

MONTHLY STATUS REPORT MARCH 2012

Unemployment Insurance (UI) Improper Payments Strategies to Get the Rate Down

The U.S. Department of Labor (Department) has an aggressive strategic plan to work with states to control unemployment insurance (UI) improper payments. The plan includes a number of robust strategies already under way as well as newly identified strategies we are currently rolling out as quickly as feasible - strategies focused on prevention.

These strategies target the four largest root causes of UI improper payments:

- Payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings);
- Failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation);
- Failure of claimants to comply with the states' work search requirements (Work Search); and
- Failure to register the claimant with the state's Employment Service pursuant to the state's law (ES Registration).

Progress:

- The estimated total overpayment rate for fiscal year (FY) 2011 improved to 11.0 percent, which represents a decrease from the 11.35 percent 2011 IPIA rate, covering the period July 2010 to June 2011.
- Overpayments due to the claimant's failure to register with the state Employment Service have decreased from 1.4 percent for the 2010 IPIA reporting period to 1.0 percent for the FY 2011 reporting period.

State UI Improper Payment rate data, root causes, and state progress in implementing selected core strategies can be accessed at:

<http://www.dol.gov/dol/maps/map-ipia.htm>.

2011 IPIA Improper Payment Rates¹

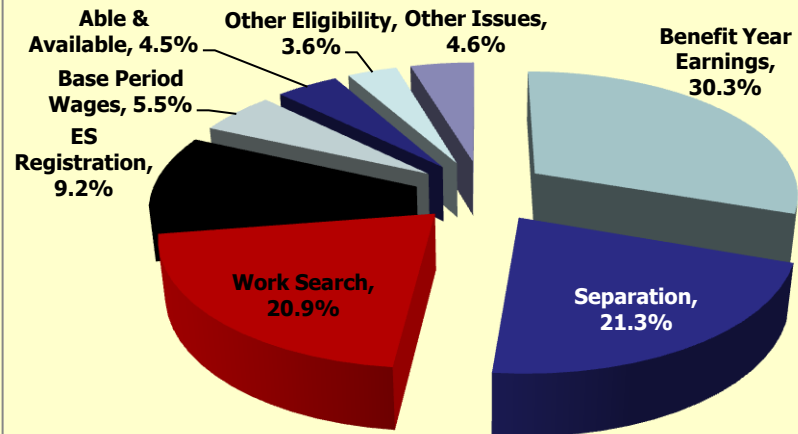
Improper Payment Measures	Rate	Amount ³ (\$ Billions)	Amount ⁴ (\$ Billions)
IPIA Report ²	11.99%	\$15.00	\$6.10
Overpayments:			
Annual Report	11.35%	\$14.19	\$5.78
Operational	6.20%	\$7.75	\$3.16
Underpayment Rate	0.65%	\$0.81	\$0.33
UI Benefits Paid		\$125.02	\$50.89

¹ Rates are based on 24,439 completed audits for the period July 2010 to June 2011, which was the most recent data available (Oct 4, 2011).

² Includes overpayments and underpayments.

³ Includes State UI, UCFE, UCX, EUC, EB, and FAC

⁴ Includes State UI, UCFE, and UCX only



1. Benefit Year Earnings (BYE) Strategies

STRATEGY 1.1: State Use Of National Directory Of New Hires (NDNH) and Recommended Operating Procedures (ROP)

Overview: Cross-matching claimants with the NDNH, followed by immediate contact with a claimant when there is a match, is considered one of the most effective strategies for addressing UI overpayments due to unreported or under-reported earnings by claimants.

Metrics:

- Targeting 100% of states using NDNH in accordance with the ROP by June 30, 2012.

NOTE: States will need to do computer programming to implement this strategy so it may be difficult to reach 100% in this timeframe.

Progress:

- ✓ As of March 2012, all states except California are using NDNH for their BPC operations, while 24 states have implemented, and 25 more are on track to implement, new standard cross-matching procedures and immediate claimant notification by June 30, 2012.

Next Steps:

- Provide an SBR opportunity in FY 2012 for states that did not receive SBR funding for FY 2011 to support implementation of the ROP, as well as for “enhanced” NDNH operating procedures.

STRATEGY 1.2: Implement New State Performance Measure Focused on Prevention

Overview: The Department established a UI Performs Core Measure for Integrity to reduce the percentage of benefits overpaid due to BYE from the baseline level by 30 percent at the end of the first year of implementation and by 50 percent by the end of the second year.

Metrics:

- 100% states in compliance with the standard for the measure resulting in an estimated reduction of the Annual Report overpayment rate by 0.9 percentage points by FY 2015.

Progress:

- ✓ UI Program Letter (UIPL) 34-11 was issued on September 28, 2011 to announce the new measure.

Next Steps:

- Full implementation of the measure through the State Quality Service Plan (SQSP) process for FY 2013 (Strategy 5.2).

STRATEGY 1.3: UI Claimant and Employer Messaging Campaigns

Overview: The Department contracted with the National Association of State Workforce Agencies, Information Technology Support Center (NASWA/ITSC) to develop a UI Claimant and Employer Messaging Toolkit with products and tools designed to support state messaging campaigns designed to improve claimant and employer understanding and compliance with established rules and procedures related to UI claims.

Metrics:

- The Department is targeting 100% of states implement at least one of the Toolkit products or tools by March 31, 2012.

Progress:

- ✓ UIPL No. 11-12 issued on March 19th to announce the release of the Toolkit to states. Approximately one-third of the states having implemented their own state-specific claimant and employer messaging campaigns using products and tools from the Toolkit. The Department also implemented a national UI messaging campaign including a print “Top Ten” list poster for claimants, a fact sheet on improper payments for employers, a UI fraud “tips and leads” gateway, public service announcements, and social media resources.

Next Steps:

- A webinar to publicize state implementation of claimant messaging products will be held in April 2012.

STRATEGY 1.4: Pilot the Use of Financial Data Sources that May Indicate a Claimant’s Return to Work

Overview: The Partnership Fund for Program Integrity Innovation has provided funding for the Department to pilot the use of financial institutions’ payroll deposit and payroll information in collaboration with NASWA/ITSC and 3 states. The pilot is a value test to determine if financial data can enable earlier detection of improper payments than the NDNH and that the “hits” from the cross-matching are quality “hits.”

Metrics:

- Submit a final evaluation report to the Office of Management and Budget (OMB) by December 2012.

Progress:

- ✓ As of March 21, 2012, the Department and NASWA have identified 3 states (Maryland, Mississippi, and Missouri) to participate in the project and are working to finalize a contract with the selected vendor to begin work on the project and evaluation design in early/mid-April 2012.

Next Steps:

- Convene monthly project status meetings with participating pilot States and OMB.

STRATEGY 1.5: Implementation of the Federal Treasury Offset Program (TOP)

Overview: The Treasury Offset Program (TOP) permits states to recover certain unemployment compensation debts due to fraud from Federal income tax refunds.

Metrics:

- In FY 2011, Michigan, New York, and Wisconsin implemented TOP. The Department is targeting the implementation of TOP in 10 additional states in FY 2012.

Progress:

- ✓ As of March 31st, 10 additional states have implemented TOP in FY 2012 (Alabama, Arizona, Connecticut, the District of Columbia, Illinois, Maryland, Mississippi, Pennsylvania, South Dakota, and West Virginia). To date, 13 total states have implemented TOP. In addition, Arkansas, Delaware, Florida, Georgia, Hawaii, Kansas, Kentucky, Louisiana, Minnesota, North Carolina, New Jersey, Puerto Rico, Oregon, and Washington are in various stages of implementation.

Next Steps:

- Provide a SBR opportunity in FY 2012 for states that have not yet committed to implementation of TOP (Strategy 5.5).

2. Separation Strategies

STRATEGY 2.1: State Information Data Exchange System (SIDES)

Overview: The Department has supported development of the State Information Data Exchange System (SIDES), an electronic database that allows businesses to more efficiently report when employees are laid off, and is expected to reduce the number of improper payments to claimants who are determined to be ineligible for UI due to disqualifying job separations such as quitting a job without good cause or being discharged for misconduct under state UI law.

Metrics:

- Goal to implement SIDES in 20 additional states in FY 2012. The Department is targeting 70% of states implement SIDES by FY 2015.
- Percentage of improper payments due to separation issues reduced by at least 20% resulting in an estimated reduction in the Annual Report overpayment rate by 0.45 percentage points by FY 2016.

NOTE: Due to lack of baseline data, these metrics will be continuously reevaluated as new states/businesses participate in SIDES.

Progress:

- ✓ SBR awards for FY 2011 will support the acceleration of SIDES implementation in 16 states that had previously agreed to implement, and support the implementation of SIDES in 21 new states by September 30, 2012.
- ✓ As of March 31st, 18 total states have implemented SIDES (Arizona, Colorado, Georgia, Iowa, Kansas, Maryland, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Rhode Island, South Carolina, Tennessee, Texas, Utah, and Wisconsin). An additional 25 states are in different stages of SIDES programming and testing.
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Next Steps:

- An UIPL will be issued to announce the availability of a SIDES Messaging Toolkit with products and tools designed for use by state UI agencies to communicate with employers and third-party administrators about the benefits of SIDES. The Department is working in partnership with NASWA/ITSC to promote the availability of the Toolkit.

3. Employment Service (ES) Registration Strategies

STRATEGY 3.1: Targeted Technical Assistance and Monitoring of States with the Highest Percentage of ES Registration Improper Payments

Overview: In 2010, the Department began providing technical assistance and other solutions to states designed to address improper payments due to a claimant's failure to register with the state Employment Service or job bank in accordance with state UI laws.

Metrics:

- The Department is targeting a 75% reduction of improper payments due to ES registration in targeted states resulting in an overall reduction of the Annual Report overpayment rate by 0.78 percentage points by FY 2014.

Progress:

- ✓ Following calls from Employment and Training Administration's (ETA) leadership, all states submitted specific plans to address this problem and are being monitored by ETA's Regional Offices. The ES error rate has decreased from 1.4 percent for the 12-month period ending June 30, 2010 to 1.0 percent for the 12-month period ending September, 2011 (the most recent period for which UI integrity data are available).

Next Steps:

- Provide a SBR opportunity in FY 2012 for states with calendar year (CY) 2011 BAM Employment Service registration error rates above three percent to implement technology or other solutions designed to address improper payments.

4. Work Search Strategies

STRATEGY 4.1: Work Search Working Group

Overview: The Department will convene a small working group of senior state program officials to focus on work search issues and develop strategies to reduce improper payments related to work search. The Department has identified 11 states to participate in this effort - the 6 "High Priority" states with persistently high improper payment rates (Strategy 5.3), and 5 volunteer states from the NASWA UI Directors Subcommittee on Integrity (District of Columbia, New Hampshire, South Dakota, Texas, and Utah).

Metrics:

- Award contract to review state work search laws, policies, and practices, and deliver findings to the Department by February 29, 2012.
- Pilot the implementation of 2 to 3 identified work search strategies in 2012.

Progress:

- ✓ The Department received the final report from Mathematica Policy Research on the findings of their research. On February 24th and March 15th, the Department convened the members of the working group to review the research findings and discuss strategies that may be effective in reducing work search errors.

Next Steps:

- The Department will convene the working group virtually via conference call in April to finalize strategies and plan implementation for 2012.

STRATEGY 4.2: Work Search Pilot

Overview: The Department will provide \$500,000 in supplemental grant funding to build the necessary basic system linkages between the Workforce and UI systems to effectively capture, organize and share individual UI claimant work search record information.

Metrics:

- The grantee will provide all products and tools funded through this supplemental request within the grant period of performance. The period of performance for this project runs from October 1, 2011 through March 31, 2013.

Progress:

- ✓ \$500,000 in supplemental grant funding awarded to New York on September 30, 2011. The Department facilitated a connection between the New York project team and the states of Washington and Colorado to serve as project design volunteers to help ensure the replicability of the pilot design to other states.

Next Steps:

- New York will provide pilot milestones and a timeline to the Department and begin communicating with project volunteer states to provide input and feedback.

5. State Focus / Technical Assistance / Resource Targeting Strategies

STRATEGY 5.1: Establish a DOL Web Site to Depict State Performance and Progress in Addressing UI Improper Payments

Overview: The Department launched a new UI Improper Payment Web site that clearly identifies each state's improper payment rate, as well as status updates on each state's progress in implementing core strategies to reduce improper payments identified by the Department.

Metrics:

- State data and progress reports provided on Web site are updated each quarter (January, May, July, and October).

Progress:

- ✓ Web site updates to state data and progress reports provided for January 2012. Additional updates to the website including a state UI fraud "tips and leads" gateway and state status of TOP implementation was implemented in March 2012.

Next Steps:

- Next quarterly update to state status and data due May 2012.

STRATEGY 5.2: Enhanced State Quality Service Planning (SQSP) Process Incorporating Improper Payment Prevention Strategies

Overview: The Department will develop a new section of the SQSP requiring states to identify state-specific root causes for overpayments and to provide strategies for addressing them. This strategy incorporates the performance measure focused on prevention (Strategy 1.2) into the FY 2013 SQSP process by requiring states to provide corrective action plans if they fail to meet the performance standard.

Metrics:

- 100% states provided strategies for reducing improper payments in their FY 2012 SQSP.
- 100% of states failing to meet the new performance measure (Strategy 1.2) will provide corrective action plans in their FY 2013 SQSP.

Progress:

- ✓ All states convened a UI cross-functional task force to complete an integrity strategic plan, which became an addendum to the state's SQSP.
- ✓ All states submitted FY 2012 SQSPs by September 30, 2011.

Next Steps:

- States will be evaluated against the prevention measure (Strategy 1.2) and will be required to develop corrective action plans in their FY 2013 SQSP, as necessary.

STRATEGY 5.3: "High Priority" States Initiative

Overview: The Department will identify "High Priority" states on an annual basis with persistently high improper UI payment rates over a prolonged period.

The Department will work closely with these states to identify impediments to reducing improper payments, develop action steps designed to reduce improper payments, and provide technical assistance.

Metrics:

- States must achieve and sustain an improper payment rate of less than 10% for at least 2 quarters. States that fail to significantly impact their rate within 18 months will be subject to intensive Departmental audit and/or independent review by the Office of Inspector General.

Progress:

- ✓ States implementing integrity strategic plans, which are an addendum to the state's SQSP (Strategy 5.2).
- ✓ Quarterly check-in calls with 6 High Priority states conducted by National and Regional offices in February 2012.

Next Steps:

- High Priority states participating in work search working group that began convening in Q2 of 2012. The next quarterly check-in call with the 6 states will be in May 2012.

STRATEGY 5.4: New UI Performance Measures

Overview: The Department has proposed two new UI performance measures to meet requirements of the Improper Payments Elimination and Recovery Act (IPERA): 1) the reduction of state improper payment rates higher than 10%; and 2) state recovery of UI overpayments. States failing to meet an acceptable level of performance for these measures will be expected to develop corrective action plans.

Metrics:

- The Department is targeting 100% of states comply with the measures or develop a corrective action plan as part of the SQSP process.

Progress:

- ✓ Federal Register Notice (FRN) requesting public comment on the two proposed UI program performance measures was published on February 13, 2012. The FRN comment period was open for 30-days and closed on March 13, 2012.

Next Steps:

- An UIPL will be issued to announce the measure by April 2012.

STRATEGY 5.5: Supplemental Budget Requests (SBRs)

Overview: The Department will offer states the opportunity to apply for SBRs targeted to specific overpayment root causes and integrity strategies identified by the Department, pending availability of funding.

Metrics:

- Pending available funding, states provided SBR funds to improve targeted integrity activities by September 30, 2012.
- Project implementation monitored by the Department's Regional Offices and updated quarterly via the integrity website at DOL.gov.

Progress:

- ✓ For FY 2011, \$192 million in grant awards for integrity activities were provided to 42 states on September 14, 2011.

Next Steps:

- A FY 2012 Integrity Spending Plan and UI advisory soliciting FY 2012 SBRs for targeted Integrity activities is currently in development based on anticipated available funding.

STRATEGY 5.6: Require Dedicated Percentage of State UI Administrative Grants for Integrity Activities

Overview: The Department will require states to dedicate a percentage of their state UI administrative grant to support integrity activities.

Metrics:

- Final regulation published and in place for FY 2014.

Progress:

- ✓ Departmental regulatory team established and work has begun to develop regulatory language and to enable putting this regulation on the Spring Regulatory Agenda.

Next Steps:

- Notice of Proposed Rule Making to be placed on Spring Regulatory Agenda (if approved) with a target publication date of July 1, 2012.