LEGISLATIVE SOLUTIONS TO PREVENT, MITIGATE, AND REDUCE GOVERNMENT FRAUD AND IMPROPER PAYMENTS

UNITED COUNCIL ON WELFARE FRAUD

RESPONSE TO HOUSE BUDGET RFI

MARCH 17, 2026

The United Council on Welfare Fraud (UCOWF) appreciates the opportunity to respond to the House Budget Committee's Request for Information on legislative solutions to prevent, mitigate, and reduce government fraud and improper payments.

UCOWF is the only national professional organization solely focused on the prevention, detection, prosecution, and recovery of fraud in government public assistance programs. Our members are the boots on the ground, the first responders to these issues – from the county, state, and federal levels. For over half a century, UCOWF has remained dedicated to its mission to improve professional investigation outcomes and processes through our Certified Welfare Fraud Investigator certification/accreditation. Our annual training conferences brings in investigators from all corners of the United States and Territories. It is because of our unique perspectives and insights that UCOWF has been asked to testify in front of Congress on several occasions, including recent Farm Bill and DOGE hearings.[1] The majority of our members work in SNAP and Medicaid, reflected in this response.

We appreciate the opportunity to provide Congress with feedback from our subject matter experts who strive day in and day out to provide effective and efficient stewardship of taxpayer funded programs and safeguarding safety-net programs from fraudsters seeking to obtain services and benefits for which they are not entitled.

In 2024, the American Enterprise Institute published a "Reform Framework for SNAP" that incorporated many of UCOWF's recommendations. Drawing from our past publications, testimony, and subject matter expertise, our recommendations to Congress on how to most effectively address government fraud and improper payments are as follows:

1) MANDATE IDENTITY VERIFICATION STANDARDS

As demonstrated by the unprecedented losses to public assistance programs during the COVID-19 public health emergency, government benefit systems are highly vulnerable to domestic and global cybercrime. Fraudsters use stolen personal identifying information—or entirely synthetic identities—to apply for benefits or to drain benefits from legitimate recipients through account-takeover schemes.

Robust identity proofing and verification standards are essential to ensure that only legitimate applicants receive benefits and to protect national security. At a minimum, state agencies must have access to technology capable of verifying both the identity *and* residence of applicants. Reforming identity authentication and verification practices would have a substantial impact on improving program integrity.

Currently, there are no minimum NIST-aligned identity standards for **online applications**, **customer service portals (both online and telephonic)**, or **EBT vendor portals and call centers**. This stands in stark contrast to private-sector best practices and results in administrative churn, delayed benefit issuance (as fraudulent applications sit in the same eligibility queue as legitimate applicants), and significant waste and fraud— problems widely documented in recent media reporting. Unemployment Insurance is the only major program that has meaningfully addressed and funded this gap; other assistance programs have not.

CONGRESS MUST MANDATE THAT ALL GOVERNMENT PROGRAMS COMPLY WITH NIST IDENTITY STANDARDS.

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[1] "The War on Waste: Stamping out the Scourge of Improper Payments and Fraud," Feb. 12, 2025 testimony.
"Program Integrity for the Supplemental Nutrition Assistance Program," June 7, 2023 testimony.

Some Impact/Examples of Acceptable Identity Verification Methods:

- **Minnesota**: DHS internal guidance explicitly lists a **library card** as an acceptable form of identity verification, alongside **medical records** or **church membership**. These documents provide little to no assurance that the applicant is who they claim to be and contribute to the rampant fraud impacting the state in all programs.

- **Illinois**: Acceptable documents include a driver's license, work or school ID, photo ID, voter registration card, wage stub, or birth certificate. However, these documents are not required to be authenticated against authoritative identity data (such as a driver's license photo). **This gap exists nationwide**. In addition, no states verify whether uploaded documents have been altered, falsified, or digitally manipulated ("photoshopped"). It takes but mere seconds for Artificial Intelligence to create any of these forms of "identity."

- **Pennsylvania**: Outreach materials list a **library card** showing an address as a method to help verify residency (often treated as identity verification in practice), along with items such as voter registration cards, utility bills, or birth certificates. None of these documents have photos of the individual and are commonly used by ineligible noncitizens to access government programs. These documents are easily forged and fail to verify that the applicant is the actual individual associated with the utility bill or birth certificate.

- **Most states**: Agencies rely primarily on Social Security Administration "Numident" checks to confirm that a Social Security number belongs to a living individual. This does not verify identity; it merely confirms that the SSN is valid. Additional documentation is typically requested only when an applicant's identity is deemed "suspicious" or "questionable"—terms that are undefined in federal regulation. This concern is magnified with the revelation that the Administration has been issuing SSNs to non-citizens (who are historically and generally ineligible for any benefit).

- **Examples from USDA "model Supplemental Nutrition Assistance Program (SNAP) notices" for states on acceptable forms of identity include**:
  - Driver's license or state-issued identification card.
  - School ID or work/school identification.
  - Voter registration card.
  - Birth certificate.
  - Social Security card (or SSN validation/cross-match).
  - Passport or military ID.
  - Medical insurance identification or records.
  - Wage stub/pay stub.
  - In some states, additional items like library card (especially if it shows name/address), church membership card, or medical/vaccination records and may include someone else "vouching" for the applicant, or "reasonable" evidence of identity – an underlined term.
  - The 2025 USDA Guidance falls short of reforming these gaps and needs Congressional support.

- **The problem is even worse in Medicaid beneficiary applicants**, including those applying for Medicaid/CHIP under MAGI-based rules or other categories. Federal policy from the Centers for Medicare & Medicaid Services (CMS) emphasizes electronic verification first through data sources like the federal data services hub (e.g., matching with Social Security Administration for SSN, name, date of birth,

citizenship/immigration status). Yet, identity verification is distinct from citizenship/immigration status verification (which has stricter rules under the [Deficit Reduction Act of 2005, PL 109-171](#)) and related guidance).

CMS does not mandate a single nationwide list of acceptable identity documents for Medicaid applicants, similar to SNAP. Instead, states have flexibility, often following standards aligned with federal guidance (e.g., [42 CFR 435.945](#) - [435.952](#) for verification generally, and citizenship/identity rules at [42 CFR 435.406](#), 435.407). **Many states accept self-attestation for identity** with electronic verification, and paper documents are requested **only if needed for resolution – yet the documents are not authenticated.**

The impact of this gray area in healthcare is what enabled the largest healthcare fraud case in the nation's history – a [$14.6 billion dollar scheme by Russian nationals using stolen PII from Americans](#) to falsely register and then bill for fraudulent services.

2) ELIMINATE SELF-ATTESTATION

Self-attestation (also known as self-certification or the "honor system") is the practice of accepting an applicant's statement as true, without the need or attempt to verify the information. The reliance on self-attestation in government programs, where applicants simply declare their eligibility without rigorous verification, has emerged as a profound national security vulnerability, enabling widespread fraud and billions in improper payments that undermine public trust and fiscal integrity. UCOWF acknowledges that there may be situations in which a program must accept a client's statement – but they should only be after independent verifications attempts have not returned information that can confirm or refute program eligibility.

This "honor system" approach, particularly evident in pandemic-era initiatives like the Pandemic Unemployment Assistance (PUA) program, allowed criminals to exploit lax controls, resulting in nearly $50 billion in improper payments largely attributed to self-certification, as states struggled to detect fraud amid automatic approvals and backdating.

Similarly, programs such as the Small Business Administration's Economic Injury Disaster Loans and Paycheck Protection Program saw heightened fraud risks due to unverified self-declarations, with estimates of government-wide improper payments reaching hundreds of billions annually, including funds siphoned by organized crime syndicates and transnational networks.

CMS regulations implemented the Affordable Care Act went so far as to mandate States must accept self-attestation, a significant factor in the explosive growth (and expense) of the program. Yet regulations about Medicaid beneficiary fraud are nearly non-existent.

In SNAP, the implementation of self-attestation where applicants self-certify key eligibility factors like income, identity, and residency without mandatory verification, has significantly heightened vulnerabilities to fraud and improper payments, draining billions in taxpayer funds while compromising program integrity. This "honor system" approach, exacerbated during the COVID-19 pandemic through policy flexibilities that prioritized expedited access over rigorous checks, led to error rates climbing to around 11.7% in fiscal year 2023 - equating to over $10 billion in improper payments, primarily from unverified overpayments rather than outright fraud, though it enabled ineligible recipients to remain on benefits for extended periods.

States' over-reliance on self-declarations, without robust data matches or documentation requirements, has invited exploitation by organized crime, identity thieves, and ineligible individuals, as seen in investigations revealing weak front-end verifications contributing to waste and abuse in programs serving millions.

From a broader perspective, this lax framework not only inflates national improper payment estimates but also undermines SNAP's core mission to aid food-insecure households, diverting resources from genuine needs and fostering public skepticism toward essential welfare initiatives. Regulations that merely suggest States accept client statements "unless suspicious" leaves too much room for agency and worker complacency – further enabling an environment from which identity fraud thrives. In fact, the "EBT Skimming" crisis during the Covid-19 Pandemic Health Emergency can largely be attributed to identity fraud "account takeovers" – fraudsters impersonating clients to change PIN numbers, obtain balance information, change addresses, and order replacement cards. Call center agents asking for a caller's name, SSN, and date of birth only plays directly into the hands of these fraudsters – data that has already been compromised.

From a national security perspective, these vulnerabilities are exploited during emergencies like natural disasters or economic crises, where rapid fund disbursement prioritizes speed over safeguards, allowing stolen resources to flow to terrorist-affiliated groups, drug traffickers, and hostile foreign actors intent on weakening U.S. institutions.

Ultimately, this systemic flaw not only drains taxpayer dollars but also erodes the viability of essential safety nets, leaving legitimate beneficiaries underserved while enriching fraudsters through unchecked financial exploitation.

CONGRESS MUST MANDATE THAT PROGRAMS MAY NOT ACCEPT A CLIENT SELF-ATTESTATION STATEMENT WITHOUT EXHAUSTING ATTEMPTS TO VERIFY THE INFORMATION.

3) REQUIRE ALL STATES TO MOVE ANTI-FRAUD PROCESSES TO THE FRONT-END AND STAFF SUFFICIENT PERSONNEL, CREATE FUNDING INCENTIVES

The USDA SNAP Fraud Framework and GAO Fraud Framework's both encourage government agencies move away from "Pay and Chase" to conducting **front-end fraud screening** prior to the issuance of benefits. However, there is no mandate to do so, from federal agencies or Congressional mandates.

States administering federal programs have long had no "skin in the game" - the One Big Beautiful Bill Act (OBBBA) changed that by imposing increasing the administrative burden for States and imposing tiered fiscal penalties based on SNAP benefit issuance for those with Payment Error Rates exceeding 6%. However, this could have several unintended consequences:

- States were caught manipulating the Quality Control process to mitigate error rates to qualify for federal performance bonuses worth several million dollars. With hundreds of millions at stake in fiscal penalties, States – who "grade their own papers" in QC reviews – are incentivized to cheat and game the system. California faces a fiscal benefit match cost penalty of over $1.8 billion next year if they cannot get their 10.98% error rate below 6%. If States were violating the False Claims Act for several million in bonuses, it's it logical to expect some will try to subvert the process when faced with billions in fines?
- Quality Control Payment Error Rates do not include fraud. Under current USDA policy (FNS 310 Handbook), cases relating to fraud (eligibility fraud, identity fraud) are removed from the QC caseloads

and do not count against the State/County agency. The OBBBA did not correct this issue. Until Congress creates incentives – fiscal incentives – relating to **detecting and preventing fraud prior to benefit issuance**, anti-fraud initiatives will be thrust to the back of the line. Instead, States will focus on waivers, options, and demonstration projects and a greater reliance on self-attestation to escape the hefty financial penalties associated with administration of the program.

However, fraud detection in public benefit programs like SNAP has indeed been deprioritized. Outdated federal regulations require states to maintain fraud detection units only in areas serving more than 5,000 households, without mandating full-time or program exclusive staff. A 2014 GAO study highlighted wide discrepancies in staffing levels across 11 reviewed states, where investigators often handled multiple programs and faced growing caseloads amid a 40%+ rise in SNAP recipients from fiscal years 2009 to 2013. Eight of these states reported difficulties conducting investigations due to stagnant or reduced staffing, with investigator-to-household ratios worsening significantly in most cases—sometimes leaving one investigator responsible for tens of thousands of recipients.

Consequently, fraud can persist undetected for years, as limited resources leave a substantial portion of potential referrals (46%) unaddressed due to inadequate technology and manpower. While reported fraud rates may appear low, this often stems from states' insufficient capacity to detect issues before or after benefits are issued. Despite surging recipient numbers and expenditures over the past two decades, federal and state efforts to elevate fraud prevention remain minimal. While fraud rates may seem low, it's because States lack the staff and resources to detect fraud before benefits are issued, or to investigate fraud allegations after benefits are issued. Despite a significant increase in recipient rolls and program expenditures over the past two decades, there have been no efforts to make fraud prevention a priority.

They continue to support a false narrative that there's less than "one percent fraud" in SNAP – a preposterous and ludicrous assertion. Critics say that the "data doesn't support" the presence of fraud. To that end, we offer several observations:
   o A 2011 independent study commissioned by the Florida legislature found 7.5% of all enrolled SNAP households were fraudulent. The study did not factor in identity fraud, synthetic identity fraud, duplicate enrollment, trafficking/selling of benefits, or fraud prevented at application/ recertification. The **original fraud rate was over 28%** before introduction of Broad-Based Categorical Eligibility and Simplified Reporting state options were factored. No other recipient independent study has been undertaken at the State or Federal level.
   o State Inspectors General have testified and reported SNAP fraud rates approaching 40%. The United Council on Welfare Fraud opines a national average somewhere between 15-30%.
   o Between October 2022 and December 2024, state agencies reported over $320 million in SNAP benefits stolen from real clients (the "EBT skimming/account takeover" issue). That did not include eligibility fraud or trafficking – this was "new" fraud schemes.
   o Fraud (Intentional Program Violation) is not definitively identified until after an Administrative Hearing ruling or criminal case adjudication. Criminal fraud investigations typically take 2-3 years before a court decision is made. Administrative disqualification hearings also lag. Combined with low staffing and low funding for investigative tools/solutions, you can't claim

fraud if there's nobody there to look at it. To that end, [agencies report that they can only get to 46% on average of fraud allegations](). That means the majority of referrals go unaddressed and therefore, uncounted towards fraud statistics. This is supported by overpayment claims being established. In FY2023, States established only $543.2 million in new overpayment claims (less than .5% of all benefits despite an overpayment rate of 10.03%) - $375.7 million or 69% of all repayment claims. **It's clear that States are NOT prioritizing overpayment recoveries** and confirms that most improper payments are due to client errors related to self-attestation, the lack of eligibility verifications, and fraud – including fraud not pursued.

- OBBBA also shifted SNAP administrative funding from 50/50 to 25% Fed, 75% State. UCOWF is concerned that **States will seek to reduce administrative costs through the elimination and reduction of fraud investigators** – a stark reality without Congressional protections and safeguards. With a greater weight of administrative costs, it's time Congress provides some relief to States in prosecuting and recovering overpayments.

There are several ways Congress can incentivize a move to front-end fraud detection and prevention:

1. Legislation that States and Counties **must employ dedicated fraud control staff at a minimum household to investigator ratio** at the conclusion of a GAO staffing study (SNAP/ Medicaid/ TANF/ Child Care)
2. **Increase the State retained share of overpayment recoveries**. Historically, retention rates have changed several times. Prior to October 1, 1991, states were able to retain 50% of fraud (IPV) recoveries and 20% of Inadvertent Household Errors (IHE). The rate was reduced to 25% until October 1, 1995, when the rate was returned to 50%. On January 1, 2001, the current rate of 35% was established. With the increased administrative fees and fiscal penalties based on error rates, **Congress should increase the State share of recoveries <u>and</u> MUST mandate the funds are invested in front-end fraud control** staffing and tools. UCOWF recommends a 75% retention on fraud/IPV recoveries, and 50% on household errors/IHEs. (SNAP)
3. Create a **State Fraud Prevention Grant Program** that awards States on a percentage of fraudulent applications prevented prior to benefit issuance. States could also offset OBBBA payment error rate penalties by investing in front-end fraud detection and prevention. (SNAP/ Medicaid)
4. Increase SNAP **Fraud Framework Grants** and create similar Medicaid beneficiary fraud grants. USDA FNS currently spends .005% of appropriations on anti-fraud efforts – solely comprised of annual Fraud Framework grants which awards up to $750,000 to a single state out of the $5 million appropriated. One twentieth of one percent is a clear indication that combatting fraud is <u>not</u> a priority. While these grants can provide critical infusion into small States, this total is woefully deficient in creating real reformative change in most States. Congress should increase the grant amounts and limits while addressing the issue in similar programs. (SNAP/ Medicaid/ UI/ Child Care)

CONGRESS MUST INCENTIVIZE STATES TO ENGAGE IN FRONT-END FRAUD DETECTION AND PREVENTION THROUGH SUFFICIENT STAFFING RATIOS, INCREASED OVERPAYMENT RETENTION RATES WITH MANDATED REINVESTMENT CONDITIONS, AND BONUSES FOR PREVENTION COST AVOIDANCE.

4) RESOLVE DUPLICATE ENROLLMENT IN ALL PROGRAMS

UCOWF has been very clear about this – States need a holistic approach and solution to dual enrollment. Members have seen households receiving benefits in dozens of States at the same time. A solution had been tested and independently evaluated with reports to Congress – the National Accuracy Clearinghouse (NAC). In Section 4011 of the 2018 Farm Bill, Congress mandated all States join the Mississippi NAC by the end of 2021. However, USDA FNS opted to ignore the law, circumventing Congress by constructing a new tool and delaying implementation until 2027, and creating restrictive regulations that did not include lessons learned from Mississippi as well as prohibiting matches to other programs. We estimate the delay has cost $2.5 billion. From 2013 through 2025, the Mississippi NAC has reportedly saved Gulf of America States over $13 billion and is capable of checking multiple programs.

Instead, USDA FNS created a substandard post-issuance (Pay and Chase) product that doesn't even work with Disaster SNAP – the very program it was created to protect after Hurricane Katrina in 2005. To date, only 15 states have signed up for this product – with no reported savings or duplicate participation prevented. USDA Secretary Brooke Rollins described SNAP as "*so bloated, so broken, so dysfunctional, so corrupt that it is astonishing when you dig in*" when she announced that FNS had identified over half a million households dual enrolled in SNAP – the problem still exists, and Congress had pointed at the solution. It's time to re-address it again, but holistically across all programs while requiring USDA follow Congressional instructions.

In Medicaid, the situation is just as dire – but with actual data. The Public Assistance Reporting Information System, PARIS, is a quarterly state batch upload administered by HHS's Administration for Children & Families. The antiquated system matches SSNs and checks against Veteran and active military Tri-Care coverage. The OBBBA mandated the system be modernized. But an opportunity exists to address this dual participation issue in all programs with the same concept – checking government assistance applications against enrollee data to prevent duplicate issuances.

How bad is the problem? An October 2024 audit by the Oregon Health Authority titled, "Without Federal Action, States Will Continue to Pay Millions of Dollars in Duplicate Medicaid Payments," discovered that the State spent **$445 million on Medicaid capitation rates for individuals living and enrolled in other States**. An HHS OIG report found 208,254 concurrently enrolled beneficiaries in 2019. And the problem got much worse.

In February 2025, PARIS posted data revealed:

- **3,218,150** unique SSNs were dual enrolled in multiple states and programs
- **6,685,958** duplicate enrollments were detected nationally.
- Using MACPAC Medicaid Benefit Spending per full year equivalent enrollee, **duplicate benefits cost taxpayers an estimated $59,211,579,503.**

It should be noted that match did not even include Florida data. This is all preventable, and the Mississippi NAC solution proved the efficacy of moving from post-issuance checks to the front-end.

CONGRESS SHOULD CREATE AND MANDATE ALL GOVERNMENT ASSISTANCE PROGRAMS CHECK FOR DUPLICATE PARTICIPATION PRIOR TO PROGRAM ENROLLMENT AND WITHHOLD FEDERAL ADMINISTRATIVE FUNDING IF THEY DO NOT.

5) MODERNIZING APPLICATION REQUIREMENTS FOR 21ST CENTURY

Current mandatory minimums to be considered an official application requiring processing and eligibility determination by a State is merely a name, address, and signature. So 'John Doe, Homeless, and an X' satisfies the "Right to File" rules. These antiquated regulations date back to the Hunger Prevention Act of 1988 and have not been modernized despite numerous programmatic and technological advancements during the last 38 years. This results in administering agency churn, payment errors, and has created a target-rich environment for fraud. This "Right to File" is also responsible for USDA guidance that mandates applicants be able to opt-out of online identity verifications – which only benefit fraudsters.

USDA FNS has historically approved waivers and demonstration projects that eliminate client interviews – actions that run counter to States being able to engage recipients in dietary and professional education to improve their household circumstances and clear up potential client application errors that drive overpayments. These interviews provide an opportunity to clarify household eligibility components and resolve inconsistencies in the application to prevent household overpayments. Client interviews are front and center in FNS' own SNAP Fraud Framework guidance for States under "Fraud Detection" – moving away from interviews only enables fraudsters and exacerbates client financial strain in the event of improper payment debt collection. The impact of waiving interviews during the Covid PHE absolutely contributed to the current QC Payment Error Rates, while doing nothing to reduce Application Processing Times.

A modernized application should require all mandatory eligibility fields to be completed (including identity, residence, household members, income, and liquid assets) before an application starts the clock running on Application Processing Time mandates. The "Right to File" and lack of applicant interviews provide an environment in which improper payments and fraud grow and thrive.

CONGRESS SHOULD MODERNIZE APPLICATION PROCESSES TO REMOVE THE NAME/ ADDRESS/ SIGNATURE RIGHT TO FILE AND REQUIRE CLIENT INTERVIEWS.

6) REQUIRE COOPERATION IN ADMINISTRATIVE PROCEEDINGS:

Unlike in payment error Quality Control interviews, SNAP recipients are specifically allowed (and encouraged) to refuse to cooperate with interviews regarding alleged fraud or suspicious applications. During the administrative process (*allegation -> investigative review -> evidence gathering -> client notification -> witness/suspect interviews -> investigative finding -> client notification -> Administrative Disqualification Hearing*), recipients are allowed to continue receiving benefits with uninterrupted access to benefits. If a SNAP recipient fails to cooperate in a Quality Control audit, the household benefits can be suspended until the recipient cooperates with the interview.

In addition, unlike ANY other government program, SNAP recipients MUST be given Miranda Rights. In the 1966 Miranda v. Arizona case, the U.S. Supreme Court (SCOTUS) ruled that law enforcement must provide **criminal** suspects **in police custody** (custodial interrogation) that they have the **right to remain silent** and not cooperate or answer any questions. SNAP inexplicitly extends criminal in-custody rights to non-custodial administrative interviews. No other program applies the SCOTUS ruling thusly. Administrative fraud investigations can result in an individual being removed from the SNAP program, including a timed disqualification from program participation. It does not result in being confined (handcuffed) or in-custody

interrogations. In addition, the Administrative Hearing Officer/Judge must advise the suspect they may refuse to answer questions.

The 5th Amendment does not apply here. Yet, inexplicitly, if you refuse to cooperate with a payment error qualify control interview, you're off the program! Common sense would apply the same measure to administrative fraud processes – criminal investigations and Miranda warnings would still apply as normal. The Miranda rule applies the use of testimonial evidence in criminal proceedings derived from custodial police interrogations.

For Miranda to apply, six requirements must be met:

1. Evidence must be gathered. If the suspect did not make a statement during the interrogation, the fact they were not advised of their Miranda rights is no importance – nor can the State offer evidence they refused to talk.
2. The evidence must be testimonial – Miranda ONLY applies to testimonial evidence. Yet SNAP applies this uniformly and broadly to include refusal to provide documentation.
3. The evidence must have been obtained with the suspect was in custody (criminal)
4. The evidence used is the product of the interrogation.
5. The interrogation must have been conducted by state-law enforcement. Few state and county SNAP agencies maintain sworn law enforcement in their fraud investigative units.
6. The evidence must be offered by the state during a criminal prosecution. In this case, we are talking administrative – completely different.

None of the Miranda rule requirements are met in administrative SNAP fraud investigations.

The correct SCOTUS decision to use in administrative investigations is the 1967 Supreme Court ruling in Garrity v. New Jersey – a notification of rights devised in response to Miranda in which the suspect must answer questions or forfeit a right (such as a job or government benefits). Garrity essentially warns a suspect that they must answer questions (or be removed from SNAP), but that their statement cannot be used in a criminal proceeding. Garrity ensures that someone's Constitutional rights are preserved.

The law and rules are further explained by USDA FNS:

> "*Under the IPV rules, an individual does not face termination (of benefits) if the accused fails to attend an Administrative Disqualification Hearing (ADH), nor is the individual determined guilty of the IPV for failure to appear at the ADH… thus, it would be inappropriate to terminate the individual for failure to cooperate in an investigation when there is no such required adverse consequence if the individual does not participate in his/her own ADH.*"

This means from the time a fraud investigation is received, investigated, a hearing held, and a decision rendered – the household may continue to receive government benefits. While the ADH process should be completed within 90 days, some jurisdictions have seen hearings backed up for more than a year. In criminal cases, which may take three years, the criminally charged suspects can continue to receive benefits. The law and rules that make it so easy to enroll (based on self-attestation) do not apply to removing those abusing the system – just the opposite. Easy to get on, extremely difficult to get out. Other programs (such as Unemployment Insurance) can remove individuals from program participation upon a credible allegation of fraud.

Sufficient due processes exist and work – applicants have the right to a Fair Hearing on eligibility and benefit authorization decisions, as well as both Administrative Disqualification Hearings and Fair Hearings on culpability in fraud as well as the amount of the overpayment. Removing the extension of Miranda to administrative cases only serves to protect fraudsters and should be discontinued. Recipients of government benefits that do not cooperate with non-criminal fraud investigations should be treated the same as QC review refusals. Failure to cooperate in program integrity oversight should result in removal from the program. Addressing these will help combat fraud, waste, and abuse while recovering overpayments.

CONGRESS SHOULD ALIGN SNAP ADMINISTRATIVE INVESTIGATIONS TO EXTEND GARRITY RIGHTS, REMOVE MIRANDA, ALLOW FOR SUSPENSION OF BENEFITS ONCE CHARGED, AND REQUIRE COOPERATION IN ADMINISTRATIVE PROCESSES AS CONDITION OF CONTINUED PROGRAM PARTICIPATION.

7) ALIGN FRAUD BURDEN OF PROOF IN SNAP – PREPONDERANCE OF THE EVIDENCE

Welfare programs that typically require a **preponderance of the evidence** standard - a balance of probabilities where the evidence must show it is <u>more likely than not</u> that the grounds for removal exist for disqualification or termination of enrollment due to fraud, violations, or ineligibility include Temporary Assistance for Needy Families (TANF), where States apply this standard for intentional program violations (IPVs) in administrative processes; Supplemental Security Income (SSI), where administrative law judges use *preponderance* for decisions on overpayments or fraud; Medicaid, which generally follows *preponderance* in state administrative hearings for eligibility disputes or fraud claims; Unemployment Insurance (UI), where employers must prove misconduct or voluntary quits by *preponderance* to disqualify claimants; and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), where some State regulations, such as California's, mandate *preponderance* for proceedings involving vendor or participant disqualifications.

SNAP is the only federal program that requires the higher "*clear and convincing*" evidence standard – demanding highly probable proof that leaves no serious doubt – for such removals are more limited, mandated in federal regulations for determining IPVs in administrative disqualification hearings. It is far easier to criminally charge and arrest individuals (depriving them of their freedom) using the criminal equivalent of preponderance. In other words, current law encourages law enforcement to <u>arrest</u> suspected SNAP offenders and subject them to the court process – rather than administrative removal processes. This also is a major contributor to the "low fraud rates."

Conversely, the USDA FNS can remove SNAP authorized retailers for trafficking (selling/exchanging SNAP benefits for cash, drugs, guns, human trafficking, etc.) using the administrative preponderance evidentiary standard. Yet trafficking is a quid-pro-quo exchange between a dishonest retailer and recipient. When the 2018 Farm Bill defined trafficking food benefits, it was summarily lumped into the *clear and convincing* burden of proof. At no time should abuse of SNAP rules and criminal law be considered an entitlement! And the statistics demonstrate the impact of this extra burden placed upon States – trafficking fraud is rarely enforced.

The most recent comprehensive study on SNAP retailer trafficking (2015-2017) estimates the trafficking rate at 1.6% - which translates to approximately $1.27 billion in annual losses due to recipient trafficking. Yet the study also found a store violation rate of 12.7% - indicating the proportion of authorized retailer engaged in trafficking. In 2019, the GAO similarly noted that actual trafficking is responsible for $4.7 billion a year. Recommendations for USDA to address trafficking remain open six years later.

Shifting the burden of proof for SNAP Intentional Program Violations to a preponderance of the evidence standard would strike a vital balance between safeguarding taxpayer resources and maintaining administrative efficiency, without compromising fundamental fairness in a civil context where no criminal penalties are at stake.

The current clear and convincing threshold, while protective of recipients, erects unnecessary barriers for state agencies tasked with combating fraud that drains billions annually from programs meant to feed the vulnerable, allowing savvy violators to evade accountability through minor evidentiary doubts and prolonging cases that overburden already strained systems.

This issue has even been raised by the Congressional Research Service. Aligning SNAP with the preponderance standard used in TANF, SSI, and other welfare adjudications would empower **quicker recoveries of overpayments**, **deter opportunistic abuse more effectively**, and redirect saved funds toward honest needy families, all while **preserving due process** through hearings, appeals, and the right to present counter-evidence - **ensuring the program's integrity serves the greater public good rather than shielding fraudsters**. USDA FNS can lower the trafficking evidentiary standard with an updated federal rule, but a full program alignment to preponderance for disqualifications require federal legislation.

CONGRESS SHOULD ALIGN SNAP WITH THE PREPONDERANCE STANDARD USED IN OTHER PROGRAMS.

8) ELIMINATE BROAD-BASED CATEGORICAL ELIGIBILITY (BBCE)

BBCE is a loophole and state option that allows 44 SNAP agencies to expand program enrollment from 130% to 200% of the Federal Poverty Level while disregarding resource/asset verifications. Originating from a Clinton-era rule and expanded under President Obama, BBCE was intended to reduce administrative costs by linking SNAP eligibility to minimal "benefits" from TANF-funded programs, such as brochures, pamphlets, or toll-free hotlines - without requiring recipients to receive them. However, it has failed to lower costs, with administrative expenses per enrollee decreasing in states that have closed BBCE loopholes.

Adopted by 43 states and the District of Columbia, BBCE has enabled fraud by design, allowing even millionaires to enroll (including intentional demonstrations of the flaw) and leading to an estimated 5.9 million enrollees who do not meet federal criteria, with 20% holding six-figure assets. BBCE households are nearly three times as likely to have payment errors, and states using it have error rates one-third higher than those that do not, contributing to SNAP's improper payment rates reaching double digits and program growth from 17 million enrollees ($17 billion cost) in 2000 to 42 million ($113 billion) in 2023. BBCE intentionally allows millionaires to receive benefits – undermining the integrity and public trust in the program.

In the 118th Congress, the "SNAP Reform and Upward Mobility Act" sought to eliminate BBCE but was not enacted. In the 119th Congress, "No Welfare for the Wealthy Act of 2025" was also not included in the 2026 House Farm Bill for SNAP. The bill prohibits states from using BBCE to bypass federal income and asset limits, requires all SNAP households to meet statutory federal eligibility requirements - including full verification of income, assets, and other factors. This bill has been positively referenced in Republican Study Committee frameworks and conservative policy analyses as a model for closing this "fraud-enabling" provision. The bill primarily addresses SNAP/food assistance but can be amended to reach TANF and SSI-linked Medicaid (Non-MAGI). **FGA estimates that eliminating BBCE could save taxpayers nearly $110 billion over time and help states avoid penalties under the One Big Beautiful Bill Act by keeping error rates below 6%.**

BBCE had a plethora of good intentions upon its inception; however, as states have discovered, and as well-publicized intentional exploitations have shown, BBCE has become a preferred method for lawful exploitation of SNAP. States game the system by using TANF funds for nominal offerings, reducing case workers' ability to verify inconsistencies and heightening fraud risks.

USDA-FNS acknowledged the terminal flaws with BBCE and, in response, proposed a rule change in 2019 to revise BBCE by limiting it to programs providing ongoing, meaningful benefits (e.g., cash assistance or services valued at least $50 monthly). Unfortunately, the proposed rule change was later withdrawn in 2021 amid opposition and the COVID-19 pandemic, and BBCE continues to be a known and well-used method for nefarious individuals to capitalize on the weaknesses and steal billions of dollars from SNAP. BBCE can be eliminated while addressing the "benefit cliff" potentially felt by households transitioning off assistance programs.

Combined with self-attestation, **BBCE amplifies losses to fraud and improper payments** by expanding enrollment into other programs without critical eligibility verifications. It is time for debates and unending bureaucracy to end; BBCE has been a profound failure and needs to be modified at the least or terminated at best to ensure resources go to the truly needy, lower error rates, and restore program integrity.

CONGRESS SHOULD PASS LEGISLATION THAT ELIMINATES BBCE AS A STATE OPTION.

9) IMPROVE DATA SHARING

SNAP is one of the last government assistance programs with siloed data post 9/11 which restricts information sharing. Sharing individual or household information with other programs local, state, and federal law enforcement is highly restricted, even in the case of national security, child endangerment, or exigent circumstances, despite numerous cases of foreign actors utilizing SNAP to fund overseas operations and connections to terrorists where the program is referred to as the "Jihadist Seeker's Allowance."

Even the Patriot Act does not specifically address or authorize the sharing of information on individuals or households receiving federal SNAP assistance - privacy concerns outweigh national security. With President Trump's Executive Order "Ending Taxpayer Subsidization of Open Borders" and USDA Secretary Rollins' 2025 directive reinforcing the prohibition of illegal aliens receiving SNAP - authority should exist to allow states to provide SNAP data; however, archaic rules, regulations and practices continue to prohibit states from the free sharing of data and information causing a nationwide tangle that only further serves fraudsters. Time is NOW to finally protect taxpayer resources by simply leveraging data and information and providing the information to law enforcement.

In addition, giving State/County staff **access to Internal Revenue Service federal tax return data** can greatly enhance the accuracy rate in eligibility determinations (lowering improper payment rates and amounts), improve fraud detection, confirm or refute self-reported income, reduce reliance on self-attestation, and improve overpayment recovery rates.

10) SNAP BENEFITS SHOULD BE SPENT IN THE STATE OF RESIDENCY

While interoperability requires State issued SNAP benefits can be used anywhere in the country, agencies are not allowed to suspend recipient EBT cards when SNAP is spent exclusively out of state – a common indication of non-residency eligibility fraud, account takeover, or identity fraud. Conversely, a recipient using TANF

benefits outside the state for 30 days can have their benefits suspended for suspected fraud. States should not bear the administrative burden or costs for recipients not living or using benefits in their approved "project area."

As a result of the rampant theft of enrolled recipient benefits (due to EBT skimming or Account Takeover), USDA FNS now allows recipients to "opt-out" of interoperability mandates, blocking all out of state SNAP transactions. This has protected legitimate recipient benefits – but why do we place that burden on the household? Laws and rules should block all out of state transactions while allowing households the option of turning out of state interoperability on. A "Out-of-State and Online Transaction Blocking Pilot" allows this – yet as of April 2025, no States were approved to participate. Technology exists to make exceptions and allow benefits to be spent in bordering counties.

With the expansion of the SNAP Online Purchasing Pilot, a common fraud scheme involves online purchases being sent to locations other than the recipient household's address of record. This can be addressed with language that prohibits out of state transactions and deliveries to non-enrollee addresses.

CONGRESS SHOULD REQUIRE BENEFITS TO BE SPENT IN-STATE AND PROHIBIT NON-RESIDENT DELIVERIES.

11)   REQUIRE QUARTERLY STATE PERFORMANCE DATA AND METRICS POSTING

The USDA FNS publishes an annual State Activity Report that compiles SNAP program metrics from State reported data. Unfortunately, these reports can typically be delayed 2-3 years before being posted for public consumption. The most current State data posted at this time is from federal fiscal year 2023. Both reports are critical to "balancing the Federal/State SNAP budgets" relating to administrative costs, overpayment recoveries,

States are required to upload FNS-366B and FNS 209 reports quarterly. The 366B "SNAP Program Activity Statement" provides a summary of key program metrics, including State submitted data on certification activities such as the number of initial and recertification applications approved or denied, participation levels, fair hearings conducted, fraud investigations (distinguishing between eligibility fraud and trafficking of benefits), investigative outcomes (disqualifications), costs, and staffing. The form helps FNS monitor State performance, track fraud control efforts, and ensure consistency in reporting across all states. The 366B also helps - yet this data is not published, which subverts transparency and oversight activities.

Similarly, the FNS-209 "Status of Claims Against Households" report contains collection actions against households that have been overissued benefits, including the number of claims established, collected, and broken down by improper payment classification (IPV/fraud, IHE/Inadvertent Household Error (also primarily known as unproven fraud), and AE/Agency Errors). The information should align with required disqualification records uploaded to the USDA electronic disqualified recipient system (eDRS). Collection information, by type, is critical to ensuring States retain only the number and value of recoveries legally allowable.

Earlier this year, Minnesota Department of Human Services admitted to repeatedly submitting inaccurate information in these reports to the federal government – with no consequences. Reporting false lower numbers of fraud create a false impression of the program's administration by a State – without accountability or consequences.

This is not just a SNAP issue. As previously discussed, HHS ACF reports duplicate participation statistics. Yet, the last PARIS data publicly posted is from May 2025 (and it's incorrect as easily verified by the totals). The PARIS data fails to disclose the dual enrollment by program, how many were disqualified from program participation (SNAP requires a 10-year program hiatus for dual enrollment), or how much money was collected. No reports are posted that indicate how much (or if!) the State has recovered from Managed Care Organizations. For example, it's only due to a HHS Office of Inspector General Report in 2021 that found Minnesota could have recovered $1.1 million from MCOs in an August 2018 PARIS match – and Oregon had recovered only $4 million in their previously referenced audit. This issue is repeatedly nationally, with no oversight or accountability.

CONGRESS SHOULD MANDATE AND REQUIRE SEMI-ANNUAL PUBLIC POSTING OF KEY DATA AND METRICS.

12)   REQUIRE COOPERATION WITH CHILD SUPPORT ENFORCEMENT

Waste and abuse of funds also occur in child support enforcement. States are required to have procedures for enforcing child support obligations as a condition of Medicaid eligibility. Additionally, States can require non-custodial parents to reimburse States for benefits paid to children and/or custodial parents for other welfare programs such as Temporary Assistance for Needy Families (TANF). However, current regulations encourage SNAP applicants to omit or falsify information about the biological parent to meet SNAP eligibility requirements. Making non-custodial parents responsible for benefits paid to children will disincentivize this widespread and catastrophically detrimental practice.

Child support enforcement has significant positive impacts on children's welfare and is supported by data showing child support payments can substantially improve the economic situation of one of the groups most at risk of food insecurity, children living in single-parent households. In 2016, the Office of Child Support Enforcement reported that child support represented 65% of the family income for the poorest custodial families and significantly reduced the poverty rate of these families. Current regulations requiring cooperation with child support remain a state option only nine (9) States follow. While this does not directly tie to improper payments or fraud, it is a program metric reflective of the importance of a program that lacks mandates that impact effectiveness of other safety-net programs.

CONGRESS SHOULD AMEND 7 U.S.C. 2015(d) AND REMOVE THE STATE OPTION, REQUIRE COOPERATION

13)   REQUIRE RESIDENCY CHANGE REPORTING REQUIREMENTS

Current Simplified Reporting Rules alleviate the burden of SNAP recipients to report any changes in their household circumstances during their certification period except wages that exceed 130% of the Federal Poverty Level (FPL.) This allows recipients to continue to receive benefits from an issuing state even when the entire household moves out of the original project area – even the day after they apply for benefits.

Requiring recipients to report when they move out of state will ensure household circumstances in the new state of residence are considered for proper allotment. Additionally, having accurate records of where a household resides will alleviate unnecessary review prompted by continued EBT usage in a state other than the issuing state.

Yet USDA FNS encourages States to implement this State Option because it hides and reduces improper payments. The Foundation for Government Accountability highlights Simplified Reporting as a contributor to fraud and waste, recommending the elimination of Simplified Reporting.

14)   PROHIBIT WANTED FELONS FROM RECEIVNG BENEFITS

The current "fleeing felon" rule in the SNAP as codified in Section 6(k) of the Food and Nutrition Act of 2008 and implemented through regulations at 7 CFR § 273.11(n), disqualifies individuals from receiving benefits if they are actively fleeing to avoid prosecution, custody, or confinement after conviction for a felony (or high misdemeanor in New Jersey), or if they are violating probation or parole. This provision, enacted under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), **was intended to prevent fugitives from accessing taxpayer-funded benefits while aiding law enforcement in apprehending them**.

But USDA's 2015 rule turned that prohibition into an exceptionally narrow and administratively difficult standard rendering it practically unenforceable. **Under the rule, a state usually must prove not only that a felony warrant exists, but also that the person knew or should have known about it, took some action to avoid arrest, and is being "actively sought" by law enforcement.** This is an impossible standard to attain. Alternatively, the state may use the "Martinez" shortcut only for three NCIC warrant-code categories: Escape (4901), Flight to Avoid (4902), and Flight-Escape (4999).

That is a major narrowing from what many policymakers would assume the prohibition means in practice. USDA itself acknowledged in the rulemaking record that the four-part test is "complex and time-consuming" and includes criteria "that cannot be known with objective certainty." Yet even the supposedly workable Martinez alternative is restricted to just those three NCIC codes, and USDA later clarified that if a felony warrant does <u>not</u> conform to one of those codes, states may not simply fall back and apply the four-part test.

That combination makes the prohibition far narrower than "person with an active felony warrant." The rule is narrowed further by procedural escape hatches that undermine enforcement. If law enforcement does not indicate within the prescribed time that it intends to enforce the warrant, the state agency must determine that the individual is not a fleeing felon for SNAP purposes; and if application-processing deadlines arrive first, the state must process the SNAP case without regard to fleeing-felon status. USDA also stated that a person is only ineligible once a fresh SNAP determination is made under the rule, and that the person may reapply at any time, requiring a new determination each time. USDA expressly recognized this could cause "churning."

In other words, the present framework does not operate like a durable benefit bar attached to an unresolved felony warrant; it operates like a fragile, unenforceable paperwork-intensive screening rule.

GAO reported in 2002 that computerized matching had identified about 110,000 fugitive felons across SSI, SNAP, and TANF rolls – yet only a fraction were arrested or benefits denied to the narrow criteria. GAO also warned that differing interpretations of "fugitive felon" allowed some people with outstanding warrants or parole/probation violations to continue receiving benefits. GAO's recommendation to strengthen implementing provisions were ignored – and the warning is even more relevant today.

It took USDA 13 years to come up with an implementing rule that allows individuals with active felony warrants to still receive taxpayer funded benefits. Wanted felons have a right to due process, and taxpayers have an expectation that they should resolve the warrants if they expect to receive government benefits.

The case for enforcing a change in policy is strong – a bright-line rule tied to an outstanding felony warrant would be clearer for states, easier to automate through lawful warrant matching, fairer to administer, and more consistent with public expectations that government assistance should not continue while serious felony warrants remain unresolved. It would also eliminate the nearly impossible burden of proving a recipient's subjective awareness and evasive conduct, along with the arbitrary dependence on a narrow set of NCIC coding categories and short law-enforcement response windows.

If Congress believes SNAP should not subsidize individuals wanted on felony warrants, then the law should say exactly that: outstanding felony warrants should trigger disqualification, period, subject to appropriate due process notice and an opportunity to cure by resolving the warrant. Redefining it to target outstanding felony warrants would restore effectiveness, deter exploitation, and protect program integrity without compromising fairness.

Amending the rule to disqualify anyone with an outstanding felony warrant would simplify enforcement, making it verifiable through existing tools like the National Crime Information Center (NCIC) database or state warrant systems, without needing subjective proofs of intent or pursuit. This issue impacts nearly all public assistance programs. This adjustment could save $200 to $500 million in annual improper payments.

CONGRESS MUST ADDRESS THIS 30-YEAR-OLD ISSUE AND PROHIBIT INDIVIDUALS WITH ACTIVE FELONY WARRANTS FROM RECEIVING ANY GOVERNMENT BENEFITS UNTIL RESOLVED.

15) ELIMINATE THE 1634 LOOPHOLE IN SSI

Similar to BBCE, States can opt to allow and accept Social Security Administration's SSII determinations to confer eligibility in Medicaid non-MAGI (Aged, Blind, and Disabled). Intended to streamline application processes for eligible households, this state option has resulted in massive fraud and waste being extended to Medicaid and other programs, such as SNAP.

The core problem is that SSA's SSI resource review is not as complete as the downstream Medicaid consequence assumes. SSA OIG found in September 2024 that SSA does not verify liquid resources when applicants or recipients allege (self-attest) they have less than $400 in financial accounts, and estimated that this practice led to about 198,960 recipients receiving **$718 million in SSI payments for which they were ineligible**. Yet the audit did not factor in Medicaid payments, pushing the fraud/waste into tens of billions yearly. The same audit estimated about **800,140 applicants/recipients under-reported financial accounts** by $100 or more, with 219,640 failing to report all of their financial accounts.

While this also speaks to the impact of self-attestation, it mirrors the issues with BBCE.

That is not a small technical defect. SSA's own oversight materials show that financial accounts are a major driver of SSI improper payments: SSA OIG reported that overpayments related to financial accounts averaged about **$1.5 billion annually** from FY 2018 through FY 2022. Separately, SSA OIG reported that SSI overpayments in FY 2022 exceeded **$4.6 billion**, or about 8 percent of SSI payments that year.

Since 1634 States automatically piggyback Medicaid on SSI, those improper payments automatically flow into Medicaid eligibility. This is why the loophole matters – a federal SSI determination based on the "honor system" and an incomplete/ un-checked asset verification can become a state Medicaid determination and overpayment without the State even performing its own check. In fact, when States were required to conduct

the post-COVID-19 PHE Medicaid "unwinding," the 35 State Medicaid Agencies did not conduct redeterminations on any of the estimated 7.5 million 1634 Medicaid enrollees.

This gap extended to SNAP when States utilize BBCE. A single gap/ defect in program eligibility determinations create multiple improper payments. So, when SNAP eligibility rides on an SSI determination made by SSA, the state is often inheriting a federal eligibility call rather than making its own full resource determination. That makes fraud findings and downstream enforcement harder, even if recovery is still legally possible. This weakness is well known and exploited by fraudsters.

Section 1634 should not allow a state to outsource the eligibility determination that triggers Medicaid when the federal feeder program did not fully verify eligibility and countable assets. In addition, when SSA accepts SSI applicant self-certification/ attestation and do not verify assets, allowing States to use the 1634 means they are in violation of the law and Congressional mandate that all States verify assets in non-MAGI Medicaid. This also confers federal matching withholding penalties to the States – which they avoid through 1634.

Congress should require one of three things: either SSA must verify all financial accounts down to zero before its SSI determination can confer Medicaid in a 1634 state; or the state must conduct an independent asset verification before Medicaid is opened; or SSI-based Medicaid should be provisional until that verification occurs. Regardless, the lack of regular Medicaid renewal decisions must be addressed more frequently than once every 6 years.

Without such a fix, improper SSI awards can automatically become improper Medicaid enrollments, and because the initial eligibility call was made upstream by SSA, states are left with weaker tools to prevent, prove, and remedy the problem.

CONGRESS MUST ADDRESS THE 1634 LOOPHOLE AND REQUIRE FULL ELIGIBILITY VERIFICATIONS ORE INDEPENDENT ASSET AND RESIDENCY VERIFICATIONS BEFORE MEDICAID ELIGIBILITY IS GRANTED WHILE ALLOWING IMPROPER PAYMENT RECOVERIES.

16) CLOSE THE GLARING MEDICAID BENEFICIARY ENFORCEMENT GAP

Medicaid is one of the largest federal programs, with annual expenditures exceeding $800 billion, yet federal law contains a glaring program-integrity gap: **there are virtually no federal statutes addressing Medicaid beneficiary fraud or establishing clear enforcement and recovery authorities for improper payments caused by beneficiaries**. While federal law establishes extensive oversight for providers—through Medicaid Fraud Control Units, provider exclusions, and civil penalties - there is no comparable statutory framework governing beneficiary fraud, sanctions, or overpayment recovery.

This glaring legislative gap was brought into sharp focus by the Centers for Medicare & Medicaid Services (CMS) issuance of SMD 24-005 on December 5, 2024, titled "*Protecting Medicaid Beneficiaries Against Impermissible Fraud and Abuse Sanctions*." The **guidance instructed states to cease the use of sanctions or penalties against beneficiaries related to eligibility-related fraud, including administrative recoupment of improper payments** unless explicitly authorized by federal statute. The guidance went on to threaten States that sought to recoup their own capitation payments from fraudsters with the withholding of federal matching funds (FMAP). The memo effectively told State that even when Medicaid beneficiary fraud occurs, States have limited (zero) authority to impose sanctions (disqualifications, eligibility disbarments), even with criminal convictions.

The memo essentially created a prohibition on enforcement actions against fraudsters, and unlawfully prohibited recoveries. Although CMS rescinded the memo on May 1, 2025, **the damage revealed by the memo remains** – no clarifying guidance has been issued, and States still do not enforce or recover Medicaid fraud. UCOWF has written CMS and Congress four letters on this issue without resolution or action.

The impact is not theoretical – **CMS estimates that Medicaid improper payments totaled approximately $37.39 billion in FY 2025, with eligibility documentation failures accounting for the majority of the errors**.

While CMS continues to obfuscate and duck responsibilities relating to beneficiary program integrity, uncertainty and risk for State attempting to pursue fraud and improper payments remain. Added to the challenge that States are prohibited from using the Treasury Offset Program to recoup State/ Federal payments to MCOs in instances of beneficiary fraud, is the requirement that States fully repay ALL identified improper payments to government within one year – regardless of the collection amounts. This only serves to justify the lack of enforcement or attention to Medicaid beneficiary fraud. **States cannot hope to win a "War on Fraud" from this position.**

Federal law already provides extensive enforcement mechanisms for providers, including Medicaid Fraud Control Units (MFCUs), civil monetary penalties, federal exclusion authorities, and False Claims Act liabilities. **Yet no comparable framework exists for beneficiary fraud, leaving States uncertain if they can investigate, sanction, or recover improper payments!**

Congress must enact clear statutory authorities addressing beneficiary fraud by defining Medicaid beneficiary fraud in federal law, authorize civil penalties, disqualification periods, and administrative sanctions. Congress must also clearly authorize recovery of improper payments caused by beneficiary fraud and require these federal obligations be repaid by the offenders. As our repeated efforts have demonstrated, CMS must be directed and required to issue guidance supporting and promoting program integrity rather than discouraging, prohibiting, and penalizing it.

SNAP, TANF, Social Security, and even Unemployment Insurance all contain statutory frameworks allowing fraud sanctions and overpayment recoveries – Medicaid should be brought into alignment with those programs.

CONGRESS MUST ESTABLISH A COHERENT STATUTORY FRAMEWORK TO ADDRESS BENEFICIARY FRAUD.

17)   TIGHTER CONTROLS AND VETTING OF SNAP RETAILERS AND HEALTH CARE PROVIDERS NEEDED

Congress should tighten front-end screening and ongoing oversight for both SNAP retailers and health care providers because the current systems are still too reactive: government often pays first, then investigates after the fact. In SNAP, USDA's latest trafficking study estimated $1.27 billion in benefits trafficked annually in 2015–2017, with a 12.7% store violation rate; GAO has also said USDA still has open recommendations on retailer trafficking oversight.

The most effective way to address the estimated 32,000 dishonest retailers trafficking (stealing) SNAP benefits is effective screening pre-authorization. Just last week, Nevada law enforcement charged an individual for falsely obtaining a USDA FNS SNAP retailer authorization. The defendant then filed identity fraud applications (see Recommendation #1) and trafficked the benefits at their "store."

Requiring geolocation on EBT transactions, mandating that authorized retailers cooperate in administrative recipient investigations (as a condition of program participation), and applying citizenship requirements to retailers while prohibiting owner redemptions in their stores will help eliminate and control both skimming fraud and address unauthorized stores using cloned or stolen POS devices.

In health care, HHS-OIG's 2025 [national fraud takedown charged 324 defendants and alleged more than $14.6 billion] in intended losses, showing that weak provider entry and monitoring controls can scale into enormous losses when also combines with identity fraud beneficiary enrollments.

Combating rampant Medicaid billing fraud and SNAP benefit trafficking is best approached with effective program eligibility screening. States provide no feedback on SNAP retailers – that responsibility remains with USDA FNS and the USDA Inspector General (despite record low special agent resources). Conversely, States conduct provider screening and professional license verifications – but face no accountability when they fail (See any of the Minnesota fraud stories in the media).

CONGRESS MUST MANDATE STRICTER RETAILER/ PROVIDER SCREENINGS PRIOR AND CONTINUOUSLY EVALUATE/ MONITOR FOR FRAUD RISKS.

18) SET PROGRAM INTEGRITY EXPECTATIONS IN DISASTER PROGRAMS

Federal disaster relief programs are essential to helping communities recover after natural disasters and national emergencies. However, history has repeatedly demonstrated that when government expedites emergency assistance and suspends verification safeguards, fraud rapidly proliferates.

Under the [Robert T. Stafford Disaster Relief and Emergency Assistance Act], federal agencies are granted broad authority to waive or modify program rules during disasters in order to accelerate aid delivery. While these flexibilities are intended to assist affected households quickly, they have also created some of the largest fraud losses in the history of federal assistance programs.

The COVID-19 public health emergency illustrated the consequences of removing program safeguards at scale. Emergency programs across multiple agencies—including Pandemic Unemployment Assistance, emergency rental assistance, and expanded nutrition benefits—relied heavily on self-attestation and relaxed identity verification requirements. These conditions enabled organized criminal networks, identity thieves, and foreign actors to exploit emergency relief programs, **resulting in tens of billions of dollars in fraud and improper payments**.

Similar vulnerabilities have occurred in disaster assistance following major hurricanes and other large-scale emergencies. When disaster benefits are distributed rapidly without adequate identity verification, residency validation, or duplicate enrollment checks, fraudsters quickly exploit these programs by submitting multiple applications, using stolen identities, or applying in multiple jurisdictions.

The lesson is clear: **speed must not come at the expense of basic program integrity safeguards**. Emergency assistance programs must maintain minimum verification standards even when benefits are expedited.

Congress should establish statutory program-integrity expectations that apply to all federal disaster assistance programs operating under Stafford Act authorities. At a minimum, emergency programs should be required to implement:

- Identity verification using authoritative data sources prior to benefit issuance
- Cross-program and interstate checks to prevent duplicate enrollment
- Address and residency validation for disaster eligibility
- Automated screening for synthetic identities and identity theft
- Front-end fraud risk scoring prior to payment approval
- Post-issuance audits and recovery requirements for improperly issued benefits

These safeguards can be implemented without delaying assistance to legitimate applicants. Private financial institutions routinely verify identity and detect fraud in real time before transactions are approved; government programs distributing billions in taxpayer funds should operate under similar expectations.

Disaster programs will always require flexibility, but flexibility must be balanced with accountability. Establishing minimum integrity safeguards will ensure that emergency assistance reaches legitimate victims rather than criminal networks exploiting national emergencies.

CONGRESS SHOULD ESTABLISH MINIMUM PROGRAM-INTEGRITY REQUIREMENTS FOR ALL FEDERAL DISASTER ASSISTANCE PROGRAMS OPERATING UNDER THE STAFFORD ACT.