

H.620: An act relating to payment error rates in 3SquaresVT

PURPOSE: To hold Vermonters harmless when the state has made an error in calculating their 3SquaresVT benefits.

DETAILS: 3SquaresVT participants must pay back to the federal government any overpayment due to an agency error in calculating their food benefits if it exceeds \$400 – even if the error is not their fault. This bill proposes that, during the years when Vermont exceeds the federal error threshold of 6%, the State shall pay back the over payment for the beneficiary when the error was made by the State.

WHY DOES VERMONT NEED THIS LAW?

- Vermonters who are overpaid benefits must pay back those benefits (if over \$400) when the error is discovered, even when the error is made by an agency worker.
- Vermonters who participate in 3SquaresVT are low income and generally run out of food benefits by the 3rd week of the month. If they are unknowingly given more food benefits than they are eligible for, they spend this on needed food.
- If this overpayment creates a hardship for households, they may request up to 50% of the overpayment be waived, although they are not routinely informed of this opportunity. H.620 would require that the Department for Children and Families notify all recipients receiving overpayments of this option.

WHY IS THIS LAW GOOD FOR VERMONTERS?

- Low income Vermonters struggling to meet their basic needs should be assured they are receiving accurate benefit determinations when in the program and not be afraid that they will incur debts they cannot pay.

WHAT WILL THIS PROPOSAL COST VERMONT?

- To date, the state has made \$516,000 in overpayments due to agency error in FY11, FY12, and FY13 that Vermonters must pay back. If all affected households had 50% of their debt waived this amount could be reduced.

WHY WILL THIS LAW INCREASE PARTICIPATION IN 3SquaresVT?

- Only 30% of eligible seniors participate in 3SquaresVT and it is important that we not add additional barriers to increasing senior participation in this program.



3SquaresVT Payment Error Rate Fact Sheet

COST TO STATE TO DATE

To date, Vermont has received \$476,793 in sanctions from the USDA for the 3SquaresVT payment error rate in FFY 2011 (8.53%) and 2012 (6.96%). A state's error rate must be less than 6% to avoid sanction. The national average is 3.4%.

For FFY13, Vermont's year-to-date error rate is 9.23% (data from October 2012 – August 2013), which means Vermont will receive a third-year sanction, estimated to be about \$370,000.

COST TO PARTICIPANTS TO DATE

Vermonters who are overpaid benefits must pay back those benefits (if over \$400) when the error is discovered, even when the error is made by an agency worker. If this creates a hardship for households, they may request up to 50% of the overpayment be waived.

To date, the state has made \$516,000 in overpayments due to agency error in FY11, FY12, and FY13 that Vermonters must pay back.

HOLD FAMILIES HARMLESS DURING SANCTION YEARS

Hunger Free Vermont recommends that families who receive overpayments due to agency errors during years in which Vermont is federally sanctioned should be held harmless and not be required to pay back benefits they no longer have nor can afford. An overpayment creates financial and emotional burdens for low-income families. Vermonters have expressed that the process can be both frightening and stressful.

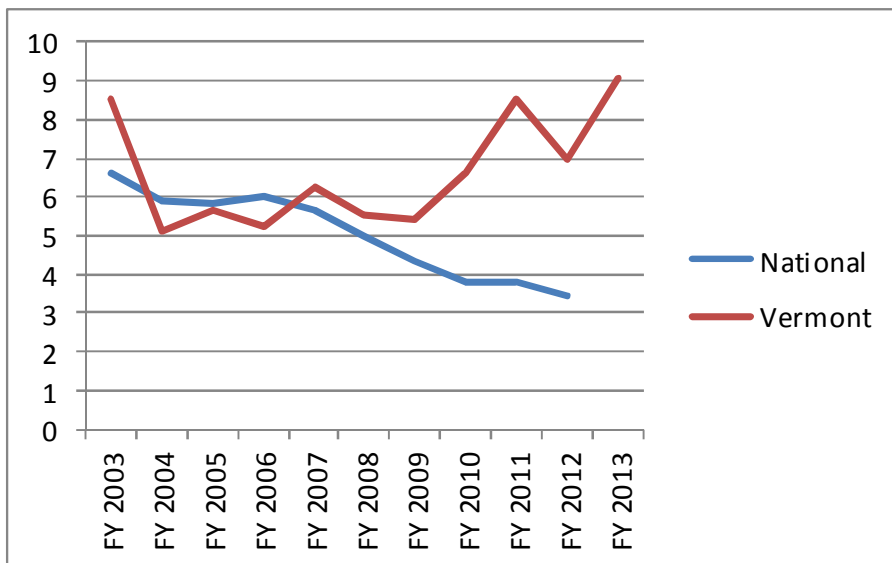
Our recommendation is that the state should pay back the debts on behalf of the overpaid households, which currently amounts to approximately \$516,000 total for FY11, FY12, and FY13. If all eligible households' overpayment claims could be waived up to 50% (also called "compromised"), this amount could be significantly less.

If the State of Vermont agreed to pay back agency error overpayments made during sanction years, Vermont would be the first state to do so. With such a high error rate at a time of such high need, it is necessary and important for the state to take this responsibility and not cause further hardship for families already struggling to afford food.



3SquaresVT Payment Error Rate

Historical Error Rate Trend FFY 2003 to Present¹



1. Source: USDA SNAP Quality Control Data (<http://www.fns.usda.gov/snap/qc/>)

Errors and Sanctions: FFY2011-FFY2013

The Vermont Department for Children and Families (DCF) received a federal sanction of \$341,187 from the USDA in June 2012 due to its 3SquaresVT payment error rate in federal fiscal year 2011 of 8.53% (6% is the maximum error rate threshold set by USDA/FNS).

In June 2013, DCF received a second-year sanction of \$135,606 for its FFY12 error rate of 6.96%. While this is an improvement from FFY11, it is still above the 6% threshold and more than double the national rate of 3.4%.

For FFY13, Vermont's year-to-date error rate is 9.23% (data from October 2012-August 2013 from DCF). Vermont is expected to receive a third-year sanction, currently estimated to be about \$370,000.

Timeline

FY 2003: VT sanctioned for high error rate; used reinvestment funds to hire Entelechy, Inc. to do intensive training with staff.

FY 2004: VT's error rate decreased from 8.52% to 5.13% following training.

FY 2009: As recession hit, VT expanded eligibility & participation increased 38%; VT received "modernization" grant from USDA to create document processing center, call center, & online application.

FY 2010: "Challenges for Change" staffing cuts combined with modernization's technology glitches led to severe processing delays and long call center wait times.

FY 2011: Outside consultants made recommendations for "process management"; House Human Services held hearing on modernization/timeliness; DCF & Legal Aid created Corrective Action Plan; Tropical Storm Irene destroyed DCF Central Office, ADPC, Call Center.

FY 2012: "Process management" model implemented; timeliness improved; received FY11 sanction & reinvested funds in training plan for 2013 with Entelechy, Inc.

FY 2013: Intensive training implemented May to July. VT received 2nd-year sanction for FY12 & reinvested funds in policy review and QC training, FY13 year to date error rate is now 9.23%, with expected sanction coming.

