularly updated list of State and local prisoners; from 1997 to 2009, this

system identified over 720,000 incarcerated individuals who should not have been receiving program benefits, resulting in an average savings of $1.2 billion per year.

In announcing the hearing, Chairman Davis stated, **"Firms in the private sector have learned to use data to deliver better products and services at lower costs for their customers. This hearing will review how some public sector programs have also been able to effectively use data to administer benefits. We will ask public and private sector experts how the use of such systems can be improved and expanded to provide even better services for benefit applicants and recipients and at a lower cost to taxpayers."**

FOCUS OF THE HEARING:

The hearing will focus on the use of data matching to improve public benefit programs under the Subcommittee's jurisdiction.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, http://waysandmeans.house.gov, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Friday, March 25, 2011**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at http://www.waysandmeans.house.gov/.

Chairman DAVIS. The hearing will now come to order. Before we begin the official proceedings, as many of you may be aware, tragedy has struck the Pacific Rim with a record earthquake and tsunami that has devastated our friends in Japan, and is sweeping across the Pacific as we speak. And I would just like to ask you all to join us here in the dais in a moment of silence for the victims and their families.

[Moment of silence.]

Chairman DAVIS. Today's hearing is about how the government can use data and information technology to better prevent fraud and abuse, increase the efficiency of benefit programs, and produce savings for U.S. taxpayers. That's an ambitious set of goals.

We are going to start by asking how current efforts to use data and technology are working to improve program administration and benefit accuracy. Then we will expand on that by asking public and private experts how we can use data to provide better services for benefit recipients and at a lower cost to taxpayers.

One key goal would involve preventing improper payments. And, as the chart shows, we've got a lot of work to do. In 2010, total improper payments by the Federal Government reached a staggering $125 billion. That reflects payments that went to the wrong recipient, in the wrong amount, or that were used in a fraudulent manner.

It reflects many different streams of thoughts and issues related to payments, not singling out any single cause, but we have disconnected processes, disconnected systems that don't communicate effectively together, and it's a disservice both to the taxpayer, to the employees and the agencies who try to manage these difficult programs, and also to the recipients of benefits.

I am alarmed to note that $125 billion in improper payments is an average of over $1,000 per household in the United States. Two of this subcommittee's programs, unemployment insurance and supplemental security income, accounted for almost one-fifth of those improper payments, costing taxpayers over $23 billion last year. To address those types of errors and improve administrative efficiency, government needs to work a lot smarter.

So, we have asked lots of smart people here today to help us learn about the current state of data matching and its potential for making major strides in program efficiency and effectiveness in the future. For example, we have seen the private sector find ways to use data to more efficiently detect patters of misuse, such as when credit cards are lost or stolen and streamline backend payment processing. We want to apply those same sorts of lessons, proven private sector concepts, in our programs, as well.

We have seen some of those lessons already applied in states like Utah and Florida. They are using data matches to fill application forms with reliable and verified data, reducing the manual burden on case workers, and increasing payment timeliness and accuracy. This also allows caseworkers more time to spend with their beneficiaries, handling more complex cases, as they should.

On the federal level, a data match success story involves legislation crafted by this subcommittee related to prisoners who should not be collecting disability checks. As a result of that legislation, the Social Security Administration now has a system by which they

collect timely prisoner data from state and local jails, rather than relying on the honesty of inmates, literally, to end their own benefits.

From 1997 to 2009, the system helped identify over 720,000 incarcerated individuals who should not have been receiving SSI benefits, contributing to billions of dollars in savings each year. It has been so successful that this data is now shared with the child support enforcement and food stamp programs.

Looking forward, we are interested in promoting the development of a more common set of data elements across all programs in the government. This will improve efficiency and savings in our programs, as well as other costly benefit programs like food stamps and Medicaid that many of our program recipients collect simultaneously.

These issues stretch beyond our subcommittee's borders to include laws like the Computer Matching and Privacy Protection Act of 1988. That means we will have to work with other committees to achieve real and value-adding changes, like making updates for current technology, and allowing for computer matching agreements to be completed in a more timely manner.

Ultimately, improving data matching will help us to better measure the effectiveness of multiple programs, and more efficiently target resources to achieve goals like promoting more work and earnings, reducing poverty, and ending dependence on government benefits. These are goals that we should all agree on.

We look forward to all of our witnesses' testimony. Without objection, each member will have the opportunity to submit a written statement and have it included in the record at this point. And I will now yield to my friend, Mr. Doggett from Texas, if he would like to share an opening statement.

Mr. DOGGETT. Thank you, Mr. Chairman. And I believe these are goals that we do all agree on. Use of government programs, whether done by a pharmaceutical manufacturer or a defense contractor—I will try that again.

These are goals that we all agree on. And abuse of government programs, whether a pharmaceutical manufacturer, a defense contractor, or a food stamp recipient, are all unacceptable, especially when there are so many Americans in need of genuine help. Taxpayers have a right to expect that public benefits go only to those to whom they are entitled, and that we seek to eliminate all types of improper payments, misuse of the taxpayers' monies.

Today we are appropriately exploring the extent to which improved sharing of data can help in achieving that objective. Most public assistance programs already use data from a variety of sources to verify an applicant's eligibility.

For example, welfare and unemployment agencies routinely check wage data which is collected both by state and national databases in determining initial and continued eligibility. Another example is the Social Security Administration, which cross-references bank account information for those who are applying for Supplemental Security Income, or SSI.

Such information is obviously sensitive, so we need to ensure that, as we data-share, we have safeguards to maintain appropriate confidentiality and prevent use for unauthorized purposes.

Additionally, applicants and recipients need to be given an opportunity to correct any incorrect, any false information or out-of-date information.

Just as data-sharing can detect individuals who should not be receiving benefits, I believe they can also be used to improve outreach to Americans who are eligible for assistance, but who are not receiving it. We still have a significant number of poor seniors, for example, who have never accessed the assistance that they need, the extra help that they need, on prescription drugs under Part D of Medicare. I favor using data-sharing to both reduce fraud, and increase access to those who need help.

One example of where this appears to be working is in the City of Philadelphia, where seniors who may be eligible for but not receiving both food assistance from the SNAP program and help from the Medicare prescription drug coverage, are checked on the basis that they are enrolled in other programs with similar eligibility standards.

A couple years ago, in 2009, the President issued an executive order directing federal agencies to intensify their efforts to reduce improper payments of the type to which the chairman referred. One element of this effort is a new partnership fund to help the states establish pilot programs to identify new and innovative ways to reduce fraud and abuse, and to test better methods of improving program integrity, such as reducing overpayments in the Earned Income Tax Credit and in the TANF program, as well as unemployment insurance.

Unfortunately, the Republican spending plan that is before Congress at present for the remainder of this year would cut funding for this very worthwhile effort to reduce fraud and abuse. This is reminiscent of our first subcommittee hearing on unemployment. Since that time, the same Continuing Resolution that has been proposed by the Republican Leadership would, according to the folks I talked to in Texas, eliminate about two-thirds of our workforce centers in Texas, and I'm sure have a similar effect in the rest of the country.

I look forward to hearing from each of our witnesses about how to ensure that these public assistance programs assist only those who are intended to benefit from them, and do so in the most effective and efficient way, free of abuse, that we possibly can have.

Thank you very much, Mr. Chairman.

Chairman DAVIS. Thank you very much, Mr. Doggett. Before we move on to our testimony, I would like to remind our witnesses that you are limited to five minutes of oral testimony. However, without objection, all of the written testimony will be made part of the permanent record.

On our panel this morning we will be hearing from a distinguished group of people who are living in the real world on this issue from a variety of perspectives in government, the private sector, and bridging both. And we appreciate your valuable ideas and insights.

Our first is The Honorable Patrick O'Carroll, Jr., inspector general of the Social Security Administration; Sundhar Sekhar, Principal and National Health and Human Services Practice Leader at Deloitte Consulting; Joseph Vitale, Director the Information Tech-

nology Support Center at the National Association of State Workforce Agencies; Elizabeth Lower-Basch, senior policy analyst at the Center for Law and Social Policy; and Ron Thornburgh, senior vice president of business development at NIC.

Inspector General, please proceed with your testimony.

STATEMENT OF PATRICK P. O'CARROLL, JR., INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

Mr. O'CARROLL. Good morning, Chairman Davis, Mr. Doggett, and Members of the Subcommittee. Thank you for this invitation to testify today.

Data matches have proven to be effective tools for SSA to improve payment accuracy and protect government funds. For many years, my office has recommended that SSA pursue data matches among Federal, State, and local agencies, to make sure that the right person receives the right payment at the right time.

SSA and agencies across the government have renewed their focus on reducing improper payments since President Obama signed the Improper Payments Elimination and Recovery Act of 2010. To comply with the act, my office is working with SSA, OMB, and other inspectors general to identify program vulnerabilities and develop solutions to reduce improper payments.

One of our earliest reports on data matching involved prisoners receiving Social Security benefits. SSA's data matching with prisons has prevented billions of dollars in overpayments. We determined SSA lacked agreements with thousands of local and county corrections facilities to obtain prisoner information. The absence of these agreements led to significant overpayments to prisoners who were not eligible to receive benefits.

On our recommendation, SSA pursued legislation that eliminated the need to enter into data-matching agreements for prisoner records. Today, SSA receives prisoner information on a monthly basis, and matches it against benefit records. SSA's most recent estimate puts the savings from this initiative at over $580 million per year for the Title II program alone.

SSA's Access to Financial Institutions project, or AFI, is another data-matching initiative we recommended years ago that helps the Agency prevent payment errors that had been commonplace. AFI allows SSA to receive financial account information electronically, rather than rely on beneficiaries to report assets that may reduce or eliminate their benefits. Self-reporting is a leading cause of payment errors. The Agency expects to save $100 million in Fiscal Year 2011 because of the AFI program. The system is present in 25 states, and SSA plans to implement AFI in the remaining states this year.

Those are two success stories, and my office has made other data-matching recommendations to SSA. Those recommendations include: working with State bureaus of vital statistics to obtain death information electronically, as well as information on beneficiaries' marital status; exploring exchanges with states that maintain automated workers' compensation databases; and assessing the costs and benefits of obtaining vehicle information from states to verify resources of SSI recipients.

We also have planned reports on potential matches of SSA beneficiary information related to unreported property, pensions, and marital status. We in OIG use data matches in our work, as well, but the Computer Matching and Privacy Protection Act requires formal computer matching agreements that can take years to complete. This prolonged process can delay or derail time-sensitive audit and investigative projects.

In 2010, the Department of Health and Human Services obtained a legislative exemption for data matches designed to identify fraud, waste, or abuse. We are pursuing a similar exemption, which could serve as a vital tool to our organization as we combat fraud in SSA's programs and operations.

In conclusion, data matching serves as one piece of a large integrity puzzle for SSA and other agencies. As Chairman Davis has suggested, data matches across the Federal Government could reduce improper payments and improve service to the American public. Just as SSA strives for payment accuracy, so too should all other government agencies.

My office will continue to work with this subcommittee and SSA in an effort to improve customer service, ensure program integrity, and increase taxpayer savings.

Thank you again for this invitation to testify, and I will be happy to answer any questions.

[The Prepared statement of The Honorable Patrick P. O'Carroll, Jr., follows:]

U.S. House of Representatives

Committee on Ways and Means
Subcommittee on Human Resources

Statement for the Record

Hearing on the Use of Data Matching to Improve Customer Service, Program Integrity, and Taxpayer Savings

The Honorable Patrick P. O'Carroll, Jr.
Inspector General
Social Security Administration

March 11, 2011

Good morning, Mr. Chairman, Mr. Doggett, and members of the Subcommittee. I would like to welcome the new members of the 112th Congress. It is a pleasure to appear before you, and I thank you for the invitation to testify today. I have appeared before Congress many times to discuss issues critical to the Social Security Administration (SSA) and the services the Agency provides to American citizens. Today, we are discussing how SSA uses data matching to improve customer service, ensure program integrity, and increase taxpayer savings.

Data matching has become a critical issue for SSA and other Federal agencies, as they seek ways to improve payment accuracy and reduce or eliminate improper payments. In November 2009, President Obama signed Executive Order 13520 on Reducing Improper Payments, and in July 2010 signed into law the *Improper Payments Elimination and Recovery Act* (IPERA). This legislation sets a goal of reducing wasteful spending by $50 billion by 2012. In response, Federal agencies have increased efforts to pursue data-matching agreements among Federal, State, and local agencies, to help protect Government funds by ensuring that the right person receives the right payment at the right time.

Identifying improper payments and offering recommendations for solutions to SSA has been an OIG priority for many years. To comply with IPERA, my office and other agency offices of inspector general (OIG), are working closely with their agencies, the Office of Management and Budget (OMB), and the Treasury Department. My office is currently serving as liaison for the Council of Inspectors General on Integrity and Efficiency, working with OMB on improper payment initiatives such as the implementation of Executive Order 13520.

One of our initial reports on SSA's computer-matching efforts has led to hundreds of millions of dollars in projected savings for the Agency. The report, *Effectiveness in Obtaining Records to Identify Prisoners*, released in May 1996, examined whether SSA adequately obtained complete and timely information to determine if prisoners in Federal, State, or county and local corrections facilities collected retirement and/or disability benefits while incarcerated—which the *Social Security Act* prohibits. SSA entered into computer-matching agreements with corrections agencies, matching prisoner records against Agency benefit records, in accordance with the *Computer Matching and Privacy Protection Act of 1988* (CMPPA).

Despite these efforts, we determined SSA achieved "only limited success" in obtaining prisoner information. SSA had agreements to obtain prisoner data from 47 of the 50 States plus the District of Columbia and the Federal Bureau of Prisons, but the Agency had agreements with just 156 of 3,316 (4.7 percent) county and local corrections agencies, according to our findings. The absence of these agreements at the county and local levels led to significant estimated overpayments to prisoners. We made several recommendations to SSA to improve procedures for obtaining prisoner information, including instituting agreements with corrections agencies to obtain information on all prisoners; and seeking a CMPPA exemption for prisoner-related data matches.

Because of our work, SSA undertook a major initiative to obtain prisoner data from all State, county, and local corrections departments, and pursued legislation to improve the cost-effectiveness of prisoner data matching. The *Ticket to Work and Work Incentives Improvement Act of 1999* eliminated the need for SSA to enter into CMPPA agreements for prisoner matches; the law also included provisions for SSA to provide incentive payments from Old-Age, Survivors, and Disability Insurance (OASDI) program funds to State and local corrections institutions that report prisoner data to SSA. The Agency's efforts proved successful, as a follow-up OIG report in July 2003 found that SSA had active agreements

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to obtain prisoner data from all 50 States, the District of Columbia, the Federal Bureau of Prisons, and more than 3,000 county and local facilities.

The change to CMPPA requirements for SSA and prisoner records matches, as well as the Agency's expanded efforts to increase its matching agreements, resulted in significant savings for SSA programs. Today, SSA receives prisoner data from corrections facilities monthly, and matches that data against the Agency's OASDI and Supplemental Security Income (SSI) records, halting benefit payments to prisoners. In 2006, the most recent year available, SSA's Office of the Actuary estimated savings from OASDI prisoner suspension provisions were over $580 million per year.

SSA's Access to Financial Institutions (AFI) Project is another example of a data-matching initiative that has helped the Agency prevent payment errors that were common in the past. During the initial claims process and later reviews of eligibility, SSI applicants and recipients are required to report their resources to ensure they are eligible to receive payments; SSA studies have found that money held by SSI recipients above the resource limit is a leading cause of payment errors.

To reduce those overpayments, the Agency implemented AFI as an alternative to the traditional SSI asset-verification process of recipient self-reporting and direct contacts with financial institutions. The AFI system checks an applicant's or recipient's known bank accounts, and searches for unknown accounts. Because it allows SSA offices to request and receive financial account information electronically, AFI should help the Agency reduce SSI payment errors. AFI has been implemented in 25 States, covering about 80 percent of the SSI population, and SSA plans to implement AFI in the remaining States this year. SSA expects AFI to yield $20 in savings for every $1 spent on the program— for FY 2011, the Agency expects to save $100 million, and by 2013, SSA projects approximately $900 million in lifetime program savings for each year the Agency uses AFI.

In recent years, my office has released two reports related to electronic bank data: *SSI Recipients with ATM Withdrawals Indicating They Are Outside the United States*, in April 2008; and *SSI Recipients with Excess Income and/or Resources*, in July 2008.

The first report relates to SSI recipients who might not have been eligible for payments because they were outside the United States for more than 30 days. The Agency relies considerably on individuals' self-reporting their absences from the United States, but because reporting such events might result in ineligibility for SSI payments, individuals have little incentive to communicate with SSA.

We issued subpoenas to obtain the financial information of SSI recipients, and analyzed the resulting data. Based on a sample, we estimated that SSA failed to detect about $225 million in overpayments because 40,560 recipients did not inform SSA of their absence from the United States. We recommended that SSA explore alternatives that might help detect unreported residency violations, including assessing the feasibility of obtaining electronic bank statements with transaction-level data, so that foreign transactions could be identified and possibly investigated.

In our second report, we further analyzed the financial information we obtained for the ATM withdrawal audit, and concluded that SSI recipients in our sample failed to inform SSA of changes in income or resources, causing overpayments. We again recommended that SSA obtain electronic bank statement information, in the most cost-effective manner, to include bank account summary and transaction-level data, so that the Agency could identify and investigate additional income and resources.

SSA's and the OIG's efforts to expand the use of prisoner and SSI recipient banking data have detected program vulnerabilities and achieved significant Agency savings. These successful initiatives lend support to a suggestion from Chairman Davis for all government agencies to explore the possibility of developing common data elements and a central point for agencies to share information, with the goal of reducing improper payments and improving customer service.

My office supports the Chairman's suggestion for further examination of this issue across the government, as evidenced by the extensive work we have done on the subject in relation to SSA. We have made, to SSA, the following computer-matching recommendations:

- *Use of State Bureau of Vital Statistics (BVS) Records to Detect Unreported Marriages and Divorces*, released in June 2003, recommended that SSA establish guidelines to monitor the cost-effectiveness of computer matching, working with State BVS agencies to obtain matching agreements and purchase marriage records to identify beneficiaries who did not report their marriages.

- *Title II Disability Insurance Benefits with a Workers' Compensation Offset*, released in November 2006, recommended that SSA work with States to standardize the format used to report workers' compensation to SSA; and explore electronic exchanges with the States that maintain automated workers' compensation databases.

- *SSA's Controls and Procedures over SSI Death Alerts*, released in May 2007, recommended that SSA continue to encourage State BVS agencies to develop and implement an electronic death registration.

- *SSI Recipients with Unreported Vehicles*, released in July 2009, recommended that SSA assess the costs and benefits of obtaining vehicle information from States or from LexisNexis for SSI recipients, so the Agency can verify individuals' resources during initial applications and redeterminations.

- *Disabled Beneficiaries Hiding Wages*, released in July 2009, compared beneficiaries' payment information against their employment information from LexisNexis; identified and referred 300 potential fraud cases to SSA; and recommended the Agency perform work continuing disability reviews (CDRs) on the cases.

In addition, we have planned the following reviews:
- *Follow-up: Individuals Receiving Benefits Under More than One Social Security Number at Different Addresses*
- *SSI Recipients with Unreported Real Property*
- *OASDI Benefits Affected by State or Local Government Pension*
- *SSI Recipients Who Alleged Being Separated or Divorced*
- *Follow-up: Survivors' Benefits Paid in Instances When SSA Removed the Death Entry from a Primary Wage Earner's Record*

My office, while encouraging SSA to pursue computer matches to improve the integrity of its operations, has also sought to use computer matches and data analysis effectively in our own work. However, the CMPPA has been an obstacle to many OIG projects. Enacted in 1988, the CMPPA amended the *Privacy Act of 1974* by adding certain protections for subjects whose records are accessed

in computer-matching programs. The CMPPA was passed in response to a growing concern that government agencies would match databases in ways that would invade individuals' privacy.

The CMPPA contains several useful and practical exemptions, specifically exempting matches performed for law enforcement purposes, statistical reviews, and congressional investigations, among others. However, computer matches that primarily affect benefit determinations require a formal computer-matching agreement pursuant to the CMPPA. The main objective of many of our audits and investigations is to ensure that only eligible individuals receive payments from SSA; thus, we are required to secure a computer-matching agreement to complete some of our work.

To conduct a full-scale match, and take action based on the match's results, our office must go through a lengthy administrative process within SSA before receiving final approval from the Agency's Data Integrity Board. This review typically takes more than a year, and sometimes several years, to complete; the process can derail planned audits or investigations because the related work is time-sensitive. We can conduct computer matches for research and statistical purposes, but we are unable to use the resulting data to affect benefits, make arrests, or take other meaningful action in response to fraud uncovered through such a statistical match.

In a June 2010 Government Accountability Office (GAO) report, *Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Disability Payments*, GAO matched SSA's disability beneficiary and recipient data against Federal payroll data to identify Federal employees who were working while collecting disability payments. GAO referred its findings to SSA and OIG, but we would not have been able to undertake this type of work on our own without a computer-matching agreement, under CMPPA limitations.

The IG community is pursuing an exemption to the CMPPA that would permit computer matches related to audits, inspections, or investigations designed to identify weaknesses that make programs vulnerable to fraud, waste, or abuse and to detect improper payments, but the legislation has stalled to date. In 2010, the *Patient Protection and Affordable Care Act* amended the CMPPA to exempt matches performed by the U.S. Department of Health and Human Services or its Inspector General related to potential fraud, waste, or abuse. We do not have a similar exclusion, though we have proposed similar legislation that would amend the *Social Security Act*. A CMPPA exemption could serve as a vital tool in facilitating our ongoing mission to combat fraud, waste, and abuse in SSA's programs and operations.

Our recommendations related to computer-matching agreements support the organization's primary focus on integrity. Further, we continue to pursue the establishment of a self-supporting program integrity fund for activities such as our Cooperative Disability Investigations program (CDI), CDRs, and redeterminations, to ensure that applicants and beneficiaries are eligible at the time they apply and as long as they remain in payment status. The proposal would provide for indefinite appropriations to make available to SSA 25 percent, and to OIG 2.5 percent, of actual overpayments collected based on detection of erroneous overpayments SSA collects. These funds would be available until spent for stewardship activities.

In conclusion, my office is dedicated to working with SSA to identify data matches that can improve the efficiency and integrity of the Agency's operations and the delivery of benefits to the American public. Data matching serves as one piece of a large integrity puzzle for SSA. Increased Agency efforts to pursue future matching agreements, and a CMPPA exemption to allow my office to pursue computer

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matches related to potential program fraud, waste, or abuse, would further our collaborative effort to protect SSA funds for the Americans who are eligible for them.

As Chairman Davis has suggested, the Federal Government as a whole should explore the possibility of data matching across all agencies and programs to improve its service to the American public. Just as SSA strives for payment accuracy, so too should all other government agencies. We will continue to provide information to Agency decision-makers and this Subcommittee, and we look forward to assisting in these and future efforts.

I thank you again for the invitation to be here with you today. I'd be happy to answer any questions.

Chairman DAVIS. Thank you very much, Inspector General. Mr. Sekhar?

STATEMENT OF SUNDHAR SEKHAR, PRINCIPAL, NATIONAL HEALTH AND HUMAN SERVICES PRACTICE LEADER, DELOITTE CONSULTING

Mr. SEKHAR. Good morning. Thank you, Chairman Davis, Mr. Doggett, and distinguished Members of the Subcommittee, for inviting me to testify today. As I explained in detail in my testimony, there are three primary challenges in today's human service daily exchange environment. And I believe the data exchange concepts and models followed in the private sector could offer opportunities for human service programs to consider. I will go over them briefly now.

Number one. In the administration of human service programs, often caseworkers spend significant portions of their time in collecting and verifying information manually of the client benefit application, reviewing their proof of verifications and validations such as income assets.

In the private sector, institutions such as banks and health care companies rely on advanced data exchange models using consumer-to-business and business-to-business exchanges that minimize workers' manual activity in the initial application processing and the verification steps. In a typical bank model, the majority of these verifications and validations are performed in an automated fashion, relying on sophisticated data brokers that are available with information about a client.

This model has really good parallels in the human service environment. By automating data exchanges based on information available from federal and state exchanges, the human service systems can pre-fill application information already known about a client or a household, and verify some of their proof automatically.

Number two. While every human service programs shown on the chart use some form of data exchanges for verification and validation, there is no single data standard across these programs. In addition, how the data exchange information is defined, processed, and how automation is applied to use these results are not consistent, either.

In the private sector, many of the data exchange transaction formats have been standardized. This allows for them to collaborate across the private sector entities such as employers and banks, and also rely on credit check processes as the basis for verification. Usually their underlying infrastructures are able to handle real-time exchanges. And each entity determines how to apply the data exchange information that they receive. As a result, they are able to use event-based processes, and also some predictive techniques that can trigger automatic events instead of worker action.

This also has many parallels in the human service environment. The state and the Federal Government could define standard code sets for commonly-transacted human service data elements, such as change in income or change in address. By doing so, they bring consistency to data standards, and also common expectations on what needs to be done, based on those changes. And this can be

done not just within a state, but also across states at a federal level.

Using that standard as a base, the states could consider moving to a human service collaboration exchange, as shown on the chart, that shares federal, state, and other publicly-available information exchange for human service programs. The human service programs operating at a state level working with the federal agencies could subscribe to that exchange, and also contribute to that exchange. And their access would be limited, based on what's allowable for security and privacy controls. Ultimately, this helps the state agencies gain access to a common set of data exchange information that they can use to maintain program integrity.

And, number three, in human service programs, often the service delivery model is still high-touch, meaning case workers often interact with clients, irrespective of whether they follow a normal business process or they need additional assistance for their benefit processing. This causes a significant workload impact to the case worker.

In the private sector, the prevailing model is most of the common transactions are automated, using data exchanges, and performed without worker intervention. Whether you want to shop online or check your bank accounts or report change in information, the initial interaction is really with that worker intervention. Workers are only assigned to cases that require further review.

Again, this has parallels to the human service environment, as well. They face similar challenges in terms of shortage and case workers, and also increases in workload. As a result, a high-touch model is expensive and not really practical for all consumers when you're serving. Automating federal and state data exchanges could drive normal day-to-day transactions directly to customers, using a citizen-to-government model or using business-to-business transactions.

And finally, as you see in private sector, there are additional data mining, data predictive modeling, and other newer concepts that are being explored, which could have parallels to the human service environment. This will ultimately help to proactively manage program integrity, reduce worker time, and improve customer service, ultimately resulting in taxpayer savings.

Thank you. And I will be happy to answer any questions you may have.

[The Prepared statement of Sundhar Sekhar follows:]

*** THIS TESTIMONY IS EMBARGOED UNTIL ***
*** FRIDAY, MARCH 11, 2011 AT 10:00 A.M. ***

Statement of Sundhar G. Sekhar
Principal, National Health and Human Services Practice Leader

Before

The U.S. House Ways and Means
Subcommittee on Human Resources
Hearing on
The Use of Data Matching to Improve Customer Service, Program Integrity, and Taxpayer
Savings

March 11, 2011

*** THIS TESTIMONY IS EMBARGOED UNTIL ***
*** FRIDAY, MARCH 11, 2011 AT 10:00 A.M. ***

Chairman Davis, and members of the Committee:

I appreciate the opportunity to provide testimony to the Subcommittee on Human Resources of the Committee of Ways and Means on a subject in which I have been deeply involved for most of my professional career. As the Health and Human Services Practice Lead for Deloitte Consulting LLP, I have had the opportunity to provide information technology and business process services to a number of state agencies in providing. My experience also includes extensive interactions with peers who work in private sector industries such as healthcare, banking, consumer business and retail, all of which support business to business (B2B) and consumer to business (C2B) exchanges that are aimed at improving customer satisfaction and reducing administrative costs.

In the State and Federal Government, human services encompass a wide array of programs including Temporary Assistance for Needy Families (TANF), Child Support Enforcement, Child Welfare, Unemployment Insurance, Child Care and more. Each of these programs has distinct benefit application, validation and eligibility requirements. The Child Support program administers collections, while the other programs are concerned with providing benefits. However, there is a great deal of commonality across these programs. Much of this similarity lies in the benefit application information that is captured, the need to validate client information and the overlap of existing state and federal data sources to house consumer information. Improving timely and accurate access to data exchanges could help state and federal agencies validate the benefit application information more accurately which improves improve overall customer service, promotes program integrity and reduces the amount of tax payer dollars spent on managing these programs.

Historically, challenges to enhancing human services data exchanges have included the following:

- Technical limitations caused by aging IT infrastructures
- Policy inconsistencies across the human services programs
- Data latency
- Lack of consistent data exchange standards
- Difficulties in uniquely identifying clients due to client data privacy controls across the systems.

The evolution of technology and new consumer interaction patterns driven by the internet and social media in the private sector have redefined the paradigm for other parts of our industry and of the economy, where similar data exchange hurdles have been addressed. Real-time electronic data interchanges (EDIs) are standard for business to business (B2B) interactions in commercial industries like banking, retail, healthcare, and transportation as well as consumer sectors that provide comparable functions to

those delivered by the human services programs that are under the purview of this committee.

Within human services, the child support program uses data exchanges to effectively access publicly available information, and intercept exchange results to implement workflows and automatic system actions that collect child support payments. The leading states in child support program administration use these B2B data exchanges to improve program integrity and overall program performance.

The private sector has taken advantage of its B2B capabilities using real-time data exchanges to fuel consumer to business (C2B) interactions and decision making via the internet, thereby improving the overall customer experience. More efficient data exchange methods have also made it possible to collect richer content that is used to reduce risk, minimize fraud and enhance case worker productivity. These private sector solutions provide workers with reliable consumer information and automated processes allowing workers focus on providing customer service and managing the integrity of the programs they provide. With the abundance of "data" available, having access to the right "information" at the right time is one of the strongest influencers to improve customer service, while promoting program integrity.

The following table outlines the key points I will make in my testimony:

Topic	Key Points
Current Data Exchange Environment	- Manual Data Collection and validation plays a key role - A high touch customer service model focusing both on norm and exceptions - Data sources, and validation methods are inconsistent, and duplicated across human service systems
Prevalent Private Sector practices and models	- Uniform data exchange standards, and reciprocity - Single source of data exchange validation - Real time exchanges - C2B data exchanges and interactions via web - Standardizing B2B data exchanges
Applying Private Sector Practices to Benefit Programs	- Streamlined Benefit Application process - Use of Data Exchanges to focus on Application exceptions - Proactive tracking of client events - Applying security and privacy practices
Future Considerations for Human Services Data Exchanges	- Collaborative Network for Human services for data exchanges - Standards for real time data exchanges in human services environment - Minimizing Manual Data Collection and Validation - Event Driven Case Management and predictive capabilities

In the remaining pages, I describe these points further.

Current Human Services Data Exchange Environment

Data collection plays a primary function in the delivery of today's human services programs. Many of the state human services agency workers are focused on capturing and manually entering benefit application information. With better infrastructure, their time could be redirected to interacting with customers who may need help in reaching their program goals. In today's human services business model, the majority of transactions between citizens and state governments are in person, over the phone or on paper. Even relatively simple transactions are managed using these "high touch" interaction methods.

A "high touch" business model is expensive for the service provider (State/Federal Government) and is often inconvenient for the consumer (citizen). It is also common for human services clients to be asked to provide similar benefit application information when they access multiple human services programs. This further compounds the challenges by increasing the total workload for both clients and respective human services case workers. It also increases the likelihood of capturing inconsistent client information across the human services programs.

In human services delivery, a case worker provides a list of verifications required to receive a defined benefit (e.g. TANF). This list is often referred to as the "verification or proof checklist." Even clients who apply online via the internet are required to supply the "proof" defined by the verification checklists. They provide proof primarily using hard copy paper input. Capturing paper verifications, routing copies through the defined workflow, keying in the pertinent data and scanning or manually filing the documentation is cumbersome and expensive. This system relies on the aforementioned manual steps when validating income, assets and other similar data points that impact program eligibility. The reliance on self verification and manual validation could create issues regarding the timeliness and reliability of the information required for eligibility determination.

Human services agencies typically use numerous electronic interfaces with only limited sets of electronic data exchange sources for verification of tremendous quantities of information collected manually about a person. Data validations across human services programs are typically duplicated within each of the human services IT systems. Each of these systems require access to the source exchange data using point-to-point interfaces designed for the specific needs of an individual program or service.

Many of today's interfaces are run as batch events scheduled to be processed at predefined times. The timing of these interfaces may not allow for real-time interactions facilitated via the internet. These interfaces also may not include an individual identifier that can be used to accurately associate individuals across systems. Many of these exchanges pull information from multiple source systems as a "back-end" process, resulting in data latency and acting on data exchange matches. In addition, when the

information is received from these exchanges, there may be inconsistencies across the human services programs on how that data exchange match is applied within the workflow and rules processes. The child support program may automatically apply the exchange information to take action, while another human services program may alert a worker and create a manual work step for follow up. The model currently used to electronically integrate systems could also contribute to redundant IT infrastructures and disparate processes that require maintenance of multiple interface formats and standards across the different state and federal systems.

The following figure **Current Human Services Data Exchange Model** illustrates this model today across human services programs within a state:

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Figure 1. Current Human Services Data Exchange Model.

As a result of the reliance on paper based processes and existing exchange limitations, the effort spent on data entry, data review, physical document verifications and manual actions continues to represent a substantial portion of state and federal HHS administrative spending. A significant amount of time is spent in manually collecting, entering and validating information in the respective IT systems. The accuracy of this manually intensive process directly impacts whether the authorization of services is correct and has potential impacts on program integrity. The efficiency of this process is also a key determinant of program timeliness and customer service.

Prevalent Private Sector Models in B2B Data Exchanges

Uniform Data Exchange Standards and Reciprocity
In the private sector, relevant reciprocal data exchanges within and across organizations have been a primary contributor to improved efficiencies. For example, the American National Standards Institute (ANSI) chartered the Accredited Standards Committee (ASC) X12N to develop uniform standards for electronic data interfaces (EDI) to manage business transactions. The X12N subcommittees include:

- Finance
- Transportation
- Insurance
- Supply chain
- Communications & Control
- Government

Although many X12N standards have been developed for government transactions, including abandoned property, business entity filing, election campaign and lobbyist reporting and other functions, standards for human services programs need further exploration.

The financial industry is an example of a private sector market that has capitalized on the usage of electronic data exchanges. Manual steps involved in processing applications for credit and loans are typically a small percentage of the overall process, allowing for faster processing times for loan applications at a lower cost to the bank. By developing and utilizing common standards across banks, obstacles for information sharing have been minimized. Consistency and standardization has enabled third party information aggregators such as credit reporting agencies to share data systematically, which helps banks to validate and augment information provided by applicants.

The data collected on a loan application and the need to verify that content before providing services has many parallels to the processing of an application for human services and the associated eligibility determination events. For example, the Unified Residential Loan Application is a five page form that collects demographic data, services requested (loan type, amount and terms), employment information, income, expenses, assets and liabilities and acknowledgements. By utilizing common standards, this

information is shared and validated using a common EDI within and across service providers.

Using credit reports as a specific example, XML based standards have been developed for credit reporting agencies to provide data in real-time to banks using a common format that systems can easily use. The MISMO standard provided by the Mortgage Banker's Association of America's Mortgage Industry Standards Maintenance Organization is an example of one such standard. The XML mortgage specification covers loan origination, real estate services, secondary marketing, and servicing. Another XML standard, HR-XML is used for employment screening and human resources. The HR-XML standard includes 35 different data categories and provides over 350 data element tags. The schema includes demographic data, prior addresses, employment information, aliases, creditors, public records (liens, bankruptcy filings, and judgments), balance amounts, credit scores and many other dimensions. Use of standards such as the HR-XML simplifies implementation of automated solutions for processing loan applications.

Single Source of Data Exchange Validation
The use of standards also supports automated consolidation of data from multiple sources, and automation of decision making based on that data. For example, it possible for Internet and back office systems to integrate credit report data from any or all of the three national credit bureaus: Equifax, Experian, and Trans Union. Subsequently, back office systems can apply the Bank's business rules and scoring algorithms to verify the consumer's identity and their employment, income sources, liabilities and credit history to make decisions such as credit line approvals. This model is comparable to the determination of eligibility based on the unique requirements of different human service programs using multiple data inputs for verifications. Similar to human services eligibility verifications, the scores provided by credit bureaus require the collection and processing of massive quantities of data. There are more than 1,000 local and regional credit bureaus around the country that gather information about our credit habits directly from creditors using EDI. Credit reporting agencies also access information about you from public records, including the courts. The MISMO and HR-XML standards both use XML to manage the data with metadata tags that enable disparate systems to consume EDI content selecting the data elements they require for processing.

Real-Time Exchanges
By managing exchanges in real-time, banks utilize technologies to drive workflow efficiencies. For example, applications are routed to processors based on their credit authority. Based on pre-defined parameters, the system identifies exceptions and triggers tasks for staff when exceptions are encountered. Technology enablers such as business rules engines, data quality, standardization and data cleansing engines, neural network based scoring models, and event-driven workflows drive significant process efficiencies and administrative cost savings. Financial institutions also use these types of

tools to collaborate with one another and pool their data to derive better insights into fraud, and consumer credit risk.

C2B Data Exchanges and Interactions via Web

The advancement of Web Services and EDI infrastructure in the back office has converged with the shift towards consumer to business (C2B) interactions via the Web. With the plumbing in place, banks are able to accept, validate and process transactions via the Web, often in real-time without human intervention. Without the underlying infrastructure provided via Web Services and EDI, the C2B relationship would not be viable. This changing dynamic in the interaction between consumers and businesses is sweeping across the private sector landscape and is also starting to gain traction in the public sector. However, progress in human service programs is limited by the EDI "plumbing" available to support real-time interaction with citizens.

Standardizing B2B data exchanges

The usage of X12N and National Council for Prescription Drug Programs (NCPDP) standards in the healthcare industry to manage business to business (B2B) transactions between health care payers, including Medicare and Medicaid, and providers is another illustration of the potential to drive efficiency using data exchanges.

The healthcare EDI networks utilize exchange brokers that serve as intermediaries to facilitate X12N transaction processing across providers and payers. A provider submits requests (prior authorization, eligibility, claims payment, etc.) through the intermediary. The intermediary maintains the EDI network and routes the requests to each of the appropriate payers. A similar practice is utilized for third party liability (TPL) insurance validation using the X12N standards. Companies specializing in identification of third party insurance act as brokers to access enrollment information from multiple payers in order to provide consolidated results on an individual's current insurance coverage.

Although data is not physically stored or processed by the intermediary, the complexity of managing transactions is considerably lower than if each payer and provider developed their own point to point solutions. More efficient B2B integration in the healthcare industry also laid the foundation to aggregate complex data content providing more sophisticated and useful measures of outcome, quality and cost of healthcare. By extending this model to human services, a data exchange intermediary focused on human services data exchanges could serve a similar function. Different human services systems would send standardized requests for common data elements to the data exchange intermediary which would then send back matched data from any number of trusted source systems in real-time.

Applying Private Sector Practices to Benefit Programs

Streamlined Benefit Application Process
Following the data exchange models used by the private sector, one can imagine a future where a citizen could apply for benefit programs online the same way we currently apply online for loans or credit cards. Citizens could key in data inputs that are augmented and validated in real-time using data exchanges. Although internet usage is not an option for all human services clients, over 75% of households have internet access based on the US Census Bureau. The percentage of adults over 65 using the internet has increased from 15% in 2000 to 42% in 2009 nationally. For citizens who are unable to apply online, a "short form" could capture essential information, or they could use a service center to apply online through a kiosk using the same abbreviated data collection and online validation process. In all these interaction channels, the human services systems interact with data exchanges in real-time and automatically retrieve relevant information about the client based on commercially and publicly available information. The client is able to validate the trusted content and provide additional updates when more current information exists. Redundant collection of verifications and the associated paper intensive processes would be minimized.

Using Data Exchanges to Focus on Application Exceptions
By extending government-to-government (G2G) data exchanges, simple transactions such as income or identity validation would no longer require "high touch" services. As these validations are exercised automatically online through a consumer portal (much like an online site to shop and apply for loans), the clients can transact with the government and reduce workload impact on the case worker. Case workers spend less time on mundane tasks as they only validate and review the exception cases which may require further attention. The rest of the benefit applications and other similar events rely on the electronic data exchanges as the primary means for validation and event management.

Most states currently have one or more online screening and enrollment systems for human services programs that could be extended to provide these services. However, the government's ability to offer citizen-to-government (C2G) interactions via the internet is currently limited due to the reliance on physical proof (i.e. copies of W2s, tax statements, social security cards, drivers' licenses, insurance cards, birth certificates, etc.). Following private sector concepts that use data exchanges to automatically collect and validate data in real-time could accelerate the transition to C2G service delivery via the internet enabling government to capitalize on the internet revolution fueled by the usage of social media and C2B online service offerings. It may also be feasible for the Government to capitalize on existing private sector models. For example, over 100 data elements from the current credit reporting standard mirror data collected for human services application processing and could be considered as a source to collect or validate application inputs.

Proactive Tracking of Client Events
Imagine a future where changes in client circumstances become event triggers that are proactively pushed to human services systems instead of today's processes that pull data at enrollment, redetermination periods and when a change is reported manually by a client. The event based results could then be automatically processed by rules based workflows within the human services system that administer these programs. Similar to the private sector, states would also be able to use predictive modeling to anticipate client actions based on these events and proactively intervene to address potential issues with child support payments, compliance with TANF work participation requirements, etc. This is similar to how credit card companies or financial institutions predict potential default or bankruptcy and take proactive steps to mitigate these risks. The clients benefit from proactive customer service and the states gain from increased program integrity and compliance with program requirements.

Applying Security and Privacy Practices
Security, privacy and sensitivity to client information are clearly concerns with any data exchange. Appropriate security and privacy access controls are essential and should be based on four core tenets:

(1) Only information necessary for the proper administration of government programs and benefits should be collected and exchanged
(2) Information that is collected is being voluntarily provided by the citizen (as a condition of receiving a benefit or service)
(3) Only the specific data elements that are required for a given program are shared and verified by that program
(4) The data sources and exchanges are secure

It is feasible to reduce the time and cost to collect and verify required data, while at the same time improving security and privacy. Validating an individual's information using an electronic interface may be less of a risk than requiring physical proof. Managing physical proof potentially increases the probability of identity theft or other improper usage because multiple physical copies of an individual's most private documents are stored in file cabinets across the human services program offices. With electronic interfaces and record keeping, access can be controlled and audited with a higher degree of granularity. The client only provides the information that is required for determining eligibility.

Summary of Private Sector Concepts to Consider
Today's environment provides an opportunity for states and the Federal Government to take advantage of private sector successes for many reasons. These drivers make EDI modernization more viable now for human services than a decade ago. Human services can benefit from these private sector models to deploy EDI solutions that provide reliable, timely and consistent access to data exchanges. The same types of information

that are needed for human services eligibility determination are also required for nutritional and healthcare programs such as FNS's programs, Medicaid and CHIP. Paralleling the credit reporting illustration, crossover between human services and health and nutrition could provide added value similar to the usage of credit scores by banks and employers across different financial products; promoting consistency across health and human services programs.

In addition to private sector practices, the human services programs can also look to the child support data exchanges within the states as a model and starting point in evolving this concept. The child support program with its primary goal as a financial collection process has incorporated a number of the private sector data exchange concepts as described above in recent years. It was a business imperative to use automated data exchanges and case actions given the steady increase in child support cases.

In summary, the **four potential areas** for the committee to consider for human services that parallel private sector B2B practices include:

1. Collaborative network for data exchanges
2. Standards for real-time data exchanges across disparate systems
3. Minimize manual data collection and validation
4. Event driven case management and predictive capabilities

**Collaborative Network for Human Services for Data Exchanges**
A single data exchange collaboration across the human services programs enables sharing and the consistent use of information across the state's administration of human services programs.

There are multiple models that can be used to efficiently manage collaborative data exchanges. A data brokerage repository similar to the credit reporting bureaus would be one option to provide unified data store(s) for relevant human services information. Using this model, the data exchanges are simplified because the expense of data collection and management is consolidated for all human services programs for a state and access to the information is channeled through the data brokerage repository(s) instead of multiple discrete interfaces. Alternatively, a data brokerage exchange that uses an EDI intermediary similar to the healthcare system could shield individual human services system from the complexities of interfacing with multiple source systems.

Both models minimize redundant and complicated connectivity and simplify EDI using a collaborative approach as illustrated in the ***Human Services Data Collaboration*** graphic below:
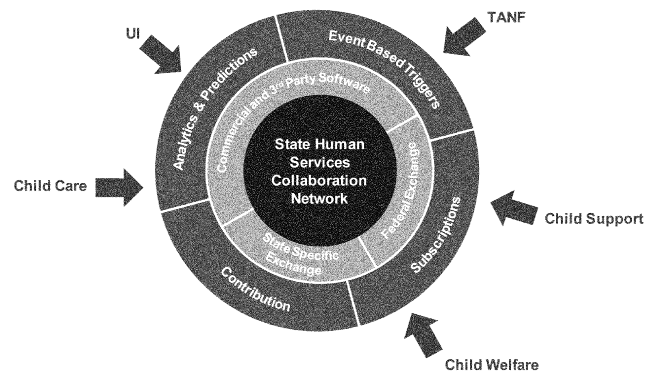
Figure 2. Human Services Data Collaboration.

Through a common client identifier, the state is able to gain immediate access to data exchange information that is critical to verify and determine an applicant's benefit program eligibility at enrollment, redetermination or ongoing at any point in their interaction with the human services agency. This concept could be further expanded by allowing human services entities to subscribe to data exchanges for their clients and also contribute to the exchange when client information changes within a human services system.

This model could be used to simplify many of the current exchanges from source systems for each human services program listed in the next page figure and could provide the foundation for extended EDIs with more robust capabilities.

Unemployment Insurance (UI) Program	Temporary Assistance for Needy Families (TANF)	Child Care	Child Welfare	Child Support
Employers	Wage	Employment	AFCARS	Financial Institution Data Match
Employment Services	New Hire	Child Support	National Child Abuse & Neglect	Interstate Case Registry
Department of Corrections	Unemployment Compensation	Department of Health	NYTD	Unemployment Compensation
Department of Justice	Master Benefit Record	HHS Data Reporting	TANF	New Hire
State New Hire	Earnings Reference File	TANF	Child Support	Interstate Case Data Exchange
National New Hire	Unearned Income	Provider Licensing	Medicaid Enrollment	Professional Licenses
Child Support	SSA	Provider Ratings	Courts	Obligor Submissions & Lien Matches
State Wage	Deceased Persons	State Treasury	Health Information	State Tax Collections & Submissions
Tax Refunds	Veterans' Assistance	Tax Intercept	State Finance Systems	Child Support Case Data – FCR
Railroad Retirement	Criminal Justice Network	State Emergency Management Agency	SSA	Federal Tax Collections & Submissions
Workers Compensation	Lotto	Department of Education	Master Client Index	Driver's License Suspension
SSA	Master Client Index	Master Client Index		Recreational License Suspension
Homeland Security		SSA		Credit Bureau Reporting
Federal Department of Labor				Financial Data
IRS				Criminal Justice Network
US Treasury Financial Institutions				Bench Warrants
				TANF
				Third Party Liability (TPL)

Figure 3. Current Human Service Exchanges.

The human services programs and agencies also have an opportunity to form consortiums with other states to better improve timeliness and access to G2G exchange information across states. For example, the human services programs across states can better share information on work participation clocks, non compliance, duplicate benefit claims and other similar usages.

The difference between the current point-to-point approach and the proposed brokerage concepts is illustrated in the ***Current Approach and Collaborative Exchange Comparison*** graphic below:
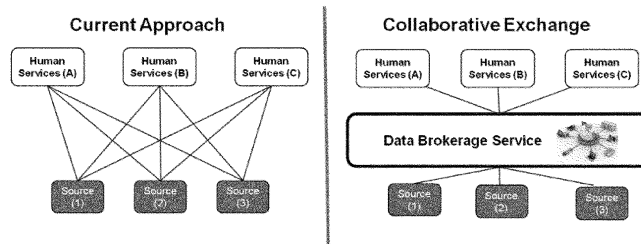
Figure 4. Current Approach and Collaborative Exchange Comparison.

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<u>Standards for Real-Time Data Exchanges in Human Services Systems</u>
A core tenant to consider when sharing data is standardization. The goals of standardization address three core requirements:

- Normalization of events and transaction requirements
- Organized metadata for multiple uses across human services systems
- Access protocols for real-time transaction at the point of service

The human services events illustration below exemplifies some of the event triggers that could be normalized to support shared transaction standards. Many of these events require data that are at the core of human services systems and overlap across human services programs. Standardizing data exchange formats for human services programs could simplify the management of human services events.

Below are data sets which human services systems could consider for common data exchange standards:

- Demographics
- Household Composition
- Residency
- Income
- Assets
- Expenses
- Insurance
- Existing Benefits

The following table provides details of these events that could be considered for common human service data exchange standards.

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Child Care	**TANF**
•Employment Changes •Change in income (Increase, Decrease) •Immunization information •Date of Birth Changes •Enrolled/Dis-enrolled in other public assistance programs/benefits (TANF, SNAP, GA) •Change in household status (Marriage, Children, Deceased)	•Application for benefits •Information Validation •Individual demographics changes •Change in Job •Change in other Government Services Received •Unemployment Compensation Changes •Child Support Compensation Changes •Change or Awareness of Benefits from other states •Life Events (Marriage, birth, death, adoption, etc.) •Change in household •Criminal Activity Involvement •Change in other income/expenditure •Child Support Payments
Unemployment Insurance •Reporting due date arrives •Passage of time – quarter end date arrive •Initial Filing of claim occurs •Change in employment status – loss of work or reduction in work •Change in income (wages for given period, pension, workers compensation, severance/separation pay, back pay, etc.) •Request for information received •Validate employment •Validate employment separation information •Validate able and available status •Validate benefit/income sources and amounts •Validate citizenship and identify or work authorization status •Verify participation in school or approved training programs •Initiate child support payment garnishments	**Child Welfare** •Substantiation of an Allegation •Death of a child •Provider Allegations •Family Allegations •Child Legal Custody changes (due to court orders and family circumstances) •Placement Entry, Changes and Exit •Changes in Family structure •Permanency Goal Change •Changes in Income •Provider Licensing Status changes (Expiry, Denial, Revoked)
Child Support Enforcement •Filing of a complaint for IV-D services •Change in a member's IV-A benefit status •IV-E and Title XIX referrals •New, updated or unavailability of Employment •Paternity Establishment •Change or lack of address •Initiating or responding to an Interstate request for IV-D services •Establishment of Support Order	•Establishment of Income Attachments •Direct intercept of income •Receipt and distribution of Financial Payments •Financial delinquency leading to enforcement activities •Non-financial Obligations •Death/Incarceration of Non-Custodial Parent •Change in Healthcare coverage •Emancipation of children •Case Closure

<u>Minimize Manual Data Collection & Validation</u>

Providing access to benefits and services using the internet to complete applications, renewals, review benefit information and client correspondence online could improve customer service and efficiency. Workers are able to focus their limited time on improved interactions with citizens and outcome management to help them gain self sufficiency. They spend their time assisting exception cases that need more time, no different from a banking institution that prioritizes their worker's time towards applications or cases that require additional reviews.

<u>Event Driven Case Management and Predictive Capabilities</u>

In the human services environment, there could be eligibility impacts in benefit programs that can be automatically triggered from data exchanges. These triggers, based on events such as a change in client circumstances (changes in income, address, employer, etc.), could be processed immediately within the human services IT systems. For example, the child support program has incorporated a new hire exchange that automatically uses new hire information and links child support payment business processes based on someone getting a job. Asset verification systems are also being developed across the nation to standardize verification of assets for human services programs and could become another source for data exchanges. Using the information gained from data exchanges could also position a human services agency to perform predictive analytics to determine client actions.

Conclusion

Human services delivery is poised for change and can apply private sector data exchange models in its operations. By improving data exchanges and automatically acting on data exchange matches, case workers can focus on increasing client interaction and customer service. This improves overall efficiency, facilitates consistent application of policy and program rules across human services programs and could save tax payer dollars.

The same concepts also apply to Medicaid, CHIP and FNS nutrition programs where many of the clients overlap with human services programs.

The addition of health insurance exchanges will compound existing complexities, further straining the service delivery model. Using some of the models described above could provide the government with concepts to avoid duplication by creating another new siloed system with health insurance exchanges. It provides a unique opportunity to use human service data exchanges as a central pillar for health and human services delivery.

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Legend of Acronyms

ANSI	American National Standards Institute
ASC	Accredited Standards Committee
B2B	Business to Business
C2B	Consumer to Business
C2G	Citizen-to-Government
EDIs	Electronic Data Interchanges
G2G	Government-to-Government
TANF	Temporary Assistance for Needy Families
NCPDP	National Council for Prescription Drug Programs
TPL	Third Party Liability

Chairman DAVIS. Thank you very much, Mr. Sekhar.

Mr. Vitale?

Mr. VITALE. Thank you. Good morning, Chairman Davis, Ranking Member Doggett, and Members of the Subcommittee. NASWA represents the workforce of development agencies of all 50 states, the District of Columbia, and Puerto Rico. Today, states face aging IT systems processing UI claims and collecting wage data. And in the past few years, workloads in the unemployment insurance agencies are at an all-time high. Consequently, customer service and program integrity have suffered. And the UI overpayment rate has not improved.

The U.S. Department of Labor estimated the overpayment rate at 10.6 percent for fiscal year 2010. As Figure 1 highlights, the major types of overpayments are: lack of timely or accurate information on reasons for separation; claimant failure to timely report a return to work; and unmet work search requirements. These account for almost 70 percent of all overpayments.

To help reduce the first two types of overpayments, U.S. DoL, with NASWA, funded a consortium of six states, multi-state employers, and employer agents, to create a technology solution: the State Information Data Exchange System. SIDES enables states and employers to securely transmit requests and responses for separation information over the Internet, using a standard data exchange format. Currently, most states request separation information from employers using a manual and paper-based process through the mail. SIDES automates this process. States receive more timely and accurate, detailed information from employers, resulting in more timely and accurate benefit determinations.

As Figure 2 shows, SIDES is in production in four states: Colorado, Georgia, Ohio, and Utah. Eighteen additional states have received funding from USDOL to integrate SIDES into their UI IT benefit system.

A second SIDES data exchange format, the earnings verification, has the potential to reduce overpayments resulting from a failure of claimants to timely and accurately report their return to work. The SIDES earning verification, format will enable states to augment hire information received from the National Directory of New Hires with information from employers on an individual's start date and earnings.

SIDES is an example of a data exchange and matching technology that will address several UI areas: administration, customer service, administrative costs, and overpayments. NASWA's National Labor Exchange Initiative offers the promise to reduce overpayments stemming from a failure to meet the work search requirements. The NLX is a free advanced job search engine used by employers and job seekers nationwide.

The NLX has been adopted by 49 state workforce agencies and the District of Columbia, offered in partnership with Direct Employers Association, composed of 550 Fortune 1,000 employers, the NLX has provided more than 9,000,000 job postings since 2007. NLX helps UI claimants meet their work search criteria, and hopefully return to work more quickly. Further, NLX uses USDOL's occupational coding system. States coding UI claimants' most recent

work experience are able to generate matches to NLX-provided jobs.

Both SIDES and NLX offer great potential in reducing UI overpayments and improving customer service. However, many states will be slow to adopt these technologies, because of their aging core UI IT systems. Figure 3 shows that the average state UI benefits and tax system is 23 years old. Many states use outmoded, less flexible 1970s mainframe technologies. Systems over 40 years old are still in operation today.

States urgently need to modernize their core IT systems. However, undertaking this effort as a single state has shown to be challenging, resource-intensive, and very expensive. Recently, USDOL awarded two groups of four states each funding to explore the feasibility of building a common UI IT system. The pooling of resources through state consortia potentially offers states a more cost-effective option to upgrade their UI systems, and participate in data exchange initiatives, such as those discussed here.

In closing, I would like to inform the subcommittee of an exciting proposal for an applicant director and exchange system that NASWA recently submitted to the OMB Partnership Fund for Program Integrity Innovation. Based on the SIDES technology and architecture and standard data exchange format, this system would create a potential index of applicants for predefined social programs such as UI, TANF, SNAP, and Medicare, etc.

Operating as a data exchange system and not a data warehouse, it would serve as the single source of customer data for use in determining program eligibility. The goal is not only more accurate benefit eligibility, but also better customer service.

I appreciate your time, and I am happy to respond to your questions.

[The Prepared statement of Joseph Vitale follows:]

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NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES (NASWA)

**TESTIMONY ON DATA MATCHING AND REDUCING BENEFIT
OVERPAYMENTS**

**DELIVERED BY JOE VITALE
NASWA DIRECTOR, INFORMATION TECHNOLOGY SUPPORT CENTER**

**TO THE SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS**

MARCH 11, 2011

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today on the use of data matching to improve program integrity and reduce benefit overpayments. The National Association of State Workforce Agencies (NASWA) represents all 50 states, the District of Columbia and Puerto Rico, on issues relating to unemployment insurance, workforce development and job training. NASWA submits this testimony for the record and requests permission to submit several charts to accompany the testimony.

I am Joe Vitale, the Director of the Information Technology Support Center (ITSC) at NASWA. ITSC was created in 1994, and moved under NASWA on September 1, 2009. ITSC is dedicated to developing and advancing information technology solutions for state unemployment insurance agencies in partnership with the U.S. Department of Labor (USDOL). The ITSC is funded through three main sources: a direct grant by USDOL, grants for special projects from USDOL and single-state or multi-state direct funded projects.

As you review my testimony on how to improve customer service and program integrity through data matching please bear in mind the trade-off states face between paying benefits when due and obtaining timely information to accurately determine eligibility.

NASWA and states are implementing information technology in partnership with the USDOL and private sector vendors. These include data exchange and matching technologies, such as the Interstate Connection Network (ICON) and its associated Wage Record and Interchange System (WRIS), the State Information Data Exchange System (SIDES), and the National Labor Exchange (NLX).

Technology to Improve UI Program Performance and Administration

Since the early 1980s, a partnership of states and the Federal government, with private sector support, has developed leading-edge technology to improve UI program performance and customer service, and reduce UI overpayments. Two solutions, ICON and SIDES, involve data exchange and data matching.

Early Innovations: Interstate Connection Network (ICON) and Wage Record Interchange System (WRIS)

The first data exchange initiative dates back to 1982, when a state-to-state communications network was created by USDOL and six states. USDOL called this data exchange process and communications network the "Internet." The project was designed to facilitate cross-matching of UI data between states. In 1983, the name was changed to Unemployment Insurance Interstate Connection Network, or ICON. This early cooperative effort between the states and USDOL still exists today and the alliance now includes all 50 states, the District of Columbia and Puerto Rico.

ICON features 20 different applications for the exchange of data among states and between the states and the federal government. Examples include the use of ICON for the administration of interstate unemployment benefits, disseminating state wage information for federal employees and ex-military individuals filing for unemployment benefits, validating Social Security Numbers (SSNs) through the Social Security Administration for all individuals filing unemployment claims, and state access to information on the Health Coverage Tax Credit for import-displaced workers. Recently USDOL, working with a private-sector vendor, is modernizing ICON's 1980's technology platform, and moving from a private, secure mainframe network to an Internet-based design.

A key application of ICON is WRIS, developed for the purpose of exchanging wage data among statesforaugmenting intrastate Workforce Investment Act (WIA) performance data. WRIS maintains an index file to individuals' quarterly wage information stored by states.WRIS allows wage data to be exchanged among states, enabling workforce programs to secure wage data for individuals who have participated in workforce investment programs in one state then subsequently secured employment in one or more other states. By participating in WRIS, states have a more accurate picture of the effectiveness of their workforce investment programs, and are able to report more comprehensively on their performance.

The Unemployment Insurance State Information Data Exchange System (SIDES)

Until recently, most state UI integrity activities related to overpayments focused on detection and collection. The UI State Information Data Exchange System (SIDES) is a new partnership between USDOL, NASWA, states, large multi-state employers and employer third party administrators (TPAs) aimed at preventing overpayments and

improving the overall integrity of the UI system.A TPA is an organization that functions as an agent for employers in dealing with state unemployment insurance programs.

In FY 2010, the UI system paid $144 billion in Federal and state unemployment benefits to 11.4 million claimants. States paid about$63 billion in state benefits (excluding federal extensions); the USDOL estimates 10.6 percent of these benefits were overpaid.

Approximately 20 percent of the estimated improper payments are attributable to job separation issues, that is, state determinations concerning the reason why workers are no longer employed (See Figure 1 Overpayments). Most states request separation information from employers or their agents via a slow and manual paper-based process through the U.S. Postal Service. Ensuring the state unemployment insurance agency receives accurate and timely information from employers upon request would reduce this type of overpayment.

A few years ago, with the help of funding from USDOL, a consortium of six states – Colorado, Georgia, New Jersey, Ohio, Utah and Wisconsin – a large national employer (JC Penney), and employer TPAs (ADP, TALX) began to design a standardized format and process for requesting and collecting separation information on UI claimants.

To help address this issue, NASWA and USDOL have worked with this consortium of states to pilot SIDES. SIDES will provide a secure electronic data exchange between states and employers with a standard format. This will help improve the quality and timely receipt of information by states.

SIDES is an electronic message broker between state agencies and employers or their TPAs. The information is transmitted securely over the Internet using a standard data exchange format. Communication is managed by a central software application, or "broker" (See Figure 2 Broker). The broker relies on a computer-to-computer Internet connection.

The broker is analogous to the US Postal Service, an intermediary that relays mail to and from state UI programs and employers. Requests for information from employers are batched or grouped by the state and transferred over the Internet securely to the central broker. Employers have two options: secure computer-to-computer file transfer or data entry through a secure website.

- Large multi-state employers can pick up from the broker the UI program request file and return separation information to the state UI program electronically multiple times daily;
- Small- and medium-size employers can participate in SIDES on a secure website.

The state transmitting the original request to the broker will then pick up the file from the broker and process the data into its back-end systems, linking it to the appropriate claimant record. Ultimately, separation data from SIDES are made available to the state

UI program to make accurate and timely decisions on the eligibility of unemployed individuals.

Today SIDES is in production in four states – Colorado, Georgia, Ohio and Utah –and one large TPA, ADP. Eighteen additional states have received funding from USDOL to integrate SIDES into their systems and are committed to implementing the system by early 2012, (See Figure 3 SIDES States).

When fully operational, this system will address and improve three vital areas: UI timeliness and accuracy of information, administrative cost savings, such as postage costs, to states and employers, and the reduction of improper benefit payments.

States have to undertake a significant programming effort to incorporate SIDES into their legacy UI claims processing systems. Newer technologies, such as imaging systems, enable states to convert the data received back from employers through the SIDES broker to images that state UI staff program members can read.

Preliminary information indicates SIDES has the potential to improve customer service, and reduce postage costs and overpayments. Performance data from the state of Utah, the first pilot state, show that 99.4 percent of all cases processed by the SIDES system were received back timely from employers. In some states, the sole communication of separation information from SIDES will reduce the postage costs dramatically. For the remaining states requiring communication of other information to employers NASWA is working to add another data exchange format that will reduce postagecosts substantially.

Another data exchange format under development that will also help in reducing overpayments is Earnings Verification (See Figure 4 Data Exchange Formats).   This SIDES exchange is intended to help reduce the overpayments resulting when claimants wrongly fail to report on time they have gone back to work. Working while receiving benefits is the single largest reason for UI overpayments --in FY 2010, this category accounted for 29.3 percent, or $2.1 billion, of overpayments.

Once the SIDES Earnings Verification functionality is in production, states will be able to gather results from the National Directory of New Hires (NDNH) cross-matching system indicating claimants who have gone back to work and automatically feed these data as a request into the SIDES broker, enabling employers to provide the states with verification of the individual's job start date and earnings for the time period in question. The earnings verification exchange will be ready for state and employer use in May 2011.

Concept for a National Applicant Directory and Data Matching System

In 2009, Congress appropriated $37.5 million to create a Partnership Fund for Program Integrity Innovation in the Office of Management and Budget (OMB). NASWA recently submitted a concept paper to OMB seeking funding, proposing a National Applicant Directory and Data Exchange System modeled after two successful NASWA and USDOL initiatives -- UI SIDES and WRIS.

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This proposal is aimed at providing quicker, more consistent, and more accurate benefit eligibility information across a range of social programs by reducing the manual burden and duplication of effort in gathering eligibility and benefit information from program participants through the use of proven technology currently used by the state workforce agencies for UI and workforce system purposes. Unemployment Insurance, Education Assistance, Housing Assistance, SNAP (Food stamps), TANF, Medicare, Medicaid, Social Security Disability Insurance and Supplemental Security Income under SSA are some of the federal, state and local programs that could participate in this system.

The concept is to create a national index of applicants for these specific pre-defined social programs as the single source of customer data for use in determining program eligibility. The index will catalogue program recipients using a unique identification number and provide an indicator or pointer to the state and program area where the individual is receiving program services. This national index of program recipients will serve as a virtual clearinghouse of applicants for all participating programs. This centralized index file approach is featured in WRIS. In addition, WRIS data sharing agreements signed by participating states set the foundation for similar types of agreements needed to protect confidentiality in the National Applicant Directory and Data Exchange System.

A request for applicant data by a state or local agency for use in determining benefits eligibility would be processed by the requesting state through a web service to a central broker similar to the design used in the UI SIDES application (See Figure 5 Data Exchange System). The request could be batched and transferred periodically using secure web services or sent individually, and would be posted on a national secure website. Through this process, information including personal demographics, education, training, skills, wages, job history, and benefit receipt by the individual are collected.

The central repository does not contain the specific data being requested. It only maintains the applicants' name, unique identifier and an index to the state(s) and program(s) where the applicants' predefined data elements are stored. Standard predefined requests for applicant data or data exchange formats are sent to the central broker periodically during the day by the requesting state. These requests for data are picked up periodically by the participating states and programs, and processed through their back-end systems.

This model uses automated, standard, agreed-to-data exchange request formats. Applicants for benefits and services only have to provide key personal information once. Programs match data to the applicants and transfer or exchange key data among states and programs over a secure Internet connection. Overpayments will be substantially reduced with the increased availability of timely and accurate information. The USDOLand the state UI agencies in Florida and Missouri have expressed an early interest to participate in design development and implementation of this model.

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Helping UI Claimants Get Back to Work: Data Matching Technology in the Public Workforce Development System

Data matching and data exchange technology applications are now also key components of the public "workforce development" system that helps UI claimants and other Americans get back to work more quickly through job search, skills and job matching, and training services. Of particular note is the National Labor Exchange (NLX), a free, advanced job-search engine that is an alternative to commercial job boards. NASWA operates the NLX in partnership with DirectEmployers Association (DE), a non-profit trade association of over 550 *Fortune 1000* companies formed to promote labor market efficiency.

In 2007, the NLX succeeded USDOL's now-defunct America's Job Bank (AJB), a federal investment thataimed to connect employers and jobseekers across the nation and cost approximately $100 million over its lifetime. USDOL discontinued AJB primarily because it was costly and out-of-date.

Today, the NLX -- at no cost to the federal government, states, and their business and jobseeker customers -- collects and distributes new job orders into state job banks, substantially increasing job vacancies available to jobseekers. Moreover, the NLX is the only tool facilitating employers' equal opportunity and veterans' recruitment and regulatory compliance needs by cost-efficiently downloading their jobs into state job banks -- a functionality especially appreciated by large, multi-state employers.

The NLX uses no federal funds for operations, research, or development. Rather, this unique public-private partnership leverages private, non-profit-owned technology with existing state workforce agency resources to enhance employment services (ES) through the public workforce development system. Established under the Wagner-Peyser Act, the employment services system is funded by UI federal taxes. ES provides basic job search assistance services such as access to jobs information, labor market information, resume writing, networking, and interviewing skills.

A total of 49 state workforce agencies plus the District of Columbia participate in this alliance. Since its inception in March 2007, the NLX has provided over 9 million unduplicated, current jobs from verified businesses (to avoid identity theft and scams) into state workforce agencies' job banks. Daily the NLX contains an average of 770,000 unique jobs. It has been used by up to 200,000 employers of all sizes.

With ease, state job banks across the United States can transmit job orders to each other, plus receive thousands of job orders via electronic download from leading U.S. employers. Because job orders are updated daily, the system avoids duplicative orders and ensures jobs are currently open. The NLX also offers a free job bank for state workforce agencies who wish to use it; currently New York, New Jersey, Connecticut, and Nevada use this no-cost option. In addition, the NLX offers state workforce agencies free indexing (spidering) services used in collecting job openings from additional

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corporate sites identified by state agency staff, a substantial cost-savings for tight budgets.

Finally, NLX jobs are coded using the Occupational Network (O*NET), the USDOL-sponsored coding of occupations. This allows states easily to match coded jobs with UI claimants' O*NET codes (assigned based on the claimant's last job) and send claimants email notifications with possible job leads. This process is used in the New Jersey Department of Labor and Workforce Development with minimal programming costs and is popular with claimants. Many claimants who have exhausted all benefits and are no longer in the state system want to continue to receive job leads by email.

The NLX helps states accomplish the goal of capturing the highest numbers of currently available jobs with the least number of duplications and from verified employers. This substantially reduces jobseeker frustration when confronted with countless duplicate job ads and scams listed on some private employment web sites. The NLX system works flexibly with whatever skills assessment, skills matching, case management or performance reporting tools and systems states choose.

Ensuring UI Claimants a Connection to the Services of the Public Workforce Development System

Most UI claimants now file for benefits from a computer or over the telephone, rather than applying in person. An unintended consequence is that most claimants are isolated from the public workforce development system and may not benefit from the NLX and other "reemployment" services. Federal and state partners are working jointly to develop technology and process improvements including a single point of entry portal for all Workforce Agency customers to ensure improved integration between the UI and workforce development systems. When UI claimants are required or encouraged to access "reemployment" services, employers find the workers they need and workers return to work more quickly. The single-point-of-entry portal will provide a gateway for customers to access services, from job registration and matching to information on training opportunities and to filing for UI benefits.

The Status of UI Information Technology Systems

Data matching technologies are key to improving UI program performance and customer service, reducing UI overpayments and improving the integrity of the UI system. They also are key to connecting UI claimants to the workforce development system, and helping them and other unemployed workers find a job when they get there. Unfortunately, however, many states will be slow to adopt these technologies because of their old and outmoded UI information technology systems.

States rely heavily on IT to accomplish their basic mission of collecting state UI taxes, processing UI claims and paying benefits. These UI IT systems were developed by states in the 1970s and 1980s, and many are still in use today as documented in a NASWA study conducted last year to determine the status and condition of UI IT systems across

the nation. Forty-one states responded to the survey. The data indicate that over 90 percent of the states have very old legacy mainframe IT systems supporting both the benefits and tax functions of UI. State Workforce Agencies operate UI computer systems based on outmoded and less flexible technologies than are available today. The average age of state UI benefit and tax computer systems is 23 years (See Figure 6). These antiquated systems result in inefficiencies and poor system performance. Systems over 40 years old are still in operation.

These mainframe systems continue to perform, and in many cases perform quite well, given their age. However, the costs of ongoing operations, maintenance, support and inflexible applications that are difficult to change, coupled with a significantly decreased pool of programming talent, all add up to higher costs of doing business. Two-thirds of the states responding to the survey are experiencing increasing costs for mainframe hardware and software maintenance and support. The longer states wait to modernize their legacy systems the more these liabilities will increase over the long term.

Four major problem areas of concern were expressed by 90 percent of states still running their UI benefits or tax systems on legacy mainframe systems:

- Skyrocketing Costs -- Maintaining support costs more every year due to the scarcity of staff skilled in older technologies. Knowledgeable in-house IT staff members are retiring rapidly.

- Poor Agility -- Hooking new-technology self-service components to old mainframe systems is complex and inefficient. Changes to implement new requirements, such as those for Emergency Unemployment Compensation or Extended Benefits and linking to SIDES are far more difficult and time consuming than with newer systems.

- Poor Scalability -- Increasing system capacity to handle higher claims levels is hampered by the sheer number of components that must be increased rapidly and in unison. A number of state legacy systems went "down" for hours or days in 2008 and 2009 because of limited capacity to handle the spike in claims being filed as a result of the 2007-2009 recession.

- Inhibited Productivity -- Technologies that improve staff productivity and services such as document management systems, forms management, and ad-hoc reporting tools cannot be easily implemented in legacy systems.

States that modernized their UI IT systems and re-engineered their business processes have improved productivity and customer service, and have achieved more accurate and timely benefit payments. They also are able to implement new laws faster and more accurately (See Figure 7 IT Modernization Map).

To take full advantage of the innovative data matching technologies described in this testimony, states urgently need to modernize their IT systems. For example, although 22

states have joined the SIDES consortium -- many states having been members for over a year now -- only four states have been able to create the technology to integrate SIDES into their state legacy systems.

The USDOL recently awarded supplemental budget requests (SBRs) to two different groups of four states to explore the feasibility of building a common UI benefits and tax IT System. These groups are in the midst of a two-year project to determine if the states can work together and come up with common system requirements for a new system.

In order to reduce costs two consortia were formed. The first consists of the states of Arizona, Wyoming, Idaho and North Dakota exploring the feasibility of building a common UI benefits and tax system. The second consists of North Carolina, South Carolina, Georgia and Tennessee exploring the feasibility of building a UI benefits system.

The consortium model promises reduced costs and less of a strain on UI and IT technical resources. Because each state has different UI laws, this model is a challenge. However, the states have agreed to try to build systems that address approximately 80 percent of the required functionality. They are following an open source model of development – which will allow them to maintain and enhance a common system without paying annual license fees for proprietary software.

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to testify today on some of the technologies States and their federal and business partners are developing to improve UI customer service and reduce overpayments.

The pooling of resources through consortia offers states a much more cost-effective option to upgrade their UI benefits and tax systems, and participate in data exchange initiatives such as SIDES. However, during these difficult economic times for state and federal budgets, funding for even cost-effective technology investments remains uncertain.

NASWA members hope to continue to work with Committee members and staff to ensure the long run integrity of the UI program.

Chairman DAVIS. Thank you, Mr. Vitale.

Ms. Lower-Basch.

STATEMENT OF ELIZABETH LOWER–BASCH, SENIOR POLICY ANALYST, CENTER FOR LAW AND SOCIAL POLICY

Ms. LOWER-BASCH. Thank you. I am honored by the opportunity to testify today. I am at CLASP, a national non-profit engaged in research and advocacy for policies that improve the lives of low-income people. We appreciate your holding this hearing. We share your concern with reducing error rates and fraud in order to save taxpayer funds, preserve funding for those who are truly eligible, and protect public support for programs.

Data matching can also reduce administrative costs and improve customer service. All states are already required to participate in certain data exchange systems, including the Income and Eligibility Verification System, and the Public Assistance Reporting Information System, or PARIS, to match against federal and state public assistance records, as well as federal wage and veterans records.

I am going to highlight a few programs that are taking it to the next level, and using data matching proactively to help ensure that eligible people are getting benefits.

Washington State uses the PARIS system to identify Medicaid recipients who are eligible for veterans health insurance and vet coverage and benefits, but aren't getting it. For example, disabled veterans who are in a nursing home receive a reduced benefit of just $90 a month. Upon discharge from the nursing home, they are supposed to go back to their usual benefit. But that sometimes doesn't happen. And Washington can look in the PARIS system and identify these cases, and make sure they get their full benefit restored.

Another example is the Benefits Data Trust, which you mentioned before, which cross-references data from a range of sources to identify senior citizens who appear to be eligible, but are not enrolled in public benefit programs, and then can do targeted outreach and application assistance to just those individuals. And this is one of the most cost-effective ways to enroll seniors in the low-income supplement program under Medicare.

I also did want to mention the OMB Partnership Fund for Program Integrity Innovation, which is designed to identify innovative ideas like this, and conduct rigorous demonstrations of their ability to reduce administrative costs and error rates without denying access to qualifying individuals. This fund has spent about a year now soliciting and refining proposals, and they have just started to fund the first projects. And the first one they have selected is that the IRS is going to work with at least one state, maybe more, to look at the public assistance information to validate EITC eligibility, because that has the information about family relationships that Treasury does not always have.

I did want to draw attention to some cautions that need to be kept in mind. Data matching is only as good as the data that goes in. And we all know that people can have similar names. And that's how late Senator Ted Kennedy got stopped on the no fly list.

Social Security numbers are unique, but we all know people make mistakes entering them in, and that can cause errors.

When a matching system flags a discrepancy, this should definitely be a basis for further investigation. But it doesn't automatically disqualify someone, or mean that they were trying to do fraud. And the CHIPRA match for Social Security records to verify citizenship offers a good model for due process protections. If Social Security doesn't report a match, clients get 90 days to prove their citizenship through another mechanism before they lose their benefits. And this is important.

Alabama reports that in the first year of doing this, they got over 1,000 applications where SSA did not find a match on the first try. But all but 28 of those did get documented as citizens, they just either needed to fix errors and resubmit or document it in a different way.

It's also worth noting that income can be highly volatile, particularly for hourly workers. You can earn different amounts each week, depending on how many hours you work. And so, someone might say $280, the data match is going to come back with $292. And that's not fraud, and it shouldn't also trigger constant adjustment of benefits, because that's just an administrative nightmare for both programs and the recipients. It makes sense to ignore variations under a certain amount, and most states use their policy discretion to do so.

So, thank you.

[The Prepared statement of Elizabeth Lower-Basch follows:]

*** THIS TESTIMONY IS EMBARGOED UNTIL ***
*** FRIDAY, MARCH 11, 2011 AT 10:00 A.M. ***

CLASP
policy solutions that work for low-income people

Elizabeth Lower-Basch
Center for Law and Social Policy

March 11, 2011
Hearing on Use of Data Matching to Improve Customer Service,
Program Integrity, and Taxpayer Savings

Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives

Mr. Chairman, Members of the Committee, I am honored by the opportunity to testify today. I am Elizabeth Lower-Basch, a senior policy analyst at CLASP, the Center for Law and Social Policy. CLASP develops and advocates for policies at the federal, state and local levels that improve the lives of low income people. In particular, we focus on policies that strengthen families and create pathways to education and work.

Thank you for holding this hearing to draw attention to the ways that data matching can be used to improve the administration of public benefit programs. We share your concern with reducing error rates and fraud to save taxpayer funds, preserve funding for those who are truly eligible for programs, and protect public support for programs. Data matching can reduce administrative costs, by sharing information collected by one program with another, and reducing the number of visits that customers must make to various offices. This also improves customer service, and reduces the time that applicants must take away from work or other responsibilities.

In my testimony, I will start by reviewing the data matching activities that are in widespread use already. I will then highlight a few examples where states are taking data matching to the next step, and using it to proactively make sure that people are getting benefits or services for which they are eligible, and the Administration's Partnership Fund for Program Integrity Innovation. Finally, I will raise some cautions that should be kept in mind when considering expanded use of data matching in public benefits.

States Make Routine Use of Data Matches

States first were mandated to verify the accuracy of information provided in applications for AFDC, Food stamps, and Medicaid by matching against federal and state data systems with the Income and Eligibility Verification System (IEVS) in 1984. This was perhaps an idea somewhat ahead of its time -- states had to mail magnetic data tapes to the appropriate federal or state agency and receive tapes with the match mailed back. Not surprisingly, an Office of the Inspector General report found that states found the process cumbersome, and the federal data often inaccurate, or received too late to be of use.[i] The technology has since caught up with the idea, and states are still required to use this system today.

In 1997, staff at the Administration for Children and Families (ACF) within the Department of Health and Human Services (HHS) initiated a project to help states share eligibility information with one another and to access data on veterans' benefits and federal wage records. The Public Assistance Reporting Information System (PARIS) started with 16 states. The Qualifying Individual (QI) Program Supplemental Funding Act of 2008 required states to participate in PARIS as a condition of Medicaid funding, and so all states now participate.[ii]

Similarly, public housing authorities are now required to use a data matching system, Enterprise Income Verification, to validate eligibility information for participants in public and assisted housing programs.[iii] Data matches are not only used for eligibility determinations. For example, the Fostering Connections act gave child welfare agencies access to certain data contained in the child support enforcement system's National Directory of New Hires to locate relatives who might be available to care for children removed from their homes.

Examples of Innovative Data Match Programs

So, that's what everyone does. Now, let me turn to some of the more exciting examples that are happening in a few states.

Washington State uses the PARIS system to identify Medicaid recipients who are eligible for Veterans' health insurance coverage and benefits. For example, disabled veterans who are in a nursing home receive a reduced benefit of just $90 a month. Upon discharge from the nursing home, they are supposed to be restored to their full benefit, but this doesn't always happen. Washington can use the data in PARIS to identify cases of this nature. It has also used this match to identify veterans whose service-related disability has worsened, but who have not yet been certified for a higher level of benefits. [iv]

Another example is the **Benefits Data Trust**, a nonprofit organization that works with government agencies to help enroll low-income seniors in benefit programs for which they are eligible. In Pennsylvania, this agency accessed data from tax and revenue, Medicaid, SNAP (food stamps), heating assistance, drivers' licenses, state pension systems and veterans' affairs and cross referenced them to identify senior citizens who appear to be eligible but are not enrolled in public benefit programs. It then conducts targeted outreach and application assistance to those individuals. One study found that, using this approach, Benefits Data Trust had the lowest cost per enrollee of 25 agencies that helped enroll seniors in Medicare's Low-Income Supplement program. [v]

Under "express lane eligibility" states may establish eligibility for health insurance for children based on information collected for other programs, and may use those programs' income definition. A leading example is **Louisiana**, where the state sent the file containing all children receiving SNAP benefits from the Department of Social Services to the computer system at the Department of Health and Hospitals, which runs the Medicaid program. Children already receiving Medicaid were removed. The remaining file of children receiving SNAP but not Medicaid were determined eligible for Medicaid, based on the information the state already had about their income, age, residence, and immigration status. More than 10,000 children were sent cards and letters about potential eligibility, and were considered enrolled when they actually used the card to access health services. If children were found to have other health insurance coverage, Medicaid was made the payer of last resort. [vi]

Pennsylvania's unemployment insurance (UI) agency (through a non-profit contractor) sent a mailing to all workers exhausting their UI benefits notifying them of their rights to various benefit programs. The same list was shared with the one-stop workforce centers, the state SNAP (food stamps) offices, and other state agencies directing them to individually reach out to the workers to determine their eligibility for non-UI benefits and social services.

The Partnership Fund for Program Integrity Innovation

The Partnership Fund for Program Integrity Innovation, operated by the Office of Management and Budget, is designed to identify innovative ideas like those just mentioned and conduct rigorous demonstrations of their ability to reduce administrative costs and error rates without denying. This project was funded at $37.5 million in FY 2010, with funds permitted to be carried over in FY 2011.

OMB has spent the past year soliciting and refining proposals and has just started to fund projects. The first one it has selected uses state data from public benefit programs to verify family relationships for Earned Income Tax Credit (EITC) eligibility. This is a very promising approach since as the Internal Revenue Service has lots of information about income but does not have information about family relationships or where children reside, which are needed to determine eligibility for the EITC. [vii]

Unfortunately, the continuing resolution recently passed by the House would rescind $10 million of the funding provided for this initiative. This is disappointing, as this type of rigorous evaluation is exactly what is needed to identify models for further dissemination.

Cautions to Consider in Data Matching

Finally, I want to draw attention to some cautions that need to be kept in mind when using data matching.

First, <u>data matching is only as good as the data that goes in</u>. If there are mistakes in the data, it's easy to have false matches. People can have similar names – that's how Senator Ted Kennedy got caught by the no-fly list. Social security numbers are unique – but people can make mistakes typing them in. States have learned using PARIS that some apparent matches are obviously wrong – it is highly unlikely that "an 8 year old girl and 76 year old man were one and the same"[viii] The states that are making best use of data matches have developed systems for filtering out these sorts of matches so they do not waste caseworker time.

When a matching system flags a discrepancy, this should be a basis for further investigation, but not an automatic ineligibility or assumption of fraud. When families are applying for assistance because they are in the midst of a crisis, they should not be automatically denied benefits because of a computer match that has not been confirmed.

The Social Security match to verify citizenship is a good example of a matching system with solid due process protections. This match, which was authorized under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), allows states to verify citizenship for Medicaid and CHIP applicants through a data match with social security records rather than making clients bring in their birth certificates. The states that have adopted this option are reporting match rates of 90 percent or higher, saving a great deal of effort on the part of both caseworkers and customers. However, if the Social Security Administration doesn't report a match, clients get 90 days to prove their citizenship through another mechanism and cannot be denied benefits in the meanwhile.

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Evidence of the importance of this protection comes from Alabama data on the results of its first year of data matching under CHIP:[ix]

- 33, 670 records for CHIP applicants were submitted to Social Security in 2010
- 1,114 records were returned as not matched
- Of these, approximately 800 were reconciled by correcting errors in the name, date of birth, or Social Security number and then resubmitting to Social Security.
- Approximately another 200 were then reconciled through data matches with Alabama birth records
- Only 114 applicant letters sent requesting proof of citizenship
- Only 14 terminated for failure to provide proof, with 14 more still within the 90 day period.

So, there are over 1000 children who would have been denied benefits incorrectly if the failure to match with Social Security had been treated as evidence of lack of citizenship.

Second, income can be very volatile, particularly for hourly workers who often do not work the same number of hours every week. A worker may say he earns $280 a week – but his actual pay may be $267 one week, $340 during Christmas, or $190 if there's a snowstorm and the store doesn't open. That's not fraud – and it shouldn't trigger constant adjustment of benefits. Doing so drives up administrative costs. It can also discourage programs from serving low-income workers – under food stamps, states used to consider cases with earned income "error prone" cases because of this volatility. It just makes sense to ignore variations under a certain amount, and most states now use their policy discretion to do so.

Third, we need to think seriously about privacy – make sure systems are secure, and control who has access to data to protect against abuse and identity theft. It is not immediately obvious whether private contractors or nonprofits administering programs should have the same level of access as state employees. Some programs have highly confidential information about their clients.

Finally, it's worth remembering that state data systems are in varying conditions – some still use legacy systems or paper records. It's important to encourage states to move forward, but particularly given the condition of state budgets, you should be cautious about mandates. However, as states modernize their systems, they should certainly build in the capacity to share information across programs as much as possible. One resource that is an excellent roadmap to this process is the recommendations of the Health Information Technology Policy and Standards Committee on electronic eligibility and enrollment, as mandated by Section 1561 of the Patient Protection and Affordable Care Act.[x]

*** THIS TESTIMONY IS EMBARGOED UNTIL ***
*** FRIDAY, MARCH 11, 2011 AT 10:00 A.M. ***   6

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[i] *The Income and Eligibility Verification System (IEVS): Time for Reform?*, Office of Inspector General, Department of Health and Human Services, *1991*, http://oig.hhs.gov/oei/reports/oei-01-90-00510.pdf.

[ii] For more information on PARIS, visit the U.S. Department of Health and Human Services, Administration for Children and Families web site: http://www.acf.hhs.gov/programs/paris/about/index.html#history.

[iii] "Enterprise Income Verification (EIV) System", U.S. Department of Housing and Urban Development, http://www.hud.gov/offices/pih/programs/ph/rhiip/uivsystem.cfm.

[iv] "Success Stories and Examples of Savings using PARIS", U.S. Department of Health and Human Services, Administration for Children and Families, http://www.acf.hhs.gov/programs/paris/state_info/succ_par.html#wa.

[v] Paul Jablow, "A friend in benefits: Benefits Data Trust is a sort of secret-pal fairy godmother of government programs, finding eligible seniors and guiding them through complicated enrollments", Philadelphia Inquirer, July 12, 2010, http://www.bdtrust.org/links/newsinquirerjul2010.html.

[vi] Families USA, *Express Lane Eligibility: Early State Experiences and Lessons for Health Reform*, 2011, http://www.familiesusa.org/assets/pdfs/chipra/Express-Lane-Eligibility-State-Experiences.pdf.

[vii] *Pilot Concept: Assessing State Data for Validating EITC*, Partnership Fund for Program Integrity Innovation, Office of Management and Budget, http://partner4solutions.gov/sites/www.partner4solutions.gov/files/EITC_Data_Matching_pilot_concept.pdf.

[viii] U.S. Department of Health and Human Services Administration for Children and Families, Public Assistance Reporting System, "State Implementation Techniques: Best Practices", http://www.acf.hhs.gov/programs/paris/state_info/state_tech.html.

[ix] Caldwell, Cathy. "Social Security Administration Citizenship Verification: Alabama's Process and Results", Presentation at *Past, Present, and Future: A Report on State CHIP Programs* Webinar, January 20, 2011, http://www.nashp.org/webinars/chipiv-survey/alabama.ssa.pdf.

[x] Health Information Technology Policy and Standards Committee, *Patient Protection and Affordable Care Act, Section 1561 Recommendations*, September 2010, http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161

Chairman DAVIS. Thank you very much.

Mr. Thornburgh.

STATEMENT OF RON THORNBURGH, SENIOR VICE PRESIDENT OF BUSINESS DEVELOPMENT, NIC

Mr. THORNBURGH. Mr. Chairman, Mr. Doggett, Members of the Subcommittee, thank you for the opportunity to discuss how well-designed technology systems are helping government agencies match data to improve customer service, uphold the integrity of programs, and save taxpayer dollars.

My name is Ron Thornburgh, I am the senior vice president of business development for NIC. NIC partners with 23 states around the country, providing official government portals, as well as online services. Prior to joining NIC, I served as the Kansas Secretary of State for 16 years, and was very involved in my home state's drive to enhance states' digital government services at that time.

I commend the subcommittee for examining how government can use data matching to more efficiently and effectively deliver services to its citizens. It's important for you to know forward-thinking leaders are doing this at all levels of government today, as we speak.

The states we serve focus on using cost-effective means of bringing together key data sets that are managed by different agencies, housed in IT systems that often do not talk to one another effectively and, quite frankly, if at all.

For example, we have helped the State of Montana build an e-government solution called Montana Connections. This service allows Montana residents in need of public assistance to apply with the single online application for Medicaid, children's health insurance, temporary assistance for needy families, and supplemental nutritional assistance.

Prior to the use of this new online service, approximately half of all paper applications were rejected due to ineligibility or unanswered questions. Montana Connections ensures that every application is 100 percent complete before it is sent to the appropriate state and county office. These actions alone have dramatically reduced the incomplete and misrouted application submissions that needlessly take up agency caseworker time.

We also built a technically similar system in Arkansas to help the state's department of higher education more effectively make financial aid available to students. This service aggregates the state's 21 scholarship, grant, and loan programs, and allows citizens to provide basic screening information to determine eligibility, and submit applications to any of the programs through a single online form.

As a result of this data matching solution, financial aid applications increased 440 percent, and more than $150 million was distributed in the program's first year. By comparison, the state was unable to match all of the money in the program with the deserving students before the online system was in place.

Now we need to talk about overcoming barriers. These are just two examples of successful data matching programs. Like others, they have proven that the structural, cultural, technical, financial,

and design barriers to interagency cooperation can be and have been addressed successfully.

First, structural. Any program involving more than one agency in a single IT system will require collaboration. Agency leaders, while ensuring financial and efficiency benefits to their own agency, must agree to work together to reach a common goal. This is an absolute requirement for any data matching program to succeed.

Next, cultural. Online technology solutions are removing the perceived stigma of applying for social services. People who previously may have been too uncomfortable or unable to go to a government office to apply for support in Montana now do so, thanks to the privacy and security afforded by the online system.

Technical. Shared business rules are an essential component of a successful data matching initiative. In Montana, for example, all the agencies simply work together—I say "simply"—work together to identify a common language and set of requirements—and this is important—without sacrificing their own unique agency requirements.

Financial. Paying for a new system is a challenge every government faces. Many of the states we work with have used a self-funded approach to build systems and services without requiring any appropriation. Modest transaction fees applied to a limited number of commercially-valuable services, primarily business-to-government, are used to fund the development of e-government systems like the data matching solutions referenced in Montana and Arkansas, without cost to the citizens or the agencies. We have successfully used this model with another departmental level federal data system, and believe the similar funding approach could support the types of data matching solutions the subcommittee is discussing today.

Lastly, design. Data matching systems are only effective when constituents use them, and successful solutions place a high priority on developing straightforward, user-friendly interfaces on a variety of delivery platforms.

Mr. Chairman and Members of the Subcommittee, states are using data matching successfully. I believe you can, too. The projects that I have described will continue to provide opportunities to link diverse systems together in ways that provide real-time eligibility screens and approvals that improve service levels and save money, increase constituent satisfaction, and, very importantly, eliminate fraud, waste, and abuse.

Thank you, Mr. Chairman. I look forward to taking your questions.

[The prepared statement of Ron Thornburgh follows:]

Testimony of Ron Thornburgh
Senior Vice President of Business Development
NIC Inc.
www.egov.com

Before the Subcommittee on Human Resources of
Committee on Ways and Means.
U.S. House of Representatives
March 11, 2011

Hearing on the Use of Data Matching to Improve Customer
Service, Program Integrity, and Taxpayer Savings

Good morning Chairman Davis, Ranking Member Doggett, and other members of the Subcommittee. Thank you for the opportunity to discuss how well-designed technology systems are helping government agencies match data and, as a result, improve customer service, uphold the integrity of the programs they administer, and increase taxpayer savings.

My name is Ron Thornburgh, and I am the Senior Vice President of Business Development for NIC. NIC is the nation's leading provider of official government portals, online services, and secure payment processing solutions. Since 1991, the company's innovative eGovernment services has reduced costs and increased efficiencies for government agencies, citizens, and businesses across the country. Additional information is available at www.nicusa.com.

Prior to joining NIC, I served as the Secretary of State for the State of Kansas for 16 years and was very involved in the state's drive to enhance the state's digital government services during that time.

I commend the Subcommittee for examining how government can use data matching to better deliver services to its citizens. Importantly, forward-thinking leaders are doing this at all levels of government today. We see this first-hand, as NIC builds and manages digital government services similar to those being discussed by the Subcommittee. We are privileged to work with more than 3,000 federal, state, and local government agencies to build online services and manage websites – including the official state websites in Kentucky, Tennessee, and Nebraska.

It is my pleasure this morning to share examples and best practices from several of the states we serve. My testimony will cover a few of the types of solutions that are in place, as well as the challenges our state partners have overcome and what the future holds for these initiatives.

ADDRESSING THE CHALLENGE IN MONTANA AND ARKANSAS

The states we serve see a tremendous opportunity to create information technology systems and operating processes that more effectively deliver services to constituents. They focus on using cost-effective means of bringing together key data sets that are managed by different agencies and housed in IT systems that often do not talk to one another as effectively as they could.

For example, we have helped the state of Montana build an eGovernment solution called Montana Connections. This service allows Montana residents in need of public assistance to apply for Medicaid, children's health insurance, Temporary Assistance to Needy Families, and supplemental nutritional assistance. With only 975,000 people spread out across 150,000 square miles, Montana has always been at the forefront of using technology to communicate effectively with constituents about government services.

The system allows the citizens of Montana to complete a single online form that is then sent in real time to the four state entities that administer these programs as well as to multiple counties. This system allows for rapid determinations of eligibility, and program enrollment can then begin in days.

Launched in December 2010, Montana Connections has exceeded the state's expectations, processing more than 1,000 online applications in the first months. Prior to the use of this new online service, approximately half of all paper applications were deemed incomplete due to ineligibility or unanswered questions. The Montana Connections program was built with checks in place to ensure that every application is 100% complete and sent to the appropriate state and county offices. These actions alone have dramatically reduced the incomplete and misrouted application submissions that take up agency caseworker time and increase customer service calls and visits to government offices.

We also built a technically similar system in Arkansas to help the state's Department of Higher Education more effectively make financial aid available to students. This service aggregates the state's 21 scholarship, grant, and loan programs and allows citizens to provide basic screening information to determine eligibility and submit applications to any of the programs through a single online form. As a result of this data matching solution, financial aid applications increased 440% and more than $150 million was distributed in the program's first year. By comparison, the State was unable to match all of the money in the program with deserving students before this online system was in place.

OVERCOMING BARRIERS

These are just two examples of successful data matching programs. Like others, they have proven that the structural, cultural, technical, financial, and design barriers to interagency cooperation can be addressed successfully.

Structural – Any program involving more than one agency and a single IT system will require a collaborative approach. Agency leaders must agree to work together to reach a common goal, and this is an absolute requirement for any data matching program to

succeed. NIC and other private sector providers frequently help support this process by sharing best practices that have been successful in similar projects. We have also served as a neutral party who brings all sides to the table for constructive discussions.

Cultural – We believe such online technology solutions are removing the perceived stigma of applying for social services among people who may have been too uncomfortable or unable to go to a government office to apply for support but will do so thanks to the privacy afforded by the online system. Our partner in Montana shares this opinion and believes the Montana Connections program has opened up support to a new and deserving demographic. It is also worth noting that as of this week, nearly 2,300 people in Montana have completed the filing process and 267 were deemed ineligible for any programs.

Technical – Shared business rules are an essential component of a successful data matching initiative. In Montana, for example, all agencies participated in a detailed series of meetings to identify a common language and set of requirements without sacrificing their unique agency requirements. This defined how the systems talk to each other, which data points need to be collected, and how applicants are assigned unique identities that all of the systems can recognize.

Financial – Paying for new systems is a challenge every government faces. Many of the states we work with have used a self-funded approach to build systems and services without requiring any appropriations. Modest transaction fees applied to a limited number of commercially valuable services, primarily business-to-government, across the government enterprise are used to fund the development of eGovernment systems like the data matching solutions referenced in Montana and Arkansas without cost to the citizens or the agencies. We have used this model to deliver another department-level federal data system and believe a similar funding approach could support the types of data matching solutions the Subcommittee is discussing today.

Design – Data matching systems are only effective when constituents use them, and successful solutions place a high priority on developing straightforward user-friendly interfaces on a variety of delivery platforms. For example, NIC built a mobile-optimized version of the Arkansas financial aid system to accommodate the student audience's preferences, and more than 12% of site traffic is now coming through mobile devices.

CONCLUSION

Mr. Chairman and members of the Subcommittee, states are using data matching successfully. The ambitious projects I have described are at different phases in their evolution, and we believe they will continue to provide opportunities to link diverse systems together in ways that:

- Provide real-time eligibility screens and approvals that improve service levels;
- Increase constituent satisfaction; and, very importantly,
- Eliminate fraud, waste, and abuse.

In addition, we believe that the next generation of data matching solutions will reduce the administrative burden for agencies so they can redeploy employees to other priorities in the work queue, which ultimately is the most effective use of taxpayer resources.

Thank you for the opportunity to discuss this important issue and am happy to answer any questions you may have.

Chairman DAVIS. Thank you. Your time has expired. We are going to move on to questions now. And just before we get into that, I want to comment on one perspective.

As often happens in the government, Washington, D.C. is the lagging indicator with legislation versus where technology in the rest of the country is. The Computer Matching and Privacy Protection Act of 1988 went into action at a time that we lived in a different technology world, with different methods of sharing information. The fax at the time was the radical new concept for rapid sharing of information, business-to-business, and at a personal level, as well.

And realistically, when we look at this, and trying to tie this information together—and I am going to highlight something that Ms. Lower-Basch had shared—that matching done right, in an integrated fashion, will free capacity to manage by exception, instead of having to spend an inordinate amount of time. My own wife, in fact, is on one of those same lists that the late Senator Kennedy was on, after being through numerous security clearances in the military with me.

We have disconnected processes, and that can't be fixed in the current data environment. And we have many of our citizens, many frustrated agency workers that are trying to be good stewards of the taxpayers' money that lose this in process.

And I am simply going to throw out, for those who are here and for our fellow Members, there are three basic kinds of activities: those that add value, those that add business value, and those that add no value. Unfortunately, businesses learned this in the competitive transitions of the 1980s and the 1990s, that there are more non-value-adding activities than we realize in our day-to-day lives. Often, 80 or 90 percent of the things that are performed, often out of necessity, to get the job done don't really add value to our customer at the end of the day, to our client, or serve the taxpayer necessarily, as well as possible.

Let's take somebody who is a social worker. I spent many years involved with an organization known as CASA [Court Appointed Special Advocates], working with children, trying to be kept from falling through the cracks as a result of neglect and abuse. A volunteer or a social worker, case worker, is dealing directly with that client. That's a value-adding activity, being able to counsel, to directly document clinical information that is necessary to help that young person move forward.

However, we move into business value adding, those are the statutory required measurements that have to be submitted. And, yes, some of those may be questionable, but those are the things that can't necessarily be changed in the near term.

But what we find with many of our folks in the agency community, as well as those who measure and try to account for this, as well as the clients themselves in many cases, is that they're chasing data, trying to find that lost information, spending hours and hours and hours of time. And every hour that is spent trying to find a missing piece of information is one hour that is not adding value, or one hour that could be given back to the country, to the taxpayers, or dollars that would not necessarily be wasted.

So, as Mr. Doggett and I have talked, we have common ground on this, we want to work together to find ways to integrate this so that we can have a comprehensive discussion.

This week we learned that government payouts, including Social Security, Medicare, and unemployment insurance, make up more than a third of total wages and salaries of the U.S. population. It's a record figure that will only increase in the years ahead. I ask unanimous consent to insert an article providing more detail about that in the record.

[No response.]

Chairman DAVIS. Without objection, that is so ordered.

[The information The Honorable Geoff Davis follows:]

Welfare State: Handouts Make Up One-Third of U.S. Wages

CNBC.com

By: John Melloy, Executive Producer, Fast Money

Published: Tuesday, 8 Mar 2011, 3:59 PM ET

http://www.cnbc.com/id/41969508

Government payouts—including Social Security, Medicare and unemployment insurance—make up more than a third of total wages and salaries of the U.S. population, a record figure that will only increase if action isn't taken before the majority of Baby Boomers enter retirement.

Even as the economy has recovered, social welfare benefits make up 35 percent of wages and salaries this year, up from 21 percent in 2000 and 10 percent in 1960, according to TrimTabs Investment Research using Bureau of Economic Analysis data.

"The U.S. economy has become alarmingly dependent on government stimulus," said Madeline Schnapp, director of Macroeconomic Research at TrimTabs, in a note to clients. "Consumption supported by wages and salaries is a much stronger foundation for economic growth than consumption based on social welfare benefits."

The economist gives the country two stark choices. In order to get welfare back to its pre-recession ratio of 26 percent of pay, "either wages and salaries would have to increase $2.3 trillion, or 35 percent, to $8.8 trillion, or social welfare benefits would have to decline $500 billion, or 23 percent, to $1.7 trillion," she said.

Last month, the Republican-led House of Representatives passed a $61 billion federal spending cut, but Senate Democratic leaders and the White House made it clear that had no chance of becoming law. Short-term resolutions passed have averted a government shutdown that could have occurred this month, as Vice President Biden leads negotiations with Republican leaders on some sort of long-term compromise.

•   Smart Traders Taking Profits In Oil?

•   Three ECB Rate Hikes, Too Much of a Good Thing for Euro?

•   SLIDESHOW: Fast Money's 'Beat China' Playbook

"You've got to cut back government spending and the Republicans will run on this platform leading up to next year's election," said Joe Terranova, Chief Market Strategist for Virtus Investment Partners and a "Fast Money" trader.

Terranova noted some sort of opt out for social security or even raising the retirement age.

But the country may not be ready for these tough choices, even though economists like Schnapp say something will have to be done to avoid a significant economic crisis.

A Wall Street Journal/NBC News poll released last week showed that less than a quarter of Americans supported making cuts to Social Security or Medicare in order to reign in the mounting budget deficit.

Those poll numbers may be skewed by a demographic shift the likes of which the nation has never seen. Only this year has the first round of baby boomers begun collecting Medicare benefits—and here comes 78 million more.

Social welfare benefits have increased by $514 billion over the last two years, according to TrimTabs figures, in part because of measures implemented to fight the financial crisis. Government spending normally takes on a larger part of the spending pie during economic calamities but how can the country change this make-up with the root of the crisis (housing) still on shaky ground, benchmark interest rates already cut to zero, and a demographic shift that calls for an increase in subsidies?

At the very least, we can take solace in the fact that we're not quite at the state welfare levels of Europe. In the U.K., social welfare benefits make up 44 percent of wages and salaries, according to TrimTabs' Schnapp.

"No matter how bad the situation is in the US, we stand far better on these issues (debt, demographics, entrepreneurship) than other countries," said Steve Cortes of Veracruz Research. "On a relative basis, America remains the world leader and, as such, will also remain the world's reserve currency."

Chairman DAVIS. The committee has jurisdiction over some of the largest of those programs, including Social Security and Medicare. This subcommittee has jurisdiction over somewhat smaller, but no less significant programs like welfare, unemployment, and SSI.

Let me be clear. I am not making an evaluation of the recipients of those benefits, or the benefits that are paid out. That is a separate discussion from what we are talking about today. What we are talking about is a process that largely, across much of our economy, has a significant impact if we have these data problems that can contribute to waste, poor accounting, or improperly matched information.

My question pertains to the idea that programs should use a common set of data, programs in our jurisdiction that use that common data set today, and always verify data provided by applicants to ensure we're paying the right people for the right benefits. Do you feel that the systems that we have under our jurisdiction are accomplishing that mission?

In addition to that, for example, is the way that we ask for and confirm someone's identity a best practice in each of our programs? How about their current work and earnings or savings and other resources? Or a place of residence, citizenship, and even continued presence in the U.S.?

In short, I would like the panel to think about what we do today across the range of programs under the Ways and Means Committee's jurisdiction, and especially this subcommittee, and help us review whether the data that we collect to administer the programs is the right data, whether what we collect can be and is confirmed in a systematic way, and whether those programs share that data to ensure we're paying the right people the right amount of benefits across programs and states.

Would anyone care to comment? And since this is a big question, I welcome responses for the record describing needed improvements in significant detail. Inspector General?

Mr. O'CARROLL. Mr. Chairman, I will take the first crack at it. There are multiple facets to this issue. Probably the one that you're talking about is the sharing of information across government agencies. You also mentioned the need for computer matching agreements. I think these issues are parallel.

Each government agency has to apply for the computer matching agreements. And, as a result, each agency, every two-and-a-half years, is renewing individual matching agreements. There is not any coordination among government agencies. And, under the Computer Matching Act, one agency can't share with another agency without an agreement.

And, as you said, I think it would be better if there was a way that we could allow all federal agencies to share data back and forth, at least if the purpose is for making sure the right person gets the right benefit, and to make sure that there isn't any duplication across the government. So——

Chairman DAVIS. Great, thank you. Anybody else? Mr. Sekhar?

Mr. SEKHAR. Mr. Chairman, I have two concepts, based on your questions, that might be relevant here.

One is when you look at the application information that is required for the different human service programs, there is a fair bit of commonality on the kind of questions that is being asked of a client. So, if there is a way to standardize the common elements across TANF—child care, child welfare, or even, in some cases, Medicaid—so that will reduce some strain of the data capture on the worker side.

And the second piece is, back to the exchange with SSA, I think there is an opportunity for the states to consolidate their request of SSA to exchange, as opposed to each of the programs exchanging independently. So that also brings a level of standardization for what they would do with that information.

Chairman DAVIS. Great, thank you. Ms. Lower-Basch?

Ms. LOWER-BASCH. Yes. I would say there are certainly places and examples where it's working well. But, by and large, there is a lot of challenges, and people having to bring the same information that they have just told to one case worker to the next worker two weeks later, and no talking. So I would say more gloomy than positive, overall.

Chairman DAVIS. In the current, you're saying.

Ms. LOWER-BASCH. In the current. In the current, yes. I think there is certainly potential, but we're not there yet.

Chairman DAVIS. I think about how we can cross data across organizations when we buy things currently in the retail environment. It's probably a more ideal model of where we would like to be at the end of the day. Mr. Vitale?

Mr. VITALE. Well, validation of the data in the unemployment insurance program varies from state to state. And many of the same agencies within the state are validating the same identity of that individual.

For instance, in my home state of New Jersey, we validate the individual by going against the motor vehicle system and the Social Security Administration. And once we have that information validated, that should be available to other agencies within the state. And currently, it is not. And that's the same with state-to-state.

Chairman DAVIS. Thank you. Last, but not least, Mr. Thornburgh.

Mr. Thornburgh. Thank you, Mr. Chairman. If I might, I may go back to my service as secretary of state in the state of Kansas, because I faced many of these very same challenges at that time.

We were in the process of developing a system, just a—what I viewed as a simplistic one-stop business services. The thing that always amazed me is that a business person would want to come and hire people and create jobs and do great things for my home state, and we would make them march from agency to agency to agency. And the really neat thing was that we all asked the same questions: who are you, where do you live, what do you want to do? But we treated it like nuclear secrets, and then we're unable to share that information across agencies. So we finally got everybody together and we were able to do that.

The second example would be motor-voter. We matched the state voter registration database with the state motor vehicle driver's license database so that when an individual applied for a driver's license, they automatically updated their voter registration status,

as well. So when they moved, their voter registration moved with them as well.

It was a vastly more difficult process than I thought it should have been at that time to create the incentives for all the different agencies, because incentive has to be—you've got to make it better for that agency, as well as for the constituent, in order for them to want to come along and work together with that.

So, there is a lot of work to be done with that. But I go back to my opening statement. It is being done time and time and time again right now. It's certainly time for us to continue at this level, as well.

Chairman DAVIS. Great. Thank you very much. I would like to yield to my good friend from Texas, Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman. And thanks to our witnesses for your helpful responses to the important questions that the chair just raised.

Our role here is, of course, not just to legislate, but to exercise oversight and to try to nudge along some bureaucracies that are sometimes a little lethargic and slow-moving.

And I gather, Mr. Thornburgh, just to pick up where you left off, that while there are a number of things that can be done, none of them are free. They require allocating resources to accomplish these objectives when people hire the services of your company in Montana and the other states that you mentioned.

Mr. THORNBURGH. Thank you. Thank you, Mr. Doggett. I would be happy to answer that, in that I could take quite a bit of time talking about the self-funded model that we use at the state level. And I won't take all of the committee's time talking about that——

Mr. DOGGETT. Actually, I want to ask you one specific question about that.

Mr. THORNBURGH. Okay.

Mr. DOGGETT. But all I'm asking you now is we would always want there to be a cost benefit ratio that would yield a reduction in cost for the money spent. But to undertake the initiatives that you're talking about require the expenditure of funds, don't they?

Mr. THORNBURGH. Well, no, sir.

Mr. DOGGETT. They're free?

Mr. THORNBURGH. No, sir.

Mr. DOGGETT. Okay.

Mr. THORNBURGH. The——

Mr. DOGGETT. In Montana, for example, you mentioned that one way that you financed this was to charge a transaction fee to the businesses involved.

Mr. THORNBURGH. If I could expand on that——

Mr. DOGGETT. Sure.

Mr. THORNBURGH [continuing]. just for a moment, because we have to look at the entire statewide enterprise. The Access Montana, which is the state government portal, essentially what happens is we will have a multiple of hundreds of different applications working through a number of different agencies.

Let's say—and I apologize, I don't know the exact number in Montana, but let's say there are 400 applications in Montana. Of those 400 applications, probably 20 will be associated with some

kind of financial transaction. And then, those 20 different transactions, or those 20 different applications, will provide the funding for the other 380 applications.

So, in an instance like this, with a data-sharing model, the enterprise would fund the development of that model, so there is no cost to the agency, there is no cost to the citizen using those services. There are commercially viable transactions throughout the enterprise of government in which businesses make a business decision as to whether or not they want to file or retrieve data electronically. When they do so, there is a convenience fee, a small fee, that is attached to that. And then that is what is reinvested to the other applications.

Mr. DOGGETT. Increase a fee, then, to the businesses that access this service to help pay for this?

Mr. THORNBURGH. Not necessarily driven to that—for instance, with this data sharing, it may not be a fee directly associated with this particular data set.

Mr. DOGGETT. I think I understand. And, Mr. Vitale, you indicated that you have some ideas already underway, and one of them is proposed to this new fund. Right? And I gather from what you're saying, and as you describe the states, that it's not so much a matter of our passing new laws here—though some may need to be tweaked—as it is having adequate resources to do the things that the states would like to do.

Mr. VITALE. Let me address the two questions.

Mr. DOGGETT. Sure.

Mr. VITALE. First, the application to the fund. Yes, we have a proposal in to the OMB Partnership Fund for Integrity Innovation, and I think some of the questions from the chair could be addressed by that fund—by that proposal, as an interim step in getting to this common database or common definitions.

Our proposal calls for going to the agency that first collects that data, and making that the main source of the data, and not bringing it into a common repository, but have a pointer to that as sort of an index file housed centrally, so the next agency that comes in looking for that data knows exactly where to go. They hit that file, and they know that this person——

Mr. DOGGETT. Do you think the chances of accomplishing that will be improved by slashing the Partnership Fund by a third?

Mr. VITALE. I——

Mr. DOGGETT. And I also received a message from the organization that you are here representing, indicating their great concern about the proposal in the same Continuing Resolution to eliminate all funding for the Workforce Investment Act. I know you're principally in the technology field, but I gather you join your agency——

Mr. VITALE. Sure.

Mr. DOGGETT [continuing]. in opposing that.

Mr. VITALE. Sure, yes. That would have a dramatic impact on the one-stop career centers that currently serve the hard-to-employ——

Mr. DOGGETT. Right.

Mr. VITALE [continuing]. those with barriers to employment.

Mr. DOGGETT. That's why I'm——

Mr. VITALE. Today our unemployment insurance offices no longer exist in most states. So the one-stop career centers are the only place people that are not readily job-ready have to go to.

Mr. DOGGETT. Mr. Chairman, since my time is up, I was going to suggest that perhaps the Inspector General might advise the Committee. He said he had a number of recommendations in this data sharing area. If those are being accepted—I know you visited with him—if those are being accepted, or perhaps—some of them are relatively new, and I haven't had time to review, but I think it would be helpful for us to know whether these various ideas that he wasn't able to explore in full are getting adopted. And perhaps some of them provide us models for other agencies, too.

Chairman DAVIS. I agree. I think there are good benefits——

Mr. DOGGETT. Okay, just follow up in writing.

Chairman DAVIS. If you could get back to us——

[The Prepared statement of The Honorable Patrick P. O'Carroll, Jr., follows:]

SOCIAL SECURITY
Office of the Inspector General

March 30, 2011

The Honorable Lloyd Doggett
House of Representatives
Washington, D.C. 20515

Dear Mr. Doggett:

During a March 11, 2011 hearing, you requested that my office advise the Subcommittee on recommendations related to data sharing. I appreciate the opportunity to provide this additional information.

Since 2003, we have made several recommendations to the Social Security Administration (SSA) to explore possible data matches with other State and Federal agencies. To date, SSA has had great success with prisoner matches, but there are many other recommendations that SSA has not yet implemented.

In June 2003, November 2006, and May 2007, we recommended that SSA work with State bureaus of vital statistics (BVS) to obtain matching agreements and purchase marriage records; explore electronic data exchanges with the States that maintain automated workers' compensation databases; and continue encouraging State BVSs to develop and implement electronic death registration (EDR) systems and work with the Department of Health and Human Services (HHS) to achieve the goals of EDR.

More recently, we recommended matches with information from LexisNexis and the Department of Labor (DoL). In July 2009, we recommended SSA assess the costs/benefits of obtaining vehicle/real property data from States or LexisNexis, to verify Supplemental Security Income (SSI) recipients' resources for initial applications and redeterminations. In an October 2010 report, we recommended SSA develop a computer matching agreement with DoL to identify possible Disability Insurance and SSI claimants whose benefits do not reflect the *Federal Employees Compensation Act* benefits they received. In an ongoing review, we are determining whether obtaining additional pension data from State and local governments would help identify improper payments that result from SSA benefits not being offset as required.

There are challenges to implementing these recommendations; primarily, limited resources and time. States need resources to invest in their data systems so they can provide statewide electronic data to SSA that can then be matched with the Agency's data. We believe the upfront investment is worth the cost to SSA in the long run, by preventing future improper payments. To address this issue, we have recommended a self-sustaining program integrity fund, by which recoveries from overpayments could be reinvested in future projects to save SSA funds.

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We also recommend that Congress revisit the *Computer Matching and Privacy Protection Act of 1988* (CMPPA). The CMPPA was enacted more than 20 years ago. Since that time, the use of computers to store data has expanded greatly. The length of time it takes to negotiate a data exchange agreement with each State or local government agency under the CMPPA is prohibitive. It generally takes more than a year, and sometimes several years, for a computer match to be approved. Further, the law states that agreements are effective for 18 months and can be renewed for another 12 months, for a total of 2.5 years. The *Ticket to Work and Work Incentives Improvement Act of 1999* eliminated the need for SSA to enter into matching agreements for prisoner data. However, for other data, the Agency has to spend resources to continually renew agreements every 2.5 years. We have requested an exemption to the CMPPA for SSA and the SSA's Office of the Inspector General (OIG) when the matches are designed to prevent fraud, waste, and abuse. HHS and HHS OIG have such an exemption, and we believe SSA would also benefit from such an exemption.

Another option is to allow all Federal agencies to share information with each other without an agreement. In other words, the Government would be viewed as one entity, rather than as separate agencies that need agreements with one another.

Thank you for the opportunity to provide the Subcommittee with this information. If you have any questions, please have your staff contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Mr. DOGGETT. Thank you.

Chairman DAVIS.—and potentially sit down with us for a follow-up meeting that would be quite helpful. I think when we get into this question of cost associated with it, as we fund legacy programs, those—and I'm speaking of the information technology disconnects that we have—it's kind of like pumping blood into somebody who has got a bleeding artery. What we want to do is clamp that artery and get it fully integrated.

Mr. Thornburgh's point, I know professionally I have seen many of these systems, if they're properly implemented, pay for themselves very quickly. The real issue, though, is process change within government, that will be our problem, from a statutory standpoint. But I appreciate your question.

Now we are going to turn to Ms. Black from Tennessee.

Ms. BLACK. Thank you, Mr. Chairman. Mr. O'Carroll, I want to go back to a statement that you made just a few moments ago, and make sure that I heard you right when you talked about there being a sharing—that there were some concerns about the privacy issues. Can you talk about that a little bit further?

Mr. O'CARROLL. Yes, Congresswoman. One of the biggest issues that we're having is that, under the Computer Matching and Privacy Protection Act, agencies have to enact single-purpose agreements to gain access to the data. To give you an example, the Department of Transportation has a significant file on anybody with a commercial driver's license.

Well, as an example with SSA, we would like to be able to access that commercial driver's license database, and run it against SSA's disability and SSI records to see if the people are, in fact, in need of that type of a benefit. And because of the Computer Matching Act, we can't access that type of data. It takes an application—it usually takes several years before it's approved. And that's one of the issues with the Matching Act and the privacy concerns that we would like to be able to streamline.

And in the case of HHS, Health and Human Services, their inspector general was able to get a waiver on that type of a matching agreement, so that when the data match was going to be to determine eligibility for a program, or detect fraud, waste or abuse, that HHS can match the data and be able to see if the person was, in fact, entitled to it.

Ms. BLACK. And since I'm not familiar with that act, is that act just on a federal level, that this only applies to those issues on a federal level of the data matching? Is that correct?

Mr. O'CARROLL. Yes, Congresswoman. It's a federal law, and it only affects executive offices in the government. One agency can't share with another; it's a federal act.

Ms. Black. Okay. And I think maybe we need to visit that particular issue as well, as we're talking about access to information that will help you to do your job.

I want to turn to Mr. Thornburgh then, and ask, as you are dealing with states like Montana—and I know you are doing work in the State of Tennessee——

Mr. THORNBURGH. Yes, ma'am.

Ms. BLACK. Do you have that same barrier there, that there is not an ability to be able to share this information from one department to the other?

Mr. THORNBURGH. The short answer is no. But not quite, in that there are certain restrictions that certainly will apply. But to be quite candid, it seems to be more difficult at the federal level than at the state level to share data effectively. We have a number of cases in which we move data between the states up to the federal level, and the structures and requirements are significant to allow that to happen.

Ms. BLACK. I go to Mr. Sekhar. And I am very impressed by your model of being able to share information between all these departments. Have you had any experience in any states where this model has been applied?

Mr. SEKHAR. The model you are looking at is more of a model of each of the human service programs on how they perform data exchanges today.

But I think the challenges we typically face at a state level is raising it one level above, and getting a level of standard. And states have made, for example—and I work in the Commonwealth of Pennsylvania—they do share information across the programs. But our suggestion is more on having a standard that can be applied across human services.

Ms. BLACK. I know that in our state of Tennessee, that there was a significant change when the Department of Labor shared with the Department of Human Services folks who had jobs, and then paying for child support. And it was very effective, and that has been done.

But I know that also in our state I have been very concerned about the amount of money that is spent on IT, and then it goes on for years and years, that it's not complete yet and we have to put more money into it and, oh, we have to upgrade it and it's just never quite right. And there is a tremendous amount of money that is spent, I know, at the state level. I don't know how much is being spent at the federal level with this data mining and sharing information.

Can any of you talk about how the dollars are being spent, and whether you believe that the dollars are being spent in a way that is financially good for our state, and the dollars that are being spent?

[No response.]

Ms. BLACK. Maybe Mr. O'Carroll. Do you have that experience with IT and the money that is being spent——

Mr. VITALE. So one suggestion—in our presentation we talk about the model of a consortium. Instead of every state trying to build their own unemployment insurance system, and we have to spend somewhere between $30 million and $60 million times 50, if we get the states together and we build it as a group, and then they can share a common code base, and then that code base can be added on to customize for your 20 percent that's unique to your state, so that would be a good model to implement, to help bring down the cost, and at the same time upgrade the infrastructure of these core UI systems.

Chairman DAVIS. Thank you. The gentlewoman's time has expired. I would like to recognize Mr. Berg from North Dakota.

Mr. BERG. Thank you, Mr. Chairman, and welcome. I—you know, this is a great quest. Obviously, it is a bipartisan quest, it's a quest to try and become more efficient with our dollars so they are going to, again, the people that are—need those, and also to prevent those that don't deserve them from getting them. I mean it's pretty simple.

There are two things that I want to talk about from North Dakota. One is there is a—I will call it a scam that's been going on recently where people are filing income tax in multiple states, and they're filing, like, $25, paying $25 of income tax. The next year they're applying for a refund of $200, or $500, or $1,000. And a lot of the states are trying to very rapidly get the refunds back out to people. And so, mistakenly, a lot of checks are going out. And again, they are going out with fraudulent—I shouldn't say fraudulent addresses, but addresses that allow these people to collect the money, but then kind of disappear.

So, I mean, I kind of raise that because I think this problem is not only at the real big picture that we're talking about, but also at the small level. And, you know, it kind of occurred to me we've got an issue with the funding that I'm not quite sure—you know, years ago that was passed, and we said we want to really link workforce with—or, excuse me—education with workforce. And some of the feedback I'm getting back from my state are we're tracking the education part but, because of privacy, we can't get their Social Security numbers. And so, we can't really track whether or not they're working.

And, you know, I've spent a lot of time trying to bring agencies together and, you know, we've got all these different silos that are asking business and people for the same information. The next one is asking for the same information. And so, I guess I'm kind of going around about the way, but it really comes down to the crux, in my mind, of this issue is getting this information, whether it's a Social Security number or something very basic, you know, across party lines.

And so, two questions, quick questions. One is, do you agree with that as being the core problem here? And if so, how would you propose to fix that?

Mr. O'CARROLL. Since you brought up Social Security, Mr. Berg, I will answer first. I agree that it is a sharing issue. As you brought up, it's that every agency is in its own silo. We're not sharing, amongst other things, the wage information, address information, all the other information that is inter-related.

And I'm thinking that, in many cases, the whole purpose of the Privacy Act was to protect everybody's privacy to keep your Social Security number and your personal information out of the public domain. But there are so many other issues to consider. I think, as an example, with any of the benefit programs, you are giving up some of that privacy to receive the benefit.

And maybe with some of these things, at least on the benefit side, there could be a waiver for anybody who completes that type of an application, that you're giving up some privacy, and that we

will be going to other government agencies, asking for your information.

So, from my perspective, we're looking for more freedom with regard to sharing information when you're going to be receiving a benefit from the government.

Mr. BERG. Please.

Mr. THORNBURGH. If I may, Mr. Berg, to simplify the question a little bit, "How do you make this happen," I think it needs to go back to the agency level.

There has to be an incentive for the agency to make the system better. And that incentive not only has to be financial, they have to be able to show that they're going to save money and be more effective and more efficient during that time. But at the same time, they also have to make sure that services are delivered in a more timely and effective way, as well. Ultimately, what we all want to do is provide the services to those who are in need of services.

This functionality makes it work for both ends. I guess, in my experience, what I have seen is that the sledge hammer is not very effective in requiring agency heads to—"Thou shalt go forth and cooperate" has not been very effective. But when you find the incentive and provide the opportunity for them to be more efficient and save taxpayer dollars, that's a huge benefit for everyone.

Mr. BERG. The sledge hammer only works in Kansas, I think.

[Laughter.]

Mr. THORNBURGH. Yes, sir.

Mr. BERG. Well, if you were king for the day, what incentive would you create for the Agency?

Mr. THORNBURGH. I think the incentive would have to be financial and beneficial. They have to—we all know the giant wrestling match for dollars appropriations. And so there has to be a financial incentive that allows them to save taxpayer dollars, and ultimately they have to have the opportunity to provide benefits more effectively.

Chairman DAVIS. Thank you. The gentleman's time has expired. If you would like to submit some more information in writing specifically outlining this in detail, you are more than welcome to do so.

[The prepared statement of Ron Thornburgh follows:]

Mr. Ron Thornburgh

Senior Vice President of Business Development, NIC

I appreciate the question, Congressman Berg, and I have two answers for how I would get agencies to use technology more creatively to deliver value to constituents if I were king for a day.

The first answer is that agencies tend to think creatively and pursue unique solutions when they have an urgent business need of some kind and limited or no resources with which to deliver results, so I would recommend that more burning issues that required immediate solutions be created.

We have worked on thousands of projects with federal, state, and local government agencies that were compelled to seek ways to deploy a digital solution because a solution had to be implemented, time was of the essence, and both staff and dollars were in short supply. A recent example of this was in the U.S. Department of Transportation's Federal Motor Carrier Safety Administration. FMCSA had a strong business need to build a solution that allowed motor carrier companies and individual drivers to quickly check driving and safety records as part of the hiring process. The offline alternative was paper-based and turnaround time often took weeks or months. FMCSA also did not have available personnel or money to build this service, so they engaged NIC to develop the service under the self-funded model I referenced previously. The end result is the very successful Pre-Employment Screening Program service that launched last July and delivers driver history reports in about one minute. More than 250,000 driver history report requests have been processed so far, the service has a 97% satisfaction rating, and the development of the application as well as ongoing maintenance, enhancements, and customer service have not cost FMCSA a penny.

My second answer is that there are a few important elements — incentives, if you will — that should be in place in order to encourage agencies to work together. Agencies should voluntarily participate, because mandates usually create internal resistance that could potentially derail or significantly slow down progress on any project. Presenting clear wins is a must, and these wins could take many forms — including financial models that show the projected cost savings of a project as well as efficiency projections that demonstrate how a new digital process will reduce personal touches to a point where employees can be redeployed to other high priority initiatives in the queue. And finally, it helps to have a neutral party bring agencies to the table so one group's agenda does not dominate. NIC frequently serves in this role, and I believe we have been successful at encouraging agencies to participate in shared technology projects because our only priority is to develop a great solution that makes each agency perform better. That's a hard position to oppose. So if I were king for a day, I would make participation voluntary, present a compelling business case that is relevant to each agency, and ensure that a neutral party is leading the process and helping to mediate any conflicts.

The chair would like to recognize the gentleman from Washington, Mr. McDermott, for five minutes.

Mr. McDERMOTT. Thank you, Mr. Chairman. I commend you on having this hearing, because it's a real problem. And I am pleased to hear systems being suggested that sound like Denmark and Norway and Sweden, where they have identity and they can collate data, and whatever.

My problem is—and I want to ask you if this is the crux of the problem—I went into the veterans hospital in Seattle and was talking to some doctors. And you're sitting in a doctor's office, and he has two computer screens. One of them is the military, the Defense Department's health care record. And the other is the Veterans Administration health care record.

The Veterans Administration health care record was designed by and built by the Veterans Administration. Very efficient. Doctors like to use it. The military, the Defense Department one, was done by a private contractor. And there is no way to connect the two. So you have to sit with two computer screens.

I spent more than a year fighting—here we've got kids coming back from Afghanistan, blown all to pieces. They go to a hospital in Ramstein, Germany. They are taken care of. They are clearly not going back to active duty, so they are transferred over to the Veterans Administration. Their records don't go with them, except in paper form.

Now, I said, "What in the world is wrong with a country that has all the capacity we do, and we will not take care of our veterans?" And they said, "Well, we have this private contractor who made this Defense Department program, and somehow they can't figure out how to connect it to the VA." Are you telling me that this law, this privacy law, is what they're hiding behind?

I had generals and admirals sitting in front of me, and I couldn't get any straight answer out of why they couldn't fix this. And kids were getting poor treatment because when they left Ramstein it wasn't immediately transferred by wire to Seattle Veterans Hospital. I could not—they couldn't give me a decent explanation. So I want to hear if this is what you think is the reason for that.

Mr. O'CARROLL. Well, first, Mr. McDermott, I applaud your concern for veterans and our armed forces. I do hope that they get the best of treatment.

I've got to tell you that you're hitting it on the head. I can't so much talk about Defense and Veterans, obviously, because that's not under my purview. But I do know, as an example, SSA's sharing information with Veterans Affairs is very difficult, because of these matching agreements that I had mentioned before. A person can be on VA benefits, and be qualified for SSA benefits, and not even know it.

So, there are a lot of data exchanges between the two agencies that are not only going to help identify benefits that go to people, we're also trying to make sure it's the right person getting the right payment.

Mr. McDERMOTT. Sounds like what you're talking about, a matching contract, or whatever that thing is——

Mr. O'CARROLL. Matching agreement.

Mr. McDERMOTT [continuing]. is really an unmatching, they have an agreement not to match, so that they will never come together. Is that what you're——

Mr. O'CARROLL. I think a few years ago, the thought was, for the sake of privacy, they didn't want agencies matching data with each other because it could infringe on privacy. But as we're seeing here in this hearing, it's not so much a privacy issue you're eligible for, but in many cases, it's that you're not receiving your benefits you're eligible for. The government is missing information that could help, as well as detect people that are getting benefits that shouldn't be.

So, I agree. I think the whole Computer Matching and Privacy Protection Act has to be looked at again. We've got to be considering the idea that all federal agencies should be able to match with each other.

And then the other issue, which is a much more difficult part—and Ms. Black brought it up before—is that funding is also a big factor, in that the states all have different systems. The federal agencies have different systems. And trying to merge them all is a major undertaking.

Mr. McDERMOTT. I was a state ways and means chairman in the state legislature, and I saw us put out millions of dollars for computer systems that never went into effect. And I wondered what was—but you're saying it's all—it's fundamentally privacy questions that stops the government——

Mr. O'CARROLL. From talking to each other.

Mr. McDERMOTT [continuing]. from talking to each other.

Mr. O'Carroll. And then the second step is, once I think agencies started talking to each other, the next step would be talking in the same language, which would be the matching of the systems.

Mr. McDERMOTT. COBOL probably.

[Laughter.]

Mr. O'Carroll. Well, unfortunately, that's a concern for SSA, is that they've been using COBOL for quite a long time, almost too long.

Mr. McDERMOTT. My brother works for Boeing, and is one of the last living COBOL people.

Mr. O'CARROLL. If he wants to talk to a COBOL programmer, I will give him a number of somebody at SSA.

Mr. McDERMOTT. Thank you.

Ms. LOWER-BASCH. I do think the technical issues are real at the state level, that it's not just laws, that we've got a lot of legacy systems.

Chairman DAVIS. Regarding this issue that Mr. McDermott brought up, the one thing I would say—and this is just as an observation—systems don't implement effectively if the processes are not changed to be able to conform to the system. And that's usually the root of the problem.

And the statutory limitation is one problem that contractor faced—having been very involved in that specific issue prior to joining Ways and Means—and the other part of the problem is, the requirement that the Agency gives to the contractor is so precise that they are not allowed to deviate outside of that when, in many

cases, they recognize this. It led to some of the challenges that we had with the Walter Reed situation a few years ago, in fact.

The chair now recognizes Mr. Boustany from Louisiana.

Mr. BOUSTANY. Thank you, Mr. Chairman. I appreciate this hearing, and I want to thank our panel for being here today.

I want to focus on the unemployment insurance program for a moment. Earlier this year there was a newspaper article in my home state. It was the Advocate, a Baton Rouge newspaper, and it talked about the Louisiana unemployment insurance fund being highlighted as being one of the best in the nation. And, in fact, the National Association of State Workforce Agencies listed Louisiana as having one of the healthiest funds in the country. That's the good news.

Now, despite that, I am very concerned about the amount of overpayments. And we have got some additional reports out there—there are a series of them—that list Louisiana, for instance, as having the—as being the worst state in the union with regard to overpayments in the UI program.

So—and in fact, I will give you some statistics. 2007, Louisiana's overpayment rate was 46.5 percent. And I believe, Mr. Vitale, you said overall, nationwide, it's about 10.6 percent. So this is a significant overage. In 2008 it improved a little bit, it went down to 34.9 percent, then went back up to 41.5 percent. And just to sort of put it in perspective, the 2008 overpayments were estimated to be around $69 million.

Mr. VITALE. Correct.

Mr. BOUSTANY. Now, this is really unacceptable. And in effect, it's penalizing hard-working businesses in our state and in other states who are seeing these kinds of overpayments.

So, Mr. Vitale, I was listening to your testimony, and you talked about modernization being needed, but being expensive when looking at our IT systems. And in the discussion we've had today it's sort of like we're always chasing a moving goal, you know. You spend more money on IT, and then you still don't have what you need, and you go further and you go further, and this continues.

I want to talk a little bit about—and I want your perspective on—the cost versus the overpayments, and sort of that equation. And give us some perspective on that. I mean, you know, if Louisiana is $69 million, what would be the cost, in your mind, basic general terms, to get to an IT system that the state would need that could interface, you know, with other different programs to prevent these kind of overpayments?

Mr. VITALE. Sure. So—it's not an exact cost. Louisiana does have one of the old UI IT systems. So they would need to upgrade their entire core system. These technologies that we talked about today are peripheral to the core system.

The core systems reside in the states that pay unemployment insurance benefits and collect UI tax. The technologies that we talked about today to help in the overpayment area need to interface with those core systems. And because of the old technology that is in place in the states, it's difficult and costly for them to integrate, for instance, an imaging system to old mainframe technology system.

I would estimate that if a state wanted to do it by themselves, it would take somewhere in the neighborhood of $30 million to $50 million to rebuild their entire system and re-engineer their business processes, etc.

So I hope that answers your question.

Mr. BOUSTANY. Yes, yes. And what—and you mentioned pooling earlier in your testimony. What would be the cost impact if we had some sort of pooling mechanisms?

Mr. VITALE. Sure, that dramatically reduces the cost. You can pool resources, you can pool funding. If you take four states and each one would take $30 million to $50 million to build it separately, you can build one system that is the Cadillac, probably, for around $50, $60 million—I mean, I'm giving ballpark figures here—and that would address 80 percent of the functionality in the 4 states. Then each state would have to customize the core system to address their unique needs, about 20 percent of the functionality is unique.

So, you are leveraging the resources, you are leveraging the shortage of business subject matter experts and IT experts in the states by pooling them all together, instead of each state building their own system.

Mr. BOUSTANY. And how do you stimulate the states to do this?

Mr. VITALE. Well, USDOL has a—recently awarded two grants to four different groups of states: Arizona, Wyoming, North Dakota, and Idaho is one group; and North Carolina, South Carolina, Georgia, and Tennessee is the second group. Those two groups of states got funding to determine the feasibility of building a common system and determining if they work together. And can they develop common requirements for a large part of the system.

They're at the point now where they're almost finished that two-year project, and they have discovered that they can work together, and their differences are not that great, and that they have documented their common requirements.

Mr. BOUSTANY. It took them two years to get to that point to agree to work together.

Mr. VITALE. But it's not that easy. So the next step is they need the funding to go on to actually build the common system, which, at this point in time, is up in the air.

Mr. BOUSTANY. Thank you. I yield back.

Chairman DAVIS. I thank the gentleman. Now Mr. Smith from Nebraska is recognized for five minutes.

Mr. SMITH. Thank you, Mr. Chairman. Mr. Thornburgh, thank you for joining us from America's Heartland. The—I know that you have talked about electronic filing or, you know, using technology, online filing versus paper-based. Now you generally handle the online filing and you don't have much say—your company doesn't have much say over the paper-based. Would that be accurate?

Mr. THORNBURGH. Yes, sir.

Mr. SMITH. Okay. Where do you find, or how often do you find kind of a bias within public policy that taxpayers would absorb the cost of paper-based filing, but taxpayers would not absorb the cost of electronic filing? Do you see where I'm going with this?

Mr. THORNBURGH. I think so. And so I will take a swing at it. And if I don't, I am sure you will correct me.

And so you're right, there seems to be a—I won't even say "institutional"—perhaps statutory bias, as the open record statutes and kind of the structure behind that was written, quite frankly, prior to the electronic age, in many cases. And so, while there has been an acceptance of the difficulties of paper filing, to craft a policy that encourages electronic filing—I mean again, I'm going to go back to my service as secretary of state.

I can tell you that when someone filed a uniform commercial code document by paper, it cost me approximately $9 to $10 to process that piece of paper. If they threw bits and bytes my way, it cost me about $1.27. So I wanted to create policies to encourage people to file electronically. And, in doing so, we were ultimately able to get to a 90 percent adoption rate for those uniform commercial code filings, simply by a policy change in charging less for electronic filings than we charged for paper filings. If someone wants to throw paper our way, they had to pay full freight for that thing.

So, there are some policy discussions that can certainly craft electronic filing incentives that will encourage agencies to move in that direction.

Mr. SMITH. And then, moving further on—in terms of accuracy and errors, how would you be able to point to the difference in the error rate?

Mr. THORNBURGH. Well, I will use two examples for that. One is I have always thought—and again, in the case of uniform commercial code, the banks certainly had an incentive to make sure the filing was correct. And they perhaps have a greater incentive than the clerk who was working for me to ensure that that was correct.

And then, the Montana Connections. What we have found is that we can place edits within the software development within the code that will ensure that every line is complete, every line is accurate and consistent, before it's applied to the system, before the application actually takes place.

What we have found with a paper-based system, if there was an error, it will be returned two, three, four times. So that same person is going to be handling all of those times. In an electronic system, it gets handled once and it's correct.

Mr. SMITH. Okay. Thank you, Mr. Chairman. I yield back.

Chairman DAVIS. I thank the gentleman. The chair now recognizes the gentleman from New York, Mr. Crowley.

Mr. CROWLEY. Thank you very much, Mr. Chairman, for the hearing. I apologize for not being here for your testimony, but we have your written testimony, and we have perused it prior to coming today. And I want to just piggy-back a little bit on my colleague from Washington State in reference to the VA.

And one of the key areas that can benefit from data matching is veterans care. Our veterans, I believe, and I think everyone on this panel believes, deserve the best of possible health care. And we know that health IT has the potential to greatly increase the quality of the care provided to our nation's veterans.

Much of the medical information that veterans provide serves dual purposes for both their doctors, as well as for the Department

of Veterans Affairs. And that's why I have supported efforts to encourage electronic medical records to include questions on whether a patient is a veteran.

John Rowan, who happens to be the president of the Vietnam Veterans of America, is not only a constituent of mine, but a long-term friend. He also happens to be someone who believes very strongly that including veteran information in electronic health records can have a great benefit.

Connecting medical records to veterans status helps doctors to diagnose certain health complications that may only be veteran-oriented, such as the Gulf War Syndrome. It can also help the VA to match up claims information with beneficiary records, as well as track health trends that may be developing among veterans of a certain conflict. The VA itself is clearly aware of the benefits electronic medical records can provide, as in November 2010—as of 2010, they announced a pilot program to speed the process for veterans to collect their private-sector medical records. Under this new initiative, a contractor would retrieve the veteran's records from the health care provider, scan them into a digital format, and send the material to the VA on a secured transmission.

I am interested in hearing from a number of you—and I have an additional question, so if you could, be short—to hear your thoughts on how you think data matching could be further used to improve the connections between the veterans the VA and, very importantly, the private sector medical care they're receiving, as well. Does anyone have any comment on that?

Ms. LOWER-BASCH. I will just note that a number of states are copying the Washington State model that I referenced in my testimony of using PARIS to flag people who look like they should be getting veterans coverage and are not.

Mr. CROWLEY. Anyone else?

[No response.]

Mr. CROWLEY. Ms. Lower-Basch, since you chose to answer the question, you actually are the focus now of my second question.

You mentioned in your testimony several examples of data matching programs already in widespread use. One promising new initiative is the administration's Partnership Fund for Program Integrity Innovation, which is designed to help states create pilot projects to reduce improper payments without reducing participation amongst eligible populations. Every project must save at least as much as it costs.

Ironically, the House-passed CR for the remainder of this fiscal year would cut funding for this fund by nearly one-third, $10 million rescinded from 37.5 million appropriation. Can you talk about the promise of this new initiative, and the detriment to data matching if these cuts go forward and go into effect?

Ms. Lower-Basch. Sure. I think the fund does two things that would probably not happen in the absence of it. One is it does provide some of this little seed money to get things started because, as we have discussed, that even if things wind up saving money down the road, it usually does require some up-front investment.

It also includes rigorous evaluation, which, while I think highly of a lot of the things that are already happening, they have not been rigorously evaluated. It would be great to actually capture

some of the data on what the payoff to the investment is. And that will lead people forward.

I would also say it probably brings people to the table, these sort of interstate things which I think everyone agrees, in theory, makes sense. But getting everyone to do it is sometimes a challenge.

Mr. CROWLEY. Thank you. Thank you all for your testimony, and I yield back.

Chairman DAVIS. I appreciate the gentleman's comments on veterans issues, something I have been involved in for many years.

And one thing I would point out. The VA has state-of-the-art data systems in their medical records. One of the challenges is that the VA itself was its own worst enemy, and the very sharing thing that Mr. Crowley and I would like to see happen, when its general counsel issued an opinion on privacy protection. It prevented their doctors from, in fact, collating some related records on some very critical issues related to prescription medication.

And the reason I bring this up, before we go to our last questioner, is as our dialogue continues, I think it's very important that we come back to the root issues, which are not partisan, they're not ideological. These are just simply processes, where sometimes the left hand, with very good intentions, puts in place a process that the right hand doesn't know, and it creates secondary and tertiary effects that create additional costs, and the folks we want to help don't get helped in that process. So we appreciate your counsel and perspective on that.

For our final question I would like to recognize the gentleman from Minnesota, Mr. Paulsen, and thank him for his Job-like patience as we have gone through this.

Mr. PAULSEN. Thank you, Mr. Chairman. And, Mr. O'Carroll, I was going to ask you a question, actually. You had, I think, recently—I guess your office had recently completed a request by a member of the Ways and Means Committed to review SSA's online application system, iClaim.

And I want to—just might expand on that. I think there was some concern that having an online application, claimants might not be receiving the necessary level of service from SSA to complete their applications. And I think your first review that you went through focused on retirement applications, in particular. And presumably, I mean, that's, you know, an age group that doesn't have as much access to the Internet, for instance, or might not have as much exposure to the opportunity for those types of applications.

But you found a pretty healthier 96 percent, I think, return or rate of the online filing experience as being excellent or very good. Can you elaborate on that review? And what are some of the lessons, I guess, learned from implementing a solid online application? How does it complement the existing face-to-face or telephone services that the Agency already offers?

Mr. O'CARROLL. Yes, Mr. Paulsen. At a recent hearing with one of our committees here, that issue came up—there was some question as to whether or not, by using the online system, potential beneficiaries would be getting the same level of service as if they came into an SSA office. Everyone is so concerned with the back-

logs, and the waiting time in offices, that really, the future is going to be through electronic service.

So, we examined the iClaim process. We looked at a sample of people who applied using iClaim, to ask what their experiences were. We found a very, very high—in the 95 percentile—rate of satisfaction on it. We asked how easy was it to use, did you find it difficult, did you have any questions on it. Applicants were the most satisfied with the follow-up that Social Security Administration did.

So, in other words, if applicants had any doubts when they were doing it, if they didn't have the right type of identification or information or anything else, and there was a question left in the electronic application, SSA contacted them. And they were very happy with those SSA contacts.

One interesting thing we found from talking to them and from talking to SSA employees in a second study that we did, was the telephone numbers that most people gave when they made their initial application weren't always good. And one of the suggestions from the employees was to have multiple contact numbers so that when they try to reach out and talk to the person during business hours, that they would be able to get a hold of them.

I think that is going to add even more to the success of this program, if SSA can contact claimants easily and quickly, it will help a lot. So I think this is a great success story for SSA, in terms of the service to the public.

Mr. PAULSEN. And from your perspective, can you elaborate if there were any concerns, as a part of that study, at least initially, where you saw that maybe fraud or abuse concerns from online applications were a component? Or, you know, is there worry about that? Or are there advantages or disadvantages from other methods of filing for benefits?

Mr. O'CARROLL. I will tell you on that one, of course we always have a great concern. We work closely with SSA as they are rolling out their programs, to see if they are going to have any vulnerability to fraud.

The retirement side of SSA has probably the lowest level of fraud of the programs because, pretty simply, SSA has all of your earnings information, it's a relationship that you have had with the retiree for years. There is a lot of trusted information, so you know who the person on the other end of the application is.

So, in SSA's retirement programs, we don't have very many concerns in relation to fraud. We are continuing to monitor that. But at the moment, our level of trust is pretty high.

When we start taking a look at disability iClaims, where there are going to be more documents and more information provided, and it is harder to double-check information, we may have more concerns. I will let you know what we find.

Mr. PAULSEN. Thank you very much. Thank you, Mr. Chairman.

Chairman DAVIS. I thank the gentleman. I would like to thank all of you for taking the time, investing the time for preparation, and coming in and patiently walking through the hearing process. Some of these issues can appear to many viewing as awfully esoteric. But as Yogi Berra said, "Baseball is just a simple game of

throwing and catching and hitting," and it's in those basics that you all have worked in for so many years that, I think, lie the seeds of our solutions.

If Members have any additional questions, I would ask that they submit them to you directly in writing. And we would appreciate your responses to them, so that we can insert them in the official record, as well, for others to read.

I thank you again. I thank my friend from Texas, the ranking member. And with that, the committee stands adjourned.

[Whereupon, at 11:29 a.m., the subcommittee was adjourned.]

MEMBER SUBMISSIONS FOR THE RECORD

Welfare State: Handouts Make Up One-Third of U.S. Wages

CNBC.com

By: John Melloy, Executive Producer, Fast Money

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Government payouts—including Social Security, Medicare and unemployment insurance—make up more than a third of total wages and salaries of the U.S. population, a record figure that will only increase if action isn't taken before the majority of Baby Boomers enter retirement.

Even as the economy has recovered, social welfare benefits make up 35 percent of wages and salaries this year, up from 21 percent in 2000 and 10 percent in 1960, according to TrimTabs Investment Research using Bureau of Economic Analysis data.

"The U.S. economy has become alarmingly dependent on government stimulus," said Madeline Schnapp, director of Macroeconomic Research at TrimTabs, in a note to clients. "Consumption supported by wages and salaries is a much stronger foundation for economic growth than consumption based on social welfare benefits."

The economist gives the country two stark choices. In order to get welfare back to its pre-recession ratio of 26 percent of pay, "either wages and salaries would have to increase $2.3 trillion, or 35 percent, to $8.8 trillion, or social welfare benefits would have to decline $500 billion, or 23 percent, to $1.7 trillion," she said.

Last month, the Republican-led House of Representatives passed a $61 billion federal spending cut, but Senate Democratic leaders and the White House made it clear that had no chance of becoming law. Short-term resolutions passed have averted a government shutdown that could have occurred this month, as Vice President Biden leads negotiations with Republican leaders on some sort of long-term compromise.

• Smart Traders Taking Profits In Oil?

• Three ECB Rate Hikes, Too Much of a Good Thing for Euro?

• SLIDESHOW: Fast Money's 'Beat China' Playbook

"You've got to cut back government spending and the Republicans will run on this platform leading up to next year's election," said Joe Terranova, Chief Market Strategist for Virtus Investment Partners and a "Fast Money" trader.

Terranova noted some sort of opt out for social security or even raising the retirement age.

But the country may not be ready for these tough choices, even though economists like Schnapp say something will have to be done to avoid a significant economic crisis.

A Wall Street Journal/NBC News poll released last week showed that less than a quarter of Americans supported making cuts to Social Security or Medicare in order to reign in the mounting budget deficit.

Those poll numbers may be skewed by a demographic shift the likes of which the nation has never seen. Only this year has the first round of baby boomers begun collecting Medicare benefits—and here comes 78 million more.

Social welfare benefits have increased by $514 billion over the last two years, according to TrimTabs figures, in part because of measures implemented to fight the financial crisis. Government spending normally takes on a larger part of the spending pie during economic calamities but how can the country change this make-up with the root of the crisis (housing) still on shaky ground, benchmark interest rates already cut to zero, and a demographic shift that calls for an increase in subsidies?

At the very least, we can take solace in the fact that we're not quite at the state welfare levels of Europe. In the U.K., social welfare benefits make up 44 percent of wages and salaries, according to TrimTabs' Schnapp.

"No matter how bad the situation is in the US, we stand far better on these issues (debt, demographics, entrepreneurship) than other countries," said Steve Cortes of Veracruz Research. "On a relative basis, America remains the world leader and, as such, will also remain the world's reserve currency."

SUBMISSIONS FOR THE RECORD

Mr. Ron Thornburgh

Senior Vice President of Business Development, NIC

I appreciate the question, Congressman Berg, and I have two answers for how I would get agencies to use technology more creatively to deliver value to constituents if I were king for a day.

The first answer is that agencies tend to think creatively and pursue unique solutions when they have an urgent business need of some kind and limited or no resources with which to deliver results, so I would recommend that more burning issues that required immediate solutions be created.

We have worked on thousands of projects with federal, state, and local government agencies that were compelled to seek ways to deploy a digital solution because a solution had to be implemented, time was of the essence, and both staff and dollars were in short supply. A recent example of this was in the U.S. Department of Transportation's Federal Motor Carrier Safety Administration. FMCSA had a strong business need to build a solution that allowed motor carrier companies and individual drivers to quickly check driving and safety records as part of the hiring process. The offline alternative was paper-based and turnaround time often took weeks or months. FMCSA also did not have available personnel or money to build this service, so they engaged NIC to develop the service under the self-funded model I referenced previously. The end result is the very successful Pre-Employment Screening Program service that launched last July and delivers driver history reports in about one minute. More than 250,000 driver history report requests have been processed so far, the service has a 97% satisfaction rating, and the development of the application as well as ongoing maintenance, enhancements, and customer service have not cost FMCSA a penny.

My second answer is that there are a few important elements — incentives, if you will — that should be in place in order to encourage agencies to work together. Agencies should voluntarily participate, because mandates usually create internal resistance that could potentially derail or significantly slow down progress on any project. Presenting clear wins is a must, and these wins could take many forms — including financial models that show the projected cost savings of a project as well as efficiency projections that demonstrate how a new digital process will reduce personal touches to a point where employees can be redeployed to other high priority initiatives in the queue. And finally, it helps to have a neutral party bring agencies to the table so one group's agenda does not dominate. NIC frequently serves in this role, and I believe we have been successful at encouraging agencies to participate in shared technology projects because our only priority is to develop a great solution that makes each agency perform better. That's a hard position to oppose. So if I were king for a day, I would make participation voluntary, present a compelling business case that is relevant to each agency, and ensure that a neutral party is leading the process and helping to mediate any conflicts.

SOCIAL SECURITY
Office of the Inspector General

March 30, 2011

The Honorable Lloyd Doggett
House of Representatives
Washington, D.C. 20515

Dear Mr. Doggett:

During a March 11, 2011 hearing, you requested that my office advise the Subcommittee on recommendations related to data sharing. I appreciate the opportunity to provide this additional information.

Since 2003, we have made several recommendations to the Social Security Administration (SSA) to explore possible data matches with other State and Federal agencies. To date, SSA has had great success with prisoner matches, but there are many other recommendations that SSA has not yet implemented.

In June 2003, November 2006, and May 2007, we recommended that SSA work with State bureaus of vital statistics (BVS) to obtain matching agreements and purchase marriage records; explore electronic data exchanges with the States that maintain automated workers' compensation databases; and continue encouraging State BVSs to develop and implement electronic death registration (EDR) systems and work with the Department of Health and Human Services (HHS) to achieve the goals of EDR.

More recently, we recommended matches with information from LexisNexis and the Department of Labor (DoL). In July 2009, we recommended SSA assess the costs/benefits of obtaining vehicle/real property data from States or LexisNexis, to verify Supplemental Security Income (SSI) recipients' resources for initial applications and redeterminations. In an October 2010 report, we recommended SSA develop a computer matching agreement with DoL to identify possible Disability Insurance and SSI claimants whose benefits do not reflect the *Federal Employees Compensation Act* benefits they received. In an ongoing review, we are determining whether obtaining additional pension data from State and local governments would help identify improper payments that result from SSA benefits not being offset as required.

There are challenges to implementing these recommendations; primarily, limited resources and time. States need resources to invest in their data systems so they can provide statewide electronic data to SSA that can then be matched with the Agency's data. We believe the upfront investment is worth the cost to SSA in the long run, by preventing future improper payments. To address this issue, we have recommended a self-sustaining program integrity fund, by which recoveries from overpayments could be reinvested in future projects to save SSA funds.

Page 2 – The Honorable Lloyd Doggett

We also recommend that Congress revisit the *Computer Matching and Privacy Protection Act of 1988* (CMPPA). The CMPPA was enacted more than 20 years ago. Since that time, the use of computers to store data has expanded greatly. The length of time it takes to negotiate a data exchange agreement with each State or local government agency under the CMPPA is prohibitive. It generally takes more than a year, and sometimes several years, for a computer match to be approved. Further, the law states that agreements are effective for 18 months and can be renewed for another 12 months, for a total of 2.5 years. The *Ticket to Work and Work Incentives Improvement Act of 1999* eliminated the need for SSA to enter into matching agreements for prisoner data. However, for other data, the Agency has to spend resources to continually renew agreements every 2.5 years. We have requested an exemption to the CMPPA for SSA and the SSA's Office of the Inspector General (OIG) when the matches are designed to prevent fraud, waste, and abuse. HHS and HHS OIG have such an exemption, and we believe SSA would also benefit from such an exemption.

Another option is to allow all Federal agencies to share information with each other without an agreement. In other words, the Government would be viewed as one entity, rather than as separate agencies that need agreements with one another.

Thank you for the opportunity to provide the Subcommittee with this information. If you have any questions, please have your staff contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

                            Sincerely,

                            Patrick P. O'Carroll, Jr.
                            Inspector General

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