

Background

SB 2762 would permit the Department of Human Services to return to simplified reporting for the SNAP program. MDHS is required by law to use change reporting statewide as a result of 2017 HB 1090. Below, we highlight several reasons MDHS should return to simplified reporting and how common misbeliefs about change reporting could cost the state hundreds of millions of dollars. **Without passage of this bill, the State of Mississippi will incur at least \$196 million in federal fines next year.**

Strong SNAP Fraud Detection Practices

Detecting and deterring fraud, waste, and abuse in the SNAP program is a priority for MDHS. There are several ways that the agency detects fraud within the SNAP program. **These fraud detecting activities would remain in place under simplified reporting.**

1. We **operate a fraud tip hotline, email address, and web form** where anyone can report suspected SNAP fraud.
2. When our Office of the Inspector General (OIG) receives a fraud tip through these channels, we **investigate inconsistent or inaccurate information reported by SNAP program participants**. For example, we examine whether an individual reported one level of income on their SNAP application, but data from the Department of Revenue or other data sources show that the individual earned more income.
3. **Fraud is punished**. For the first violation of SNAP rules, the individual is banned from receiving benefits for 3 months. For the second offense, they are banned for 6 months. Upon a third offense, the individual is permanently banned from receiving SNAP benefits in the state.
4. Our Quality Control division team members also **review a sample of SNAP cases every month** to ensure that our staff is properly verifying the information provided by SNAP participants regarding their income, resources, household membership, and other factors that determine their SNAP benefits.

Thanks to these strong fraud detection practices, **our team has identified and recovered \$2,535,687 in improper SNAP payments over the past year.**

In addition to our ongoing fraud detection practices, the vast majority of SNAP cases would continue to be recertified every six months, with some exceptions for elderly and disabled individuals who are eligible for an extended certification period. During the recertification process, clients are required to re-submit an application for benefits, participate in an interview, and provide verification of their household composition, income, and other resources. Simplified reporting would still mandate that SNAP recipients report large increases in their household income between recertification periods.

Taken together, these activities protect taxpayers from SNAP fraud through both deterrence and detection.

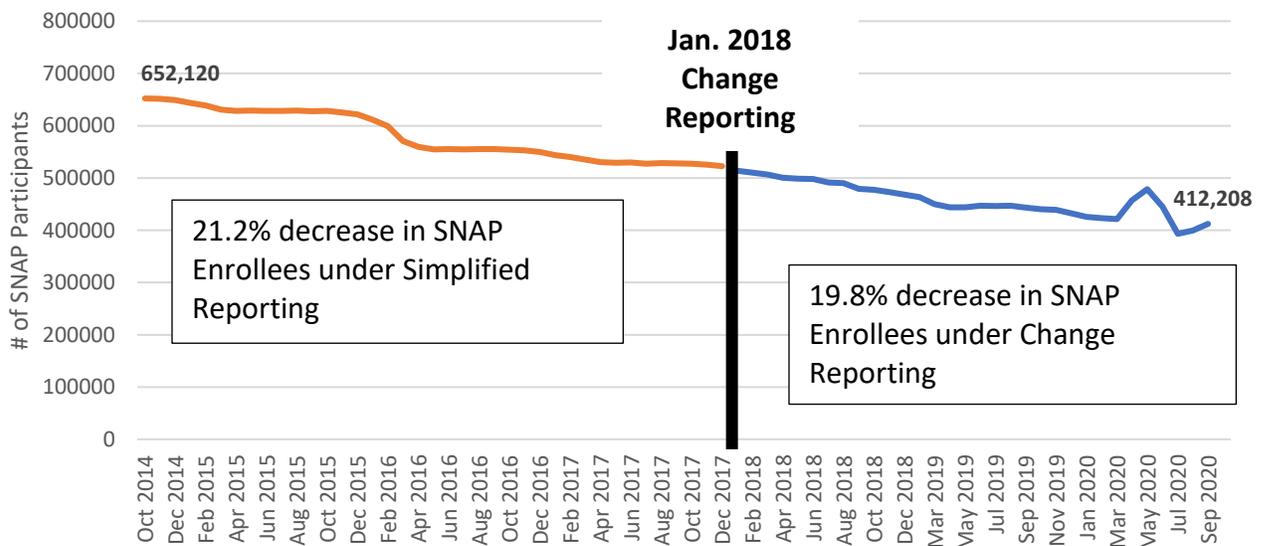
Impact of Simplified Reporting on SNAP Enrollment

SNAP enrollment has been falling in Mississippi for many years under both simplified reporting and change reporting. However, **the decline in SNAP enrollment slowed down when the state switched to change reporting.** Looking at the last five fiscal years, the state saw a 21.2 percent decrease in SNAP enrollment during the period of time when we were using simplified reporting. After change reporting was implemented in January 2018, the rate slowed to only 19.8 percent.

Change reporting did not lead to a decrease in SNAP enrollment numbers. Instead, the downward trend in SNAP enrollment continued, but at a slower pace. See chart below. **We would not expect the number of SNAP participants to increase if Mississippi switched back to simplified reporting.** In fact, based on past data, the number may even fall further.

Mississippians still have to meet the same strict income and resource limits to qualify for benefits whether the state uses simplified reporting or change reporting and their eligibility would still be regularly recertified. Simplified reporting is the standard practice in 49 of the 50 states. The method of reporting has no effect on the SNAP qualification requirements.

Figure 1: Number of SNAP Participants in Mississippi, FY15-FY20



Note: Due to the 2019 federal government shutdown, MDHS paid out February 2019 benefits one month early in January 2019. February 2019 is excluded from the chart due to this unique situation.

Enforcing Client Compliance

Some have suggested that the way to reduce our error rate while maintaining change reporting requirements is to enhance enforcement. However, the penalties that individuals face for failing to report changes to their circumstances are already severe. As described above, there is a strict “three-strike” rule that leads to individuals losing benefits when they do not comply with SNAP rules.

Essentially, the only way to fully ensure client compliance would be to re-check eligibility for every case every month. This would require that we more than double our MDHS workforce, which is impractical without significant funding increases from the state.

As noted, MDHS has already implemented policies that discourage fraud from clients. There is an Office of Inspector General that investigates fraud in real time, severe punishment for breaking SNAP rules, and random sampling of cases each month to ensure benefits are properly calculated. Without a drastic expansion of our workforce, increasing monitoring and other fraud detection steps will prove difficult.

Understanding the Error Rate

MDHS reports a SNAP error rate to the federal government and is held accountable for keeping that error rate under an allowable threshold of 6 percent. Mississippi’s error rate was 9.23 percent in 2020 and is projected to continue rising under change reporting requirements.

The error rate is not high because we are finding fraud. The error rate is high because of the huge burden change reporting puts on both clients and the agency. Client mistakes are the driving force behind the high error rate. An increased error rate does not mean more fraud is being detected.

Aptly named, the **error** rate reflects the number of cases in which an **error** occurs. An **error** rate does not determine **fraud**. The majority of the time, errors are occurring in cases where there isn’t any fraud occurring. ***The notion that a high error rate is a reflection of increased fraud is incorrect.***

Conclusion

Detecting and deterring fraud, waste, and abuse in the SNAP program is a priority for MDHS. SNAP enrollment has been falling in Mississippi for many years under both simplified reporting and change reporting. However, ***the decline in SNAP enrollment slowed down when the state switched to change reporting.***

The error rate is not high because we are finding fraud. The error rate is high because of the huge burden change reporting puts on both clients and the agency. The notion that a high error rate is a reflection of increased fraud is incorrect. ***Mississippi will incur a fine of at least \$196 million if this bill does not pass.***

For questions or more information call MDHS Legislative Liaison Daniel Gallarno @ 601-502-4884.