New York  Public Welfare Association
July 25, 2011
Nationally, the rate of improper child care subsidy payments is 13.3%.

The US Department of Health and Human Services has estimated that somewhere between 15% and 20% of payments are either in fraudulent status, lack program integrity or are in error.

In each of the past three State Fiscal Years, New York State allocated $736 M to local social services districts for child care subsidies.

If we take 10% of NYS’s allocations ($73.6 M) and divide it by $6,200 (cost to provide child care to one child per year), that’s 11,870 add’l child care slots that could be available in NYS.
WE NEED TO
MAKE EVERY DOLLAR COUNT
IN
NEW YORK STATE!!!!
Real Life Examples of Child Care Subsidy Fraud

- Multiple providers who claimed full second and third shifts despite surveillance indicating zero attendance for weeks.
- One sister was licensed as a group family day care provider, hired her sister as an assistant, and watched only her sister’s children who were eligible for child care subsidies.
- Providers who split child care payments with parents who agreed not to send their children to the program. Parents watched their own kids and received a kick-back from the provider.
- Providers who offered to sell authorizations for payments to other providers for $1500 every two weeks.
- Social services staff authorized care for children who didn’t exist (including stealing identities of deceased children).
Child Care Subsidy Fraud: A View From the States

- In WI, 1000 out of 9000 regulated providers were under investigation for possible subsidy fraud.
- In CT, in 2007, an assessment of 1200 cases resulted in: 141 arrests; 50 convictions, recoupment of $202,000; and a cost avoidance of $1.5M.
- In CA, LA county reviewed 6 years of historical data from 5 data sources; used predictive analytics to identify fraudsters; resulted in 85% correct hit rate on provider fraud and 40% correct hit rate on participant fraud; expected return on investment is between $7M and $30M annually.
NEW YORK STATE CHILD CARE SYSTEM

- Over 216,000 children received subsidies in FFY 2010
- Over 21,260 regulated child care providers with a capacity to serve approximately 670,000 children
- Approximately 52,000 legally-exempt providers caring for 83,000 children
Can you tell who the fraudulent provider is?
Steps NYS Has Taken to Prevent Waste, Fraud, and Abuse

- Conducted a Roundtable Discussion in October 2010 for 100 participants (invitation only) including social services commissioners, caseworkers, fraud investigators, local county prosecutors, child care advocates, among others.
- Built partnership with NYWFIA and established scholarships for local district staff to attend the NYWFIA annual seminar.
- Increased training of state staff to improve oversight and monitoring, including training sponsored by NYWFIA and OSC.
- Drafted new child care subsidy regulations to address fraud.
Child Care Subsidy Fraud Regulations

**Principle:** Provide LDSS’ more authority to stop child care payments

LDSS may disqualify a provider from receiving payment for child care services if a provider:

- Is found to be criminally convicted of fraud;
- Is found to be civilly liable for fraud;
- Has voluntarily admitted to filing a false claim;
- Has been disqualified from the NYSDOH CACFP;
- Has a conviction of any activities in the past 7 years that indicated a lack of business integrity;
- Has been found to have submitted false claims after an Administrative Review;
All providers must:

- Comply with all OCFS regulations or face enforcement actions;
- Maintain current and accurate enforcement records;
- Certify that all documents and information provided to districts is accurate and true;

The submission of any false, inaccurate or fraudulent claims may be the basis for the deferral or disallowance of payment for such claims.
More Steps

- Began integrating the OCFS regulated care and subsidy units on issues related to fraud
- Established a formal referral process between local social services districts and OCFS regional office regulatory staff to address child care subsidy fraud
- Worked with local districts to establish indicators for the referral of child care applications to their investigative units
....Even More Steps

• Analyzed existing databases for the purpose of identifying child care subsidy cases that may warrant further investigation

• Developed a “SWAT Team” to investigate and conduct on-site inspections

• Coordinated efforts with the NYS CACFP program around data sharing and fraud detection

• Secured funding for, and are currently implementing, an automated child care time and attendance system
NYS Identifies Red Flags to Detect Fraud

• Beginning in March 2011, data are run quarterly from a “data warehouse” using the following two indicators:
  - **Overcapacity:** Any group family child care program that receives payment for 22 or more children in a pay period
  - **Highest Revenue Producers** in a pay period by modality: list of top 10 providers for 4 modalities (child care centers, family child care, group family child care, and legally exempt) are given to each OCFS regional office to review and conduct inspections and/or investigations, where appropriate

• Began discussions on using technology solutions (data mining) to identify fraudulent individuals (child care providers and subsidy recipients)
Steps Nassau County Has Taken to Address Fraud

- Increased reviews of applicants who “work off the books”
- Increased the number of cases verified for the recipients ongoing need for child care assistance
- Identified red flags such as provider billing for perfect attendance, billing for meals for an absent child, billing full-time for a school-age child
- Improved communication between eligibility workers and fraud investigators
- Increased the number of fraud referrals to law enforcement
- Strengthened contracts with providers to allow for greater oversight in ensuring compliance with LDSS rules and regulations
- Leveraged CCTA reporting functions to identify fraud
Nassau County continued:

• Since April 1st: completed 221 investigations resulting from 313 referrals from the Day Care Unit (the remaining 92 referrals are still being reviewed)

• Found that 43% of the referrals resulted in a finding of ineligibility, worth $527,250 in cost avoidance. (The cost avoidance figures are based on a NYS OTDA prescribed savings of $5,550 per case closure for a 6-month period).

• FEDS investigations are averaging a 31-day completion window
Next Steps to Address Child Care Subsidy Fraud

1. Implement the new, child care subsidy fraud regulations once they are adopted

2. Explore ways to assist local districts with resources for fraud efforts

3. Release a Request For Information (RFI) focused on technical solutions such as data mining, predictive analytics, among others
NYS Identifies Red Flags to Detect Fraud

• The new, automated Child Care Time and Attendance System (CCTA) includes the following Red Flags:
  - Parents/caretakers use a password to check the child in and out of the system automatically.
  - Attendance data is captured in the system in real time; inspectors check CCTA for attendance prior to an inspection.
  - If a change is made, the system records all transactions in history establishing an audit trail.
  - The system captures “exceptions” which the district can review when a child has perfect attendance and when a provider changes the check in and out times recorded by the parent.
  - CCTA interfaces with NY’s regulatory database to confirm that the provider is licensed/registered and is in a payable status both at time of authorization and when making the payment.
Albany County’s Experience with CCTA

- Pilot County
- CCTA Implementation
- Lessons Learned
Child Care Time & Attendance (CCTA) Updates

- Deployments to be completed on 8/1
- 63 Public/Private organizations collaborated to deploy CCTA
Next Steps

• Refine and Enhance CCTA

• Progress towards 100% utilization/Parent sign-in/out

• Leverage CCTA to identify ‘low hanging fruit’ fraud
Questions and Answers

http://www.ocfs.state.ny.us/main/childcare