



Public Assistance Reporting Information System

Cost-Benefit Analysis

EXECUTIVE SUMMARY

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Table of Contents

Introduction	3
Background	3
Purpose of the Study.....	4
Challenge to Identification of a Proper PARIS “Model” for Estimating Savings	4
Methodology	5
Conclusions	6
Recommendations	8

Introduction

In 2007, the Administration for Children and Families (ACF) of the U.S. Department of Health and Human Services (DHHS) contracted with Altarum Institute (Altarum) to conduct a cost-benefit analysis of the Public Assistance Reporting Information System (PARIS). The purpose of this study was to develop and populate cost-benefit models that could be used to assess the potential impact of PARIS on State program expenditures and integrity.

BACKGROUND

PARIS is a computer data matching and information exchange system administered by the ACF to provide States with a tool to improve program integrity in the administration of public and medical assistance programs. The PARIS project is designed to match State enrollment data from the Temporary Assistance to Needy Families (TANF) Program, the Supplemental Nutritional Assistance Program¹ (SNAP), Medicaid, Worker's Compensation, and Child Care Program with data from other participating States and from a selected group of Federal databases. Using the client's Social Security number (SSN) as the unique identifier, the files submitted by the States are matched against:

- ▶ *The Interstate match*, where Social Security numbers of public assistance clients are submitted by participating PARIS States and matched with data from all other participating States to determine if clients are enrolled in two or more States.
- ▶ *The Veterans match*, which provides States with information on the eligibility of their public assistance clients for veterans benefits and also allows States to determine if these clients are receiving income or medical assistance payments from the Department of Veterans Affairs (VA).
- ▶ *The Federal match*, which matches State data with information from the U.S. Department of Defense and the Office of Personnel Management to determine if clients are receiving income from any of these sources or are eligible for Federal healthcare coverage.²

States participate in PARIS on a voluntary basis, and they receive no ongoing funding from ACF for participation. States sign a PARIS Memorandum of Agreement (MOA), which requests that the State participate in a match at least once a year and requires that data be submitted in a standardized format.

In 2005 a study of the effectiveness of PARIS was conducted for ACF by Altarum. One of the findings identified through that study was the need for a consistent approach to calculating costs and benefits of PARIS across all States. The study concluded that the diversity of States' approaches to PARIS, combined with a lack of tracking results, made it difficult to create a single uniform approach to calculating PARIS costs and benefits. However, models were developed that would allow States to use a consistent approach to calculating costs and benefits for specific PARIS activities, such as managing clients who moved from one State to another but did not report the move, or clients that did not report income from federal sources. The 2007 study is a follow-up to the prior study with the goal of further refining, testing, and populating these cost-benefit models using existing data from PARIS member states.

¹ Formerly known as the Food Stamp Program

² Federal health care coverage could include benefits through such sources as coverage for current Federal employees, military health coverage through TRICARE, or benefits obtained through military or civilian retirement.

PURPOSE OF THE STUDY

The objective of this study is to examine the extent to which financial savings could accrue to State agencies participating in PARIS if they were to take full advantage of its potential. Altarum also sought to determine whether or not more accurate models could be developed if data were available to populate them.

Because the PARIS match process offers States multiple opportunities to improve program integrity by highlighting potential problems that may lead to identifying improper payments³, it furnishes information that can be used to make appropriate adjustments to benefits provided to a client. The matches also can result in improper payment avoidance due to case closures, the recovery of improper payments issued to clients in the case of fraud, and the coordination of medical insurance benefits between Medicaid and other Federally-sponsored health insurance coverage. These advantages include the following:

- ▶ Closing cases reported as active when a client has moved from one State to another, but has not reported the move (Interstate match).
- ▶ Examination of potential dual participation for the purpose of detecting fraud and recovering overpayments (Interstate match).
- ▶ Verifying income from the VA and other Federal sources (VA and Federal matches).
- ▶ Coordination of benefits between Medicaid and other Federal insurance coverage (VA and Federal matches).

CHALLENGE TO IDENTIFICATION OF A PROPER PARIS “MODEL” FOR ESTIMATING SAVINGS

PARIS has no prescribed rules for scope of activities. It is up to each State to make the decision on how it will use PARIS data. The lack of a uniform approach resulted in challenges relative to determining the optimal strategy to compare State improper payment savings results; this variability created unique features in some States that have no comparable results in other States. In fact only 15 States reported submitting data for all three primary programs every quarter for all three matches at the time of this study.

The diversity of PARIS activities is reflected in four important factors that are inherent to PARIS’ voluntary nature. These include:

- ▶ *Diversity in the number of programs for which data are submitted.* States can choose from which programs (SNAP, TANF, Medicaid) they submit data. Of the three primary programs, there is significant variation as to which data are submitted. Some States submit all of their TANF, Medicaid, and SNAP data, while others exclude one of these programs (usually Medicaid) because it is operated in a different department. Other States only submit data on clients receiving benefits in all three programs, and exclude “Medicaid only” clients. Still others focus primarily on Medicaid, and do not submit TANF or SNAP data.
- ▶ *Diversity in the types of matches for which data are submitted.* PARIS is composed of three primary matches, the Federal, Veteran, and the Interstate matches. States do not have to submit data for all of the PARIS matches. Some States submit for all three matches, while others only submit for the Interstate match, and do not submit for the Veteran or Federal match. Still others may submit for the Federal or Veteran matches (or both) and not the Interstate. If a State does not submit for the Interstate,

³ For purposes of this project, we are using the definition of an improper payment that was set by the Federal Office of Management and Budget for calculating improper issuance of client benefits. An improper payment is one that has been made in error, either because the person was not eligible to receive the payment, or because the amount of the payment was calculated incorrectly.

then any clients that move into that State from another (and did not report the move) will not be identified, and thus their benefits will likely continue to be issued in both States.

- ▶ *Frequency of matches.* PARIS allows for States to submit data as frequently as once per quarter. However, some States have made the decision to submit less frequently (semiannually or annually). This difference in frequency results in variability in the total number of PARIS matches produced nationally each quarter.
- ▶ *Diversity in approach to conducting follow-up.* The key to success in PARIS is the follow-up activities conducted by States. If a State does not use the PARIS match data to its full potential, then the maximum benefits of participating in PARIS cannot be obtained. Nonetheless, many states conduct limited or no follow-up to PARIS matches. Follow-up activities varied widely across States relative to the file matches utilized and the type of termination and/or adjustment a State sought to make. Moreover, some States reported that they did not understand much of the data provided in the Federal file, so they did not work this file at all. The reasons for not conducting follow-up activities fell into the following three key areas.
 - Resource limitations
 - Inexperience with the PARIS program and working with the files
 - Raw PARIS files were passed to local offices for follow-up; local offices were unprepared for working with large files, did not understand the data, or did not see the information as a priority.

Methodology

The methods to estimate the costs and benefits of PARIS involved a combination of information gathering from States, model development by which data could be filtered and analyzed, and analysis of raw PARIS match data from four States that agreed to provide data for analysis. In addition, summary-level data obtained from another group of States, interviews with State PARIS officials, and examination of “best practices” publications and results were used to build models to estimate outcomes.

Using raw PARIS data files as the primary source of data for the analysis allowed the application of a consistent process to identify public assistance recipients who (1) had their benefits terminated because of an unreported move, or (2) had their benefits adjusted because they did not report or under-reported the income they received from a Federal employer or from the Department of Veterans Affairs, or (3) should have been referred to the Coordination of Benefits Office because they were eligible for health insurance through their Federal employer or through the VA and they are enrolled in Medicaid. Costs were estimated from data provided by participating States and ACF.

In order to examine the potential for cost and benefits for the three primary PARIS matches, each of the three match files required varying levels of preparation prior to the development of cost and benefit estimation. Overall, our approach involved processing raw data files from those States in the study as though we were in the position of State officials. To do so, the following activities were conducted:

- Identified matches that required follow up
- Estimated potential results of match investigations and follow up
- Computed estimates of improper payment avoidance and issuance
- Compared estimates of cost avoidance and savings with estimates of what the States would have spent to implement and process PARIS data and follow-up

Conclusions

The potential savings from PARIS are significant. Findings support that the State-level net savings clearly indicate that there is a significant potential for States to benefit substantially by fully participating in PARIS. If States submit data for all three of the major programs (TANF, SNAP, and Medicaid), participate in all three matches (Interstate, Veterans, and Federal), and make solid efforts to follow-up on matches that are highly likely to produce results, they should experience significant benefits in the avoidance of improper payments. Each of the three different programs can realize some savings.

State-level cost benefit results for the States that provided PARIS match files for this analysis are presented by file and program for the August 2008 match, and then projected over the course of a year from the November 2007 match to the August 2008 match. The largest savings can be realized by closing Medicaid cases due to unreported moves, particularly when the beneficiaries are enrolled in capitation plans.

Annualized estimates of improper payment avoidance and net savings related to closing all potential Medicaid avoidance cases.

STATE	MEDICAID			
	Number of potential avoidance cases	Improper payment avoidance	Cost	Net Savings
CO	4,291	\$8,710,590	\$94,457	\$8,616,133
KS	1,753	\$1,716,259	\$60,635	\$1,655,624
ME	728	\$1,216,156	\$46,973	\$1,169,182
NM	1,701	\$3,509,099	\$59,942	\$3,449,157

Annualized estimates of improper payment avoidance and net savings related to closing capitation benefits for Medicaid clients who under/over-reported VA income, according to the August 2008 match file.

STATE	MEDICAID				
	Number of clients referred for follow up	Number of cases for which benefits were closed	Improper payment avoidance	Cost	Net Savings
CO	2,031	49	\$99,372	\$67,658	\$31,714
ME	2,420	58	\$99,744	\$80,616	\$16,128
NM	875	21	\$43,344	\$29,148	\$14,196

Annualized estimates of improper payment avoidance and net savings related to closing capitation benefits for Medicaid clients who under/did not report income from a Federal employer.

STATE	MEDICAID				
	Number of clients referred for follow up	Number of cases for which benefits were closed	Improper payment avoidance	Cost	Net Savings
CO	1,495	36	\$77,008	\$49,819	\$23,189
ME	1,130	27	\$45,036	\$37,633	\$7,403
NM	822	20	\$41,280	\$27,387	\$13,893

At a national-level, the PARIS project will produce a positive return on investment, and this conclusion appears robust under varying conditions designed to test the sensitivity of these results and to more accurately reflect the current scope of PARIS activities. National-level cost benefit results are presented in terms of returns on investment (ROI) and in terms of actual net savings for each file and program, as well as overall. Sensitivity analysis is used to test the impact of assumptions about the time required to work a match, the percent of cases closed due to PARIS matches, and the number of States that actually conduct follow-up investigations of PARIS matches.

Table of Costs and Benefits assuming 100 percent closure rate.

	Nov 07	Feb 08	May 08	Aug 08	Total
National Cost	\$945,320	\$791,088	\$758,847	\$1,224,921	\$3,720,177
Benefits					
National Benefit Total	\$63,530,495	\$38,243,935	\$38,817,272	\$80,781,314	\$221,427,015
SNAP	\$4,458,013	\$3,710,736	\$3,879,230	\$608,859	\$1,627,712
TANF	\$304,359	\$369,878	\$344,617	\$72,597,800	\$200,176,669
Medicaid	\$58,768,122	\$34,163,321	\$34,647,426	\$72,597,800	\$200,176,669

States should be encouraged to do more follow-up. States must conduct follow-up activities to obtain the benefits of participating in PARIS. The four States for which we conducted a cost-benefit analysis received separate reports on their results, and were provided briefings by Altarum staff. Officials in these States had a very positive reaction to the results presented, and felt that they could do more to convince decision makers to devote resources to PARIS follow-up activities. The four States for which independent results were provided either had not conducted any follow-up activities or limited the scope of their follow-up. These States felt like they needed a prospective analysis of their data to show key decision-makers the value of dedicating resources to this effort. During the briefings with each State, staff working on PARIS became very enthused about the results and were sure that the demonstration of potential savings provided in their report would move decision-makers to action. Two of the States indicated that they plan to provide similar briefings to key department managers in order to develop decision packages to fund or expand PARIS follow-up.

Recommendations

Based on the results of the cost-benefit analysis, a number of recommendations should be considered by States participating in PARIS and by ACF.

- ▶ States should be encouraged to take full advantage of all that PARIS has to offer.⁴
 - States should optimize efficiency by carefully and thoughtfully filtering match data in to maximize the State's benefit to cost ratio.
 - States should provide local field staff with useful reports, and prioritize follow-up if limited workforce restraints are of concern.
- ▶ Local field staff should be required or encouraged to document follow-up activities.
 - Documentation will increase the accountability of local field staff to follow-up on their PARIS cases.
 - Documentation will improve the quality of data that is used to populate models and create better estimates of cost and savings.
- ▶ National PARIS efforts should focus on encouraging and helping states to fully participate in PARIS and to conduct follow-up activities.
 - Based on how States limit their use of the PARIS files, it is clear that there is a need for ACF to encourage and help States reach their full potential.
 - Ongoing efforts by ACF are needed to help and promote full use of PARIS as an effective tool in preventing and managing improper payments, and promoting best practices where they exist.
 - ACF can play a critical role in facilitating communication between States, encouraging mentoring across states, and identifying State best practices.
 - ACF should promote best practices on the PARIS website and through annual meetings to help States understand the full potential of PARIS.
 - Ongoing efforts will be needed as States that are making minimal efforts to take advantage of PARIS to maximize its full potential begin to explore options as to how to effectively manage the ongoing implementation of their PARIS projects.

⁴ States that are interested in developing better systems now have access to the analytic tools developed for this project. These tools were presented and discussed at the March 2009 PARIS Conference.