

9. PAYMENT INTEGRITY

This Administration has made protecting taxpayer money a top priority, which includes making sure that taxpayer money is serving its intended purpose. This chapter describes proposals aimed at bolstering Federal payment integrity by reducing improper payments that result in a monetary loss.

These proposals are intended to significantly reduce Government-wide improper payments through increased data access, additional legal and regulatory authorities, increased use of analytic tools, improved pre-payment reviews, and simplification of eligibility determination re-

quirements. If adopted, these proposals will improve the effectiveness of Federal programs while providing better stewardship of taxpayer resources.

Maintaining integrity of Federal programs is essential to sustaining public trust in Government. Accordingly, the Administration supports a number of legislative and administrative reforms to help prevent improper payments with priority given to the prevention of improper payments that result in a monetary loss. Specifically, the Budget includes concrete payment integrity proposals to save \$162.5 billion over 10 years (see Table 9–1).

I. IMPROPER PAYMENT PREVENTION

The proposals detailed in this chapter include significant reforms to ensure that taxpayer dollars are spent correctly by expanding oversight and enforcement activities in the largest Federal benefit programs such as Child Nutrition, Earned Income Tax Credit (EITC), Federal Employees' Compensation Act (FECA), Medicaid, Medicare, Pell Grants, Social Security, Supplemental Nutrition Assistance Program (SNAP), and Unemployment Insurance (UI). These proposals seek to maximize savings to the Government, while also considering and balancing costs, risks and program performance in establishing realistic improper payment targets.

In addition to efforts outlined in this chapter, the Administration will continue to identify areas where it can work with the Congress to further enhance efforts to detect, prevent, and recover improper payments.

Monetary Loss Prevention

While government and other reports about improper payments in Federal programs can erode citizens' trust in government, not all reported improper payments result from fraud and some of the reported improper payments do represent payments that should have been made. The term "improper payment" consists of two main components (1) improper payments resulting in a monetary loss to the Government and (2) improper payments that do not result in a monetary loss to the Government. Monetary loss occurs when payments are made to the wrong recipient and/or in the wrong amount. Improper payments that

do not result in a monetary loss include underpayments and payments made to the right recipient for the right amount, but the payment was not made in strict accordance with statute or regulation.

Although working to reduce all improper payments is important, the Administration has made prevention of improper payments resulting in a monetary loss its highest priority. As a first step, OMB released the Getting Payments Right¹ Cross Agency Priority (CAP) goal as part of the President's Management Agenda in March 2018. This CAP goal is focused on reducing monetary loss by issuing payments correctly the first time. Establishment of this CAP goal has already led to exceptional collaboration across the Federal Government by sharpening the focus of the Government efforts to prevent improper payments through two main strategies: (1) reducing monetary loss and (2) clarifying and streamlining reporting requirements. For example, on June 26th, 2018 the Office of Management and Budget released a revised Circular A-123, Appendix C, Requirements for Payment Integrity Improvement², M-18-20. The revised guidance streamlines reporting requirements to help improve the prevention of improper payments by creating a more meaningful, unified, and comprehensive piece of guidance that significantly reduces unnecessary and burdensome improper payment requirements.

¹https://www.performance.gov/CAP/CAP_goal_9.html

²<https://www.whitehouse.gov/wp-content/uploads/2018/06/M-18-20.pdf>

II. PROPOSALS FOR GOVERNMENT-WIDE PAYMENT INTEGRITY IMPROVEMENT

Historically, and for a variety of reasons, the Federal Government addressed improper payments broadly, including placing similar efforts towards addressing process errors that do not result in a payment to the wrong recipient or in the wrong amount as those payments that result in a monetary loss. Agencies currently respond to numerous improper payment requirements – often

to comply with prescriptive laws and regulations or in response to audit reports and other questions about reported improper payments. In some cases, agencies spend more time complying with low-value activities than researching the underlying causes of improper payments and identifying best practices and building the capacity to help prevent future improper payments. The Getting

Payments Right CAP goal is geared toward improving payment integrity by preventing improper payments that result in monetary loss. Proposals that impact the prevention of improper payments across multiple agencies are a critical part of the 2020 Budget. Implementation of these proposals will significantly improve Agency capacity to prevent improper payments and thus bolster the integrity of Federal programs.

Reducing improper payment reporting burden through changes to the Improper Payments Information Act of 2002 (IPIA), as amended.—

The Budget proposes making explicit changes to existing improper payment laws intended to have agencies re-direct resources from complying with low-value activities to activities that will prevent improper payments resulting in monetary loss. Examples of changes that will improve burden reduction and allow agencies to redirect resources to improving prevention of improper payments include:

- ***Reducing burden of improper payment risk assessments.*** Specifically, under IPIA Section 2, reduce the burden for smaller programs with outlays falling below the statutory threshold by eliminating the improper payment risk assessment requirements. Requiring only agencies with outlays that exceed the statutory definition of significant (i.e. \$10 million) to conduct improper payment risk assessments. This would significantly reduce the review burden for smaller agencies.
- ***Clarifying the definition of improper payments.*** The Budget proposes isolating the items with documentation or procedural errors as control deficiencies and including a provision addressing program statutes that cause otherwise proper payment to be classified as improper. Agencies are currently required to place too much emphasis and effort on reporting improper payments that do not result in a monetary loss, such as payments that simply lacked complete documentation but would have been made regardless of those errors. In addition, an improper payment should not include any overpayment that is the result of a statutory requirement to pay benefits or to continue to pay benefits by a specified period when all necessary information has not been received due to statutory barriers. This would give agencies the ability to wait to count a payment as proper or improper until after the statutory due process specified in the program has occurred.
- ***Streamlining reporting requirements to reduce burden.*** Specifically, the Budget proposes changes to the Improper Payments Elimination and Recovery Act of 2010 (IPERA) Section 2 to change an annual November 1 report so that the information can be included in an Agency Annual Financial Report or Performance and Accountability Report (which is typically November 15) to eliminate the need for

agencies to produce two separate reports.

- ***Clarifying requirements for IPERA compliance to improve improper payment prevention and reduction.*** Specifically, the Budget proposes that the requirement in IPERA Section 3 to set and meet a reduction target should be modified so that that the program will be considered compliant if it is demonstrating improvement (this moves the requirement away from an estimation exercise and toward driving for improved improper payment rates).
- ***Reducing risk assessment burden by clarifying assessment method type.*** Specifying under IPIA Section 2 clarifying that the risk factors are only for programs and activities performing a qualitative risk assessments. This is an important distinction as the programs and activities that perform a quantitative risk assessment will be developing an improper payment estimate to determine whether the program is susceptible to significant improper payments under statute (which is the main goal of the risk assessment). Requiring programs and activities to also consider and document consideration of the other numerous factors is burdensome and unnecessary.
- ***Specifying which programs should be assessed for compliance annually by the Office of Inspectors General (OIG).*** The Budget proposes changing IPERA Section 3 to require OIGs to evaluate only programs and activities that are susceptible to significant improper payments by statute for compliance with the law. This will reduce burden for both OIGs and agencies. The rationale is that programs and activities below the statutory threshold for susceptibility to significant improper payments are not required to be reporting improper payments estimates, therefore finding a program non-compliant because they missed a reduction target when they are already below the acceptable threshold established under statute is counterproductive and creates extra burden for the OIG and the Agency.
- ***Increasing interagency collaboration and reducing burden of duplicate working groups.*** The Budget proposes replacing requirements for narrowly focused working groups such as that required in the Fraud Reduction and Data Analytics Act of 2015 with a requirement for an interagency payment integrity working group. This change allows for sharing and collaborating about payment integrity rather than narrowly focusing on fraud or other topics from a narrow perspective. This change will allow for statutorily required working groups to modify their focus and structure so that they are better equipped to strengthen overall payment integrity and take a more holistic view of improper payments and fraud. Creating narrowly defined working groups legislatively, while well intended, increases burden and prohibits agencies from taking a more risk based approach to the problem and adapt-

ing the strategy to address emerging areas needing attention.

- **Increasing the threshold of significant improper payments.** Giving the Office of Management and Budget the authority to adjust the dollar threshold of “significant” every five years for inflation to ensure that the threshold remains relevant.
- **Improve accountability and transparency for material programs.** To improve accountability and transparency in programs, the Budget proposes adding a requirement for managers of high-priority Federal programs to meet with the Director of the Office of Management and Budget at least once a year to discuss actions taken or planned to prevent improper payments within their programs.
- **Provide the Do Not Pay (DNP) initiative the authority to include publically available data sources for review.** The Budget proposes providing the DNP initiative the authority under the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) Section 5, to include publically available data sources in their suite of data for pre-check for the purposes of identifying, preventing, and reducing improper payments. This will increase the identification and prevention of improper payments across the initiative.

Data analytics and data access to improve payment accuracy.—Government-wide efforts to improve payment accuracy include increased access to data and better matching services to help detect, prevent, and recover improper payments. The Administration is continuing to pursue opportunities to improve information sharing by developing or enhancing policy guidance, ensuring privacy protection, and developing legislative proposals to leverage available information and technology in determining benefit eligibility and other opportunities to prevent improper payments. The Budget proposes legislation to enhance the Government’s capacity to identify, detect, and prevent fraud and improper payments across all Federal programs and activities. Examples of efforts that will improve data analytics for payment integrity improvement include:

- **Expand access to the National Directory of New Hires (NDNH).** The Budget includes a set of proposals that expands access to valuable employment and earnings data—NDNH—for evidence build-

ing and program integrity purposes, while ensuring privacy and security safeguards. The proposals are detailed in the Building and Using Evidence to Improve Government Effectiveness in the Analytical Perspectives volume, and include provisions to enable efficiencies for program integrity and eligibility verification and to reduce improper payments. For example, the Budget proposals would enable the Department of the Treasury’s DNP Business Center to access NDNH and to assist agencies to reduce improper payments, while ensuring data privacy and security.

- **Eliminate constraints on the DNP Business Center to work with States on improper payments.** This effort would allow the Department of Treasury’s DNP Business Center to work with Federally funded state administered programs, state auditors, or other state entities that play a role in preventing and detecting improper payments in these programs.
- **Do Not Pay obtaining authority to serve as a central repository for death records.** This effort would move and centralize the management and custodial authorities for death reporting to the Department of Treasury’s for the use of preventing improper payments and fraud. This provides a more accurate and complete “Death Master File” to be used for checks against Government-wide payment files.
- **Share full death master file with Treasury’s DNP Business Center.** This proposal would authorize the Social Security Administration (SSA) to share its full file of death information—including State-reported death data—with Federal law enforcement agencies, and with the Department of the Treasury’s DNP Business Center for use in preventing improper payments. SSA receives death information from many sources, including family members, funeral homes, financial institutions, and the States. Current law limits the purposes for which SSA can share death information it receives from the States, and does not provide SSA authority to share State death data with Federal law enforcement agencies or Treasury’s DNP Business Center. This proposal would ensure that Federal law enforcement and Treasury’s DNP Business Center have access to all death information in SSA’s records, including State-reported death data.

III. PROPOSALS FOR PROGRAM-SPECIFIC PAYMENT INTEGRITY IMPROVEMENT

In addition to including proposals that will reach across the Government-wide enterprise to tackle the improper payment problem, it is also critical to pursue program specific proposals aimed at preventing improper payments.

Department of Agriculture

The 2020 Budget demonstrates the Administration’s commitment to reducing payment error and ensuring the Department of Agriculture’s (USDA) nutrition assistance benefits go to the intended recipients. The Budget proposes increasing and improving verification of information reported on household applications for benefits, and strengthening use of technology to prevent improv-

er payments in SNAP, and Child Nutrition Programs. Administrative application processing errors and errors in household reporting are the most common causes of improper payments in these programs. The proposals would result in more than \$500 million in savings over 10 years.

Supplemental Nutrition Assistance Program.—

- ***Improve income verification.*** The Budget is requesting an additional \$4 million in administrative funding to support payment accuracy. USDA will evaluate and implement the best options and practices related to electronic data matching through existing data sources, such as the Work Number. The evaluation will provide the data necessary to estimate the potential reductions in improper payments that could be achieved if States implement the best practices identified.

Improve Child Nutrition Program integrity.—

- ***Provide technology grants.*** To incentivize technology upgrades aimed at improper payment prevention, the Budget requests an additional \$200 million in administrative funding to support State grants for technology upgrades. These upgrades will improve data systems used by States to collect meal claims from Local Educational Agencies (LEAs). Improvements in these systems will help prevent and detect improper payments that occur when LEAs submit incorrect meal counts or make claim aggregation errors. The proposal saves \$44 million over 10 years.
- ***Increase school meal verification to eight percent.*** The Budget proposes increasing the number of household applications for free and reduced price meal benefits that schools participating in the National School Lunch and School Breakfast Programs must annually verify. Currently, the Richard B. Russell National School Lunch Act limits verification to a maximum of three percent of all applications or 3,000 “error prone” applications. This limit restricts the ability of USDA, States, and LEAs to identify and reduce payment error. This proposal would increase the verification limit to eight percent of applications with reduced requirements for high performing schools. The proposal saves \$483 million over 10 years.

Department of Education

The 2020 Budget reflects the Administration’s commitment to protecting Pell Grant funding in fiscal year 2020, ensuring the program remains on stable footing, and expanding options available to pursuing postsecondary education and training. The Budget also includes proposals to reduce the risk of improper payments, which will help protect those benefits by improving the long-term fiscal strength of the program. Pell Grant improper payments that result in monetary loss are most frequently the result of administrative errors by schools, including

distribution of funds to ineligible students or in incorrect amounts based on a students’ eligibility. The Budget proposes legislative and administrative actions that would improve data accuracy, prevent fraud and abuse, and better target the Department of Education’s enforcement and oversight mechanisms.

Pell Grants.—

- ***Except education from Section 6103 for certain student aid programs.*** One of the primary causes of improper payments in the Pell Grant program is failure to accurately verify financial data. The Budget proposes to except the Department of Education from restrictions of Section 6103 of the Internal Revenue Code to allow the Department to more easily receive income tax data from the IRS, thereby simplifying and improving the accuracy of Free Application for Federal Student Aid filing by prepopulating certain fields. This exception will also allow borrowers to more easily recertify their income to stay enrolled in Income Driven Repayment plans. This proposal would reduce discretionary program costs by \$782 million and mandatory outlays by \$177 million over 10 years.
- ***Improve Pell fraud prevention.*** The Budget proposes to bar someone from receiving another Pell Grant if they have been awarded three consecutive Pell Grants without earning any credits. This will prevent the fraudulent practice of people going from school to school, enrolling long enough to receive a reimbursement but not pursuing any credits. This proposal would reduce discretionary program costs by \$163 million and mandatory outlays by \$38 million over 10 years.
- ***Improve selection for verification.*** The Department of Education is in the process of strengthening its use of administrative data to create a smarter system for selecting students for verification. By selecting for verification reviews those applicants with greater likelihood of incorrect information, this proposal will improve schools’ ability to detect and prevent improper payments. In addition, it will help ensure students and schools bear the burden of verification only when necessary, balancing the need to protect taxpayers and access to student aid for those who need it most.
- ***Better target program reviews.*** The Department of Education will strengthen its use of administrative data to target Federal Student Aid’s (FSA) program compliance reviews on schools with higher risk of improper payments. This proposal should increase both the number of improper payments FSA identifies and the amounts it recovers.
- ***Take enforcement actions against noncompliant schools.*** The Department of Education has the authority to issue fines or take other enforcement actions to penalize schools for noncompliance. Enforcement actions currently are determined based on the type and level of severity, as well as the Department’s ability to execute successfully based on

available resources. The Department will consider how it may use this authority to incentivize schools further to put the necessary controls into place to reduce improper payments, particularly for those schools that neglect their responsibilities.

Department of Health and Human Services

The Budget includes a robust package of Medicare, Medicaid, and Children's Health Insurance Program (CHIP) payment integrity proposals to help prevent fraud and abuse before they occur; detect fraud and abuse as early as possible; provide greater flexibility to the Secretary of Health and Human Services to implement program integrity activities that allow for efficient use of resources and achieve high return on investment; and promote integrity in Federal-State financing. For example, the Budget includes several proposals aimed at strengthening the authorities and tools that the Centers for Medicare & Medicaid Services (CMS) has to ensure that the Medicare program only pays those providers and suppliers who are eligible and who furnish items and services that are medically necessary to the care of beneficiaries. The package of payment integrity proposals will help prevent inappropriate payments, eliminate wasteful Federal and State spending, protect beneficiaries, and reduce time-consuming and expensive "pay and chase" activities. Together, the CMS payment integrity legislative and administrative proposals would net approximately \$65.4 billion in savings over 10 years. Finally, the Budget proposes to continue investments in Health Care Fraud and Abuse Control (HCFAC) program, which will provide CMS with the resources and tools to combat waste, fraud, and abuse and promote high-quality and efficient health-care. Additional information can be found in the Budget Process chapter in the Analytical Perspectives volume.

Medicare Fee for Service Program.—

- ***Expand prior authorization to additional Medicare fee-for-service items at high risk of fraud, waste, and abuse.*** The Budget proposes expanding the Medicare program's authority to conduct prior authorization on certain items or services that are prone to high improper payments, such as inpatient rehabilitation services. The proposal would reduce improper payments and save taxpayer dollars from paying for Medicare services that are not medically necessary by ensuring that the right payment goes to the right provider for the appropriate service. The proposal saves \$6.26 billion over 10 years.
- ***Prevent fraud by applying penalties on providers and suppliers who fail to update enrollment records.*** The Budget proposes increasing CMS' authority to enforce appropriate reporting of changes in provider enrollment information through civil monetary penalties or other intermediate sanctions to mitigate the associated risk. This proposal will ensure CMS has the most up-to-date data as it continues to monitor for fraud and abuse. The proposal

saves \$32 million over 10 years.

- ***Require reporting on clearinghouses and billing agents when Medicare providers and suppliers enroll in the program.*** This proposal would provide CMS with the necessary organizational information to remove providers or suppliers from the Medicare program if clearinghouses and billing agents, acting on behalf of the provider or supplier, engage in abusive or potentially fraudulent billing practices.
- ***Assess a penalty on physicians and practitioners who order services or supplies without proper documentation.*** This proposal allows the Secretary to assess an administrative penalty on providers for claims that have not been properly documented for high risk and high cost items and services.
- ***Address improper payments of chiropractic services through targeted medical review.*** Under this administrative proposal, CMS will test whether prior authorization review is an effective tool at addressing improper payments in chiropractic services.
- ***Address overutilization and billing of durable medical equipment, prosthetics, and orthotics (DMEPOS) by expanding prior authorization.*** In 2016, CMS established a master list of DMEPOS items that were both high cost and at high risk for improper payments that could be subject to prior authorization. The Budget proposes expanding prior authorization to additional items that are at high risk of improper payments. This administrative proposal saves \$300 million over 10 years.
- ***Address excessive billing for durable medical equipment (DME) that requires refills on serial claims.*** Under this administrative proposal, CMS would test whether creating a DME benefits manager for serial claims, such as for non-emergency oxygen supplies, results in more appropriate utilization and lower improper payments. The benefits manager would be responsible for ensuring beneficiaries receive the correct quantity of supplies or services for the appropriate time period by contacting the ordering physician directly to obtain documentation.

Medicare Advantage Program (Medicare Part C).—

- ***Implement targeted risk-adjustment pre-payment review in Medicare Advantage.*** The Budget proposes requiring CMS, in a targeted fashion, to confirm diagnoses submitted by Medicare Advantage Organizations (MAOs) for risk-adjustment with the medical record prior to CMS paying risk-adjustment payments.
- ***Expand Medicare Advantage risk adjustment data validation audits.*** The Budget proposes doubling the level of effort for Medicare Advantage risk-adjustment data validation audits by 2022. These audits are an important component to verifying that

the diagnoses submitted by the MAO are supported by the medical record.

Medicaid Program.—

- **Strengthen CMS's ability to recoup improper payments.** The Budget proposes strengthening CMS's ability to partner with States to address improper payments and ensure Federal recovery of incorrect eligibility determinations, an area of concern identified by the HHS Office of Inspector General. This proposal saves \$4.4 billion over 10 years.
- **Implement pre-payment controls to prevent inappropriate personal care services (PCS) payments.** The Budget proposes to require States to implement claims edits to automatically deny unusual PCS payments such as duplicative services, services provided by unqualified providers, or services provided to those no longer eligible for Medicaid, as recommended by the HHS OIG. This proposal saves \$8.7 billion over 10 years.
- **Allow States the flexibility to complete more frequent eligibility redeterminations.** The Budget proposes to allow States flexibility to more frequently assess beneficiary eligibility to ensure taxpayer resources are not supporting ineligible beneficiaries. This administrative proposal saves \$45.6 billion over 10 years.
- **Consolidate provider screening for Medicaid and CHIP.** The leading driver of Medicaid and CHIP improper payments is State noncompliance with provider screening and documentation requirements. To address this problem, the Budget proposes requiring CMS to conduct all eligibility screenings for Medicaid and CHIP providers, as it does for Medicare.

Medicare and Medicaid programs (crosscutting proposals).—

- **Allow revocation and denial of provider enrollment based on affiliation with a sanctioned entity.** Under this administrative proposal, CMS will strengthen the enrollment process and the Medicare program's authority to remove bad actors from the program. This proposal would provide CMS with the authority to take administrative action (either to revoke or deny billing privileges) against providers or suppliers that have any affiliation with another provider or supplier that has previously been sanctioned by Medicare. This administrative proposal saves \$78 million over 10 years.

Department of Labor

The Budget includes proposals aimed at improving integrity in the Department of Labor's UI program. The proposals would result in approximately \$1 billion in savings subject to the Pay-As-You-Go Act of 2010 (PAYGO) over 10 years, and would result in more than \$1.4 billion

in non-PAYGO savings. The PAYGO and non-PAYGO savings include a reduction in State unemployment taxes, which would reduce revenues for State accounts within the Unemployment Insurance Fund.

Unemployment Insurance Program.—

- **Expand State use of the Separation Information Data Exchange System.** This proposal improves program integrity by allowing States and employers to exchange information on reasons for a claimant's separation from employment and thereby helping States to determine UI eligibility.
- **Mandate the use of the National Directory of New Hires to conduct cross-matches for program integrity purposes.** This proposal would require State UI agencies to use the National Directory of New Hires to better identify individuals continuing to claim unemployment compensation after returning to work, which is one of the leading root causes of UI improper payments.
- **Allow the Secretary to set corrective action measures for poor State performance.** This proposal would allow the Secretary of Labor to require States to implement corrective action measures for poor State performance in the UI program, helping to reduce improper payments in States with the higher improper payment rates.
- **Require States to cross-match claimants against the Prisoner Update Processing System (PUPS).** Under current law, State UI agencies' use of this cross-match is permissible and the Social Security Administration's PUPS is currently only used by some States for UI verification. Requiring States to cross-match claims against the PUPS or other repositories of prisoner information will help identify those individuals ineligible for benefits due to incarceration and reduce improper payments.
- **Allow States to retain five percent of overpayment and tax investigation recoveries to fund program integrity activities.** This proposal would allow States to retain up to five percent of overpayment recoveries to fund additional program integrity activities in each State's UI program. This provides an incentive to States to increase detection and recovery of improper payments and provides necessary resources to carry out staff-intensive work to validate cross-match hits as required by law.
- **Require States to implement the UI integrity center of excellence's integrated data hub.** This proposal would require States to implement the Integrated Data Hub as a program integrity tool, allowing them to identify fraud schemes and conduct cross-matches that will help them reduce improper payments.
- **Implement Reemployment Services and Eligibility Assessments (RESEA) cap adjustment.** The Budget also includes \$175 million in discretion-

ary funding for RESEA, including \$117 million in base funding and \$58 million in program integrity cap adjustment funding, as authorized in the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by the Bipartisan Budget Act of 2018). Research, including a random-assignment evaluation, shows that a combination of eligibility reviews and reemployment services reduces the time on UI, increases earnings, and reduces improper payments to claimants who are not eligible for benefits. Additional detail about the cap adjustment can be found in the Budget Process chapter in the Analytical Perspectives volume.

Federal Employees' Compensation Act program.—

- ***Reform FECA.*** — The Budget incorporates longstanding Government Accountability Office, Congressional Budget Office, and Labor Inspector General recommendations to improve and update the FECA. The reform package includes changes that generate cost savings by simplifying FECA benefit rates, introducing controls to prevent fraud and limit improper payments, and modernizing benefit administration. The provisions would prevent retroactive selection of FECA benefits after claimants have declined them in favor of Federal retirement benefits; apply a consistent waiting period for compensation for all covered employees; suspend payments to indicted medical providers; and make other changes to improve program integrity and reduce improper payments. The proposal saves \$220 million over 10 years.

Department of the Treasury

The Department of the Treasury and the Internal Revenue Service (IRS) proposals will save an estimated \$56 billion over 10 years by increasing IRS enforcement efforts, increasing the accuracy of tax returns filed by paid preparers, providing IRS additional authority to correct errors on a taxpayer's tax return, ensure that only those eligible for refundable tax credits receive them, improving wage and information reporting, and increasing the recovery of unclaimed assets and collection of non-tax debts.

Tax Administration.—

- ***Increase oversight of paid tax return preparers.*** This proposal would give the IRS the statutory authority to increase its oversight of paid tax return preparers. Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. Increasing the quality of paid preparers lessens the need for after-the-fact enforcement of tax laws and increases the amount of revenue that the IRS can collect. This proposal saves \$507 million over 10 years
- ***Provide more flexible authority for the Internal Revenue Service to address correctable errors.*** The Budget proposes giving the IRS expanded au-

thority to correct errors on taxpayer returns. Current law only allows the IRS to correct errors on returns in certain limited instances, such as basic math errors or the failure to include the appropriate Social Security Number or Taxpayer Identification Number. This proposal would expand the instances in which the IRS could correct a taxpayer's return. For example, with this new authority, the IRS could deny a tax credit that a taxpayer had claimed on a tax return if the taxpayer did not include the required paperwork, where Government databases showed that the taxpayer-provided information was incorrect, where the taxpayer had exceeded the lifetime limit for claiming a deduction or credit, or where the taxpayer had failed to include with the tax return documentation that was required to be included or attached to the return. This proposal would save \$17.4 billion over 10 years.

- ***Improve clarity in worker classification and information reporting requirements.*** The Budget would require the form 1099-K to be filed by January 31 and would expand electronic wage reporting. Under current law, Forms 1099-K must be furnished to the recipient by January 31 and filed with IRS by March 31. The proposal would change the filing requirement to January 31. The IRS would also eliminate the regulations that allow for an automatic 30-day filing extension. This would allow IRS to receive information about some sources of self-employment income earlier in the filing season. This proposal saves \$2.2 billion over 10 years and includes an existing proposal to improve clarity in worker classification and information reporting requirements.
- ***Expand mandatory electronic filing of W-2s.*** Under current law, employers who file 250 or more forms must file Form W-2 electronically. The Budget proposes to reduce the mandatory electronic filing threshold to 10. This would increase the accuracy of W-2 data and allow the Social Security Administration to make more W-2 data available to IRS early in the filing season. This proposal saves \$319 million over 10 years.
- ***Implement tax enforcement program integrity cap adjustment.*** The Budget proposes establishing and fund a new adjustment to the discretionary caps for program integrity activities related to IRS program integrity operations starting in 2020. The IRS base appropriation funds current tax administration activities, including all tax enforcement and compliance program activities, in the Enforcement and Operations Support accounts. The additional \$362 million cap adjustment in 2020 funds new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's tax enforcement program. The activities are estimated to generate \$47 billion in additional revenue over 10 years and cost approximately \$15 billion resulting in an estimated net savings of \$33 billion. Once the new enforcement staff are trained and become fully

operational these initiatives are expected to generate roughly \$3 in additional revenue for every \$1 in IRS expenses. Notably, the return on investment is likely understated because it only includes amounts received; it does not reflect the effect enhanced enforcement has on deterring noncompliance. This indirect deterrence helps to ensure the continued payment of \$3.5 trillion in taxes paid each year without direct enforcement measures. Additional detail about the cap adjustment can be found in the Budget Process chapter in the Analytical Perspectives volume.

- **Require a Social Security Number (SSN) that is valid for employment to claim the EITC.** As part of a broader proposal, the 2020 Budget includes a proposal to require an SSN that is valid for employment in order to claim the EITC. While this is already current law for the EITC, the proposal fixes an administrative gap to strengthen enforcement of this provision. This proposal ensures that only individuals who are authorized to work in the United States are able to claim this credit. The proposal saves roughly \$3 billion over 10 years.
- **Increase and streamline recovery of unclaimed assets.** This proposal would increase and streamline recovery of unclaimed assets owed to the United States by authorizing Treasury to locate and recover these assets and to retain a portion of amounts collected to pay for the costs of recovery. States and other entities hold assets in the name of the United States or in the name of departments, agencies, and other subdivisions of the Federal Government. Many agencies are not recovering these assets due to lack of expertise and funding. While unclaimed Federal assets are generally not considered to be delinquent debts, Treasury's debt collection operations personnel have the skills and training to recover these assets. The proposal saves \$60 million over 10 years.
- **Increase delinquent Federal non-tax debt collections.** This proposal would increase delinquent Federal non-tax debt collections by authorizing administrative bank garnishment for non-tax debts of commercial entities. It would allow Federal agencies to collect delinquent non-tax debt by garnishing the accounts of delinquent commercial debtors without a court order after providing full administrative due process. The proposal is modeled on existing authority for the Internal Revenue Service to collect Federal tax debts. In addition to providing appropriate limitations, the legislation would direct the Secretary of the Treasury to issue Government-wide regulations implementing the authority of bank garnishment for non-tax debts of commercial entities. The proposal saves \$320 million over 10 years.

Social Security Administration

Overall, the Budget proposes legislation that would avert close to \$12.2 billion in improper payments in Social

Security over 10 years. While much of this savings is considered off-budget and would be non-PAYGO, about \$836 million from various proposals would be PAYGO savings. In addition, the Budget proposes administrative actions to reduce improper payments that would result in \$11 billion in outlay savings over 10 years. The Budget proposes to continue investments in SSA dedicated program integrity funding. SSA uses this funding to conduct continuing disability reviews and SSI redeterminations to confirm that participants remain eligible to receive benefits. These funds also support anti-fraud cooperative disability investigation units and special attorneys for fraud prosecutions. Additional information can be found in the Budget Process chapter in the Analytical Perspectives volume.

Old Age Survivors Disability Insurance (OASDI) and Supplemental Security Income (SSI).—

- **Reduce improper payments caused by barriers for beneficiaries to report income and assets.** The Budget proposes to reduce improper payments in disability programs by targeting administrative resources to the development of a uniform system of reporting in mySocialSecurity. This is in addition to instituting a holistic view that provides all beneficiaries' data, including income and assets, in one electronic location, while simultaneously developing a network of automated processes across other IT platforms for work-related benefit payment adjustments, work continuing disability reviews, redeterminations, and payments to Ticket to Work providers. In addition, future related legislative changes to address the root causes of these improper payments could include requiring suspension of benefits when beneficiaries neglect wage and resource reporting requirements, and instituting mandatory training for beneficiaries on reporting requirements prior to receipt of their first benefit checks.
- **Hold fraud facilitators liable for overpayments.** The Budget proposes holding fraud facilitators liable for overpayments by allowing SSA to recover the overpayment from a third party if the third party was responsible for making fraudulent statements or providing false evidence that allowed the beneficiary to receive payments that should not have been paid. This proposal would result in an estimated \$10 million in savings over 10 years.
- **Allow Government-wide use of Custom and Border Protection (CBP) entry/exit data to prevent improper payments.** The Budget proposes the use of CBP Entry/Exit data to prevent improper OASDI and SSI payments. Generally, U.S. citizens can receive benefits regardless of residence. Non-citizens may be subject to additional residence requirements depending on the country of residence and benefit type. However, an SSI beneficiary who is outside the United States for 30 consecutive days is not eligible for benefits for that month. These data have the potential to be useful across the Government to

prevent improper payments. This proposal would result in an estimated \$181 million in savings over 10 years.

- ***Increase the overpayment collection threshold for OASDI.*** The Budget would change the minimum monthly withholding amount for recovery of Social Security benefit overpayments to reflect the increase in the average monthly benefit since the Agency established the current minimum of \$10 in 1960. By changing this amount from \$10 to 10 percent of the monthly benefit payable, SSA would recover overpayments more quickly and better fulfill its stewardship obligations to the combined Social Security Trust Funds. The SSI program already utilizes the 10 percent rule. Debtors could still pay less if the negotiated amount would allow for repayment of the debt in 36 months. If the beneficiary cannot afford to have his or her full benefit payment withheld because he or she cannot meet ordinary and necessary living expenses, the beneficiary may request partial withholding. To determine a proper partial withholding amount, SSA negotiates (as well as renegotiates at the overpaid beneficiary's request) a partial withholding rate. This proposal would result in savings of almost \$1.5 billion over 10 years.
- ***Authorize SSA to use all collection tools to recover funds in certain scenarios.*** The Budget proposes allowing SSA a broader range of collection tools when someone improperly receives a benefit after the beneficiary has died. Currently, if a spouse cashes a benefit payment (or does not return a directly deposited benefit) for an individual who has died and the spouse is also not receiving benefits on that individual's record, SSA has more limited collection tools available than would be the case if the spouse also receives benefits on the deceased individual's earning record. The Budget proposal would end this disparate treatment of similar types of improper payments and results in an estimated \$46 million in savings over 10 years.
- ***Simplify administration of the SSI program.*** The Budget proposes changes to simplify the SSI program by incentivizing support from recipients' family and friends, reducing SSA's administrative burden, and streamlining requirements for applicants. SSI benefits are reduced by the amount of food and shelter, or in-kind support and maintenance, a beneficiary receives. The policy is burdensome to administer and is a leading source of SSI improper payments. The Budget proposes to replace the complex calculation of in-kind support and maintenance with a flat rate reduction for adults living with other adults to capture economies of scale. The Budget also proposes to eliminate dedicated accounts for past due benefits and to eliminate the administratively burdensome consideration whether a couple is holding themselves out as married. The proposal saves \$648 million over 10 years.
- ***Improve collection of pension information from States and localities.*** The Budget proposes a data collection approach designed to provide seed money to the States for them to develop systems that will enable them to report pension payment information to SSA. The proposal would improve reporting for non-covered pensions by including up to \$70 million for administrative expenses, \$50 million of which would be available to the States, to develop a mechanism so that the Social Security Administration can enforce the current law offsets for the Windfall Elimination Provision and Government Pension Offset, which are a major source of improper payments. The proposal will save \$9.5 billion over 10 years.
- ***Provide additional debt collection authority for SSA civil monetary penalties and assessments.*** This proposal would assist SSA with ensuring the integrity of its programs and increase SSA recoveries by establishing statutory authority for the SSA to use the same debt collection tools available for recovery of delinquent overpayments toward recovery of delinquent CMP and assessments.
- ***Exclude SSA debts from discharge in bankruptcy.*** Debts due to an overpayment of Social Security benefits are generally dischargeable in bankruptcy. The Budget includes a proposal to exclude such debts from discharge in bankruptcy, except when it would result in an undue hardship. This proposal would help ensure program integrity by increasing the amount of overpayments SSA recovers and would save \$274 million over 10 years.

Table 9-1. SUMMARY OF PAYMENT INTEGRITY INITIATIVES
(Deficit increases (+) or decreases (-) in millions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	10-year total
Agriculture:											
SNAP											
Improve income verification	2	2	.....	.....	.....	.....	.....	.....	.....	.....	4
Improve Child Nutrition Program integrity											
Provide technology grants	20	20	20	11	1	-8	-18	-23	-29	-38	-44
Increase school meal verification to 8% .....	.....	.....	-28	-59	-61	-63	-65	-67	-69	-71	-483
Total, Agriculture	22	22	-8	-48	-60	-71	-83	-90	-98	-109	-523
Education:											
Pell Grants ¹											
Except Education Section 6103 for certain student aid programs (Non-PAYGO)	-8	-17	-18	-18	-18	-19	-19	-20	-20	-20	-177
Improve Pell fraud prevention	-2	-4	-4	-4	-4	-4	-4	-4	-4	-4	-38
Improve selection for verification .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Better target program reviews .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Take enforcement actions against noncompliant schools .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total, Education	-10	-21	-22	-22	-22	-23	-23	-24	-24	-24	-215
Health and Human Services:											
Medicare Fee for Service											
Expand prior authorization to additional Medicare fee-for-service items at high risk of fraud, waste, and abuse	-430	-510	-540	-570	-610	-640	-680	-720	-760	-800	-6,260
Prevent fraud by applying penalties on providers and suppliers who fail to update enrollment records	-2	-2	-3	-3	-3	-3	-4	-4	-4	-4	-32
Require reporting on clearinghouses and billing agents when Medicare providers and suppliers enroll in the program .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Assess a penalty on physicians and practitioners who order services or supplies without proper documentation .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Address improper payments of chiropractic services through targeted medical review* .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Address overutilization and billing of DMEPOS by expanding prior authorization*	-15	-25	-25	-25	-30	-30	-35	-35	-40	-40	-300
Address excessive billing for DME that requires refills on serial claims* .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Medicare Advantage (Medicare Part C)											
Implement targeted risk-adjustment pre-payment review in Medicare Advantage .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Expand Medicare Advantage risk adjustment data validation audits* .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Medicaid											
Strengthen CMS's ability to recoup Medicaid improper payments .....	.....	-100	-430	-460	-490	-520	-550	-590	-620	-660	-4,420
Implement pre-payment controls to prevent inappropriate personal care services payments	-700	-730	-760	-800	-840	-880	-920	-970	-1,010	-1,060	-8,670
Allow States the flexibility to compete more frequent eligibility redeterminations*	-1,300	-2,700	-4,300	-4,500	-4,800	-5,000	-5,300	-5,600	-5,900	-6,200	-45,600
Consolidate provider screening for Medicaid and CHIP .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Medicare and Medicaid (Cross-cutting proposals)											
Allow revocation and denial of provider enrollment based on affiliation with a sanctioned entity* .....	.....	.....	-1	-11	-11	-11	-11	-11	-11	-11	-78
Total, Health and Human Services	-2,447	-4,067	-6,059	-6,369	-6,784	-7,084	-7,500	-7,930	-8,345	-8,775	-65,360
Labor:											
Improve UI program integrity	-103	-225	-258	-259	-258	-370	-190	-133	-193	-244	-2,233
PAYGO effects	-33	-53	-59	-69	-78	-87	-96	-106	-111	-121	-813
Non-PAYGO effects	-70	-172	-199	-190	-180	-283	-94	-27	-82	-123	-1,420
Reform the Federal Employees' Compensation Act (FECA)	-31	-26	-29	-18	-18	-19	-19	-20	-21	-19	-220
Total, Labor	-134	-251	-287	-277	-276	-389	-209	-153	-214	-263	-2,453
Treasury:											
Tax administration											
Increase oversight of paid tax return preparers	-25	-35	-39	-44	-48	-53	-57	-62	-69	-75	-507

Table 9-1. SUMMARY OF PAYMENT INTEGRITY INITIATIVES—Continued
(Deficit increases (+) or decreases (-) in millions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	10-year total
Provide more flexible authority for the Internal Revenue Service to address correctable errors	-1,061	-1,584	-1,632	-1,685	-1,750	-1,809	-1,871	-1,934	-2,014	-2,086	-17,426
Improve clarity in worker classification and information reporting requirements	-86	-104	-138	-177	-206	-235	-271	-298	-315	-337	-2,167
Implement tax enforcement program integrity cap adjustment	-160	-818	-1,895	-3,166	-4,558	-5,899	-6,880	-7,510	-7,942	-8,241	-47,069
<i>Increase discretionary outlays (non-add, program integrity)</i>	<i>320</i>	<i>693</i>	<i>1,040</i>	<i>1,386</i>	<i>1,737</i>	<i>1,850</i>	<i>1,865</i>	<i>1,875</i>	<i>1,885</i>	<i>1,893</i>	<i>14,544</i>
Require Social Security Number (SSN) for Child Tax Credit, Earned Income Tax Credit, and credit for other dependents ²	0	-308	-309	-319	-322	-324	-336	-337	-340	-354	-2,949
Other payment integrity proposals											
Increase and streamline recovery of unclaimed assets	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6	-60
Increase collections of delinquent Federal non-tax debt	-32	-32	-32	-32	-32	-32	-32	-32	-32	-32	-320
Total, Treasury	-1,370	-2,887	-4,051	-5,429	-6,922	-8,358	-9,453	-10,179	-10,718	-11,131	-70,498
Social Security Administration (SSA):											
Reduce improper payments caused by barriers for beneficiaries to report income and assets*		-500	-800	-1,100	-1,100	-1,500	-1,500	-1,500	-1,500	-1,500	-11,000
Hold fraud facilitators liable for overpayments			-1	-2	-2	-1	-1	-1		-2	-10
<i>PAYGO effects</i>				-1	-1					-1	-3
<i>Non-PAYGO effects</i>			-1	-1	-1	-1	-1	-1		-1	-7
Allow Government-wide use of CBP entry/exit data to prevent improper payments			-1	-5	-11	-18	-27	-35	-43	-41	-181
<i>PAYGO effects</i>			-1	-4	-9	-16	-24	-31	-39	-36	-160
<i>Non-PAYGO effects</i>				-1	-2	-2	-3	-4	-4	-5	-21
Increase overpayment collection threshold for Old Age, Survivors, and Disability Insurance (non-PAYGO)	-12	-77	-100	-110	-135	-161	-181	-237	-254	-251	-1,518
Authorize Social Security Administration (SSA) to use all collection tools to recover funds in certain scenarios (non-PAYGO)		-2	-3	-4	-5	-5	-6	-6	-7	-8	-46
Simplify administration of the SSI program		-382	-98	-69	-46	-34	-23	-11	2	13	-648
Improve collection of pension information from States and localities (non-PAYGO)	18	28	24	-474	-1,135	-1,614	-1,735	-1,645	-1,547	-1,429	-9,509
Provide additional debt collection authority for civil monetary penalties (CMPs) and assessments											
Exclude SSA debts from discharge in bankruptcy	-4	-12	-20	-24	-29	-32	-34	-37	-39	-43	-274
<i>PAYGO effects</i>		-1	-2	-2	-2	-3	-3	-4	-4	-4	-25
<i>Non-PAYGO effects</i>	-4	-11	-18	-22	-27	-29	-31	-33	-35	-39	-249
Expand mandatory electronic filing of W-2s ³	-39	-37	-36	-33	-32	-31	-30	-28	-27	-26	-319
Total, Social Security	-37	-982	-1,035	-1,821	-2,495	-3,396	-3,537	-3,500	-3,415	-3,287	-23,505
Total, Payment Integrity Proposals	-3,976	-8,186	-11,462	-13,966	-16,559	-19,321	-20,805	-21,876	-22,814	-23,589	-162,554

Please note that all proposal estimates are subject to PAYGO unless noted otherwise

* This is an administrative proposal, and therefore not subject to PAYGO. Savings estimates for this proposal are included in the baseline.

¹ In addition to the mandatory savings shown here, the Pell Grant payment integrity proposals also reduce discretionary program costs. Over 10 years, Except Education from 6103 reduces these costs by \$782 million and Improve Pell Fraud Prevention by \$163 million.

² This proposal reflects savings from improper payments in the Budget proposal to Require Social Security Number (SSN) for Child Tax Credit, Earned Income Tax Credit, and credit for other dependents.

³ The proposal to expand mandatory electronic filing of W-2s is a tax administration proposal, and is detailed in the Treasury section of the chapter text.

