CHILD CARE SUBSIDY PROGRAMS OVER PAYMENT REPORT

Washington State Department of CHILDREN, YOUTH & FAMILIES

Original Date: July 1, 2023
Early Learning | Approved for distribution by Nicole Rose, Assistant Secretary of Early Learning

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Introduction

The Washington State Department of Children, Youth and Families (DCYF) submits this report in order to detail Child Care Subsidy Programs (CCSP) Overpayment (OP) data and explain OP trends over the past three state fiscal years (SFY) 2021 – 2023. This report describes DCYF efforts to identify and address the root causes of OP to improve the overall integrity of the CCSP program.

This annual report complies with Engrossed Substitute Senate Bill (SSB) 5187, Section 229 (4)(d), which states:

> "On July 1, 2023 and July 1, 2024, the department, in collaboration with the department of social and health services, must report to the governor and the appropriate fiscal and policy committees of the legislature on the status of overpayments in the working connections child care program. The report must include the following information for the previous fiscal year:
>
> (A) A summary of the number of overpayments that occurred;
> (B) The reason for each overpayment;
> (C) The total cost of overpayments;
> (D) A comparison to overpayments that occurred in the past two preceding fiscal years;
> (E) Any planned modifications to internal processes that will take place in the coming fiscal year to further reduce the occurrence of overpayments."

Background

CCSP includes Working Connections Child Care (WCCC) and Seasonal Child Care[1]. Washington Administrative Code (WAC), Chapter 110-15 sets forth rules governing CCSP. Child care subsidies assist low-income families by:

> (1) Providing children with a stable, nurturing, high-quality learning environment supporting the child's healthy development and school-readiness; and
> (2) Enabling parents to work and pursue employment with the goal of creating financial stability and self-sufficiency.

[1] Seasonal Child Care (SCC), Chapter 110-15 WAC Part III, is a smaller program similar to WCCC. Eligibility is limited to families seasonally employed in agricultural work, who are not receiving temporary assistance for needy families (TANF), and who reside in Adams, Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Okanogan, Skagit, Walla Walla, Whatcom, or Yakima counties.

The federal Child Care and Development Fund (CCDF), reauthorized in 2021, encodes the above goals. The CCDF sets policy to reduce barriers for working families with children, helping them transition from poverty to self-sufficiency.

Overview of the CCSP eligibility processes and systems:

Families apply for child care online, by phone through the DCYF contact center, or by paper application delivered by mail, fax, or in person at local DSHS Community Service Offices (CSO). DCYF public benefits specialists (PBS) complete eligibility determinations in the DSHS Barcode electronic system. The Barcode system tracks current and historical eligibility information, manages family communications, and interfaces with the DCYF payment system. DCYF accesses the DSHS Barcode electronic system through a service level agreement (SLA). CCSP pays providers through the Social Service Payment System (SSPS). SSPS notifies providers the amount of care authorized, sends provider invoices to claim payment, and sends payment for services claimed by providers. DCYF is responsible for ensuring program integrity of both consumer eligibility and provider payment.

Consumer Quality Assurance (QA) Overview

Consumer QA activities include random and focused CCSP audits. DCYF conducts approximately 15,257 audits annually. DCYF uses audit findings to improve policies and procedures, staff training, and automated system updates. The focus is to improve customer service, increase accuracy of eligibility determinations and reduce payment errors. Identified overpayments are referred to the DSHS Office of Financial Recovery (OFR) for repayment collection. If fraud is suspected, cases are referred to the DSHS Office of Fraud and Accountability (OFA) for investigation and possible prosecution.

Provider QA Overview

Provider QA activities include audits of licensed or certified child care centers, licensed or certified family child care homes, and license-exempt family, friend, and neighbor (FFN) caregivers serving families and children who receive subsidy. The CCSP QA unit conducts approximately 2,800 annual audits of child care provider payments by comparing provider billing information against child care provider attendance records. DCYF selects most providers for audit from the SQL Server Reporting Services Provider Report, an automated randomizing system. The DCYF provider auditors also review cases that are referred to them when potential billing issues are identified by licensing or eligibility staff. Child care providers must adhere to program rules and requirements by keeping accurate attendance records and sending these to DCYF when requested as a condition of providing subsidized care and receiving payments. DCYF administers an electronic attendance system at no cost for providers. Providers also have the option of using one of over fifty approved third-party electronic attendance systems allowing

them to track and manage child attendance. Identified overpayments are written and referred for repayment collection to DSHS OFA. If fraud is suspected, cases are referred to the DSHS Office of Fraud and Accountability (OFA) for investigation and possible prosecution. Identified licensing issues are referred to DCYF child care licensors.

Office of Fraud and Accountability (OFA)

DCYF refers potentially fraudulent cases for investigation, which may result in prosecution. DCYF continues to partner with the DSHS OFA to investigate consumer and provider fraud. OFA processes reports of potential fraud submitted to them by the public, DSHS, and DCYF staff. At the conclusion of the investigation, OFA refers substantiated cases of fraud to county prosecutors. Identified overpayments not referred for prosecution are processed by the OFA team or referred to DCYF to complete.

Office of Financial Recovery (OFR)

DCYF partners with the DSHS OFR to manage OP collection efforts. OFR has authority to recover payments using a variety of efforts including repayment agreements, wage garnishments, and liens to recover overpayments.

Types of Overpayments

A consumer OP occurs when:

- Eligibility information is not reported accurately at application;
- Consumers fail to report changes required in WAC 110-15-0031 during the eligibility period; or
- Eligibility staff failed to act on reported information correctly, applied rules erroneously, or input data incorrectly into the eligibility or authorization systems.

A provider OP occurs when:

- The provider bills improperly. Examples are:
  - Claiming more care than allowed by program rules or failing to provide attendance records to support their billing;
  - Billing for a fee that is not in their handbook, which is a program requirement
  - Billing for a reimbursement without a receipt to verify payment.
- Licensed family home or licensed or certified child care center providers that do not accurately report their non-billable closure days; or
- Staff authorize the incorrect rate, incorrect fee, incorrect copay amount, incorrect start date, or amount of care.

Annual OP Totals SFY18-23[2]

The table below displays the total number and value of OP written by DCYF for consumers and providers by state fiscal year (SFY). These numbers do not reflect the amount recovered, which may be adjusted during an administrative hearing process. QA and program integrity efforts have resulted in an OP decrease.

Exhibit 1

SFY 2018 – 2023 NUMBER AND DOLLAR VALUE OF OP *

	Consumer Number of OP	Dollar Value	Provider Number of OP	Dollar Value	Combined Number	Combined Total Value
SFY18	1,614	$3,294,781	5,714	$7,495,314	7,343	$10,630,855
SFY19	846	$2,057,890	3,109	$3,447,498	3,925	$5,514,025
SFY20	499	$784,921	1,530	$1,957,219	2,029	$2,742,140
SFY21	286	$935,878	1,169	$1,027,375	1,455	$1,963,253
SFY22	135	$343,752	1,708	$787,703	1,843	$1,131,455
SFY23*	96	$223,921	1,133	$650,086	1,229	$874,007

* SFY23 through 3/28/23

The OFA completes the investigation of potential OP fraud for DCYF. OFA efforts resulted in 3 criminal convictions for child care fraud in SFY23. The total restitution for these 3 convictions is $90,753. OFA writes overpayments on behalf of DCYF when the case circumstances do not meet the threshold for a criminal prosecution. OFA submits overpayments to OFR for recovery.

Exhibit 2

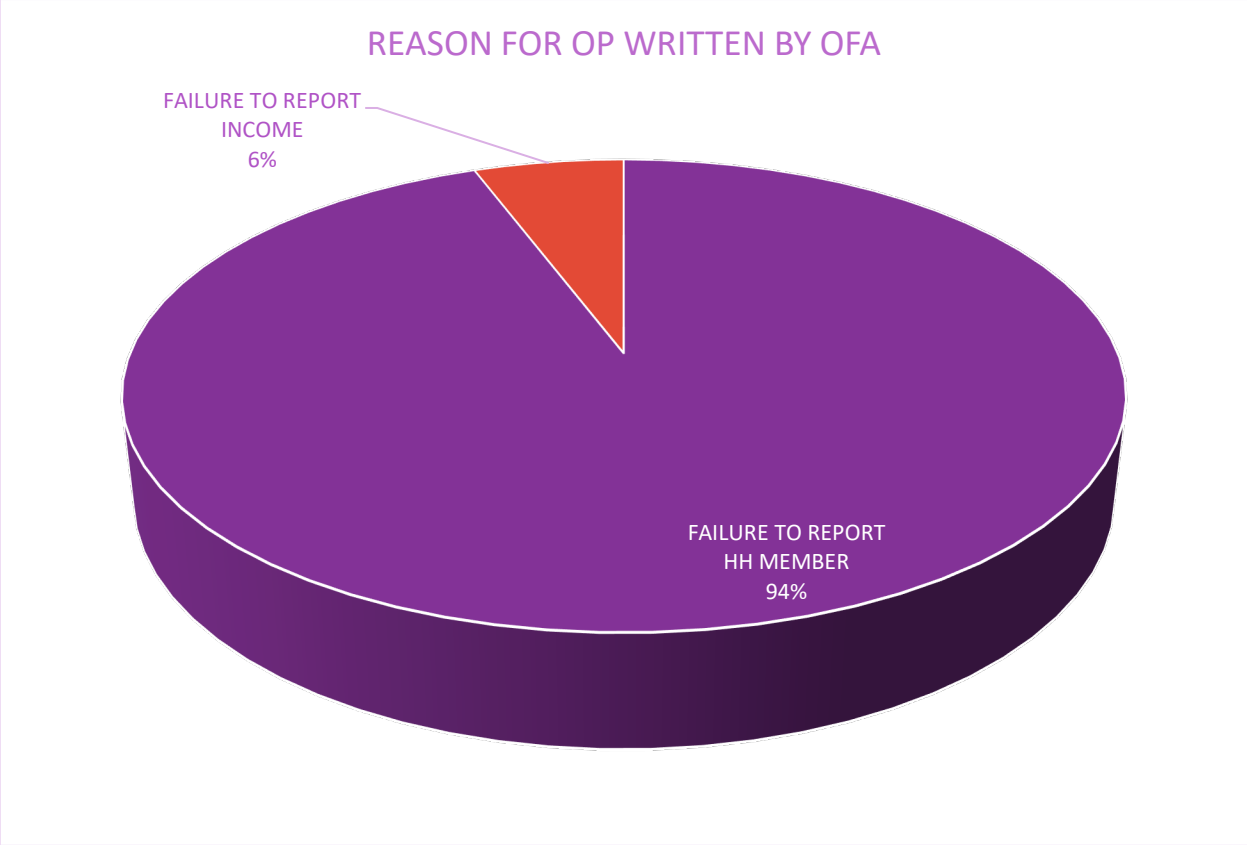
NUMBER AND AMOUNT OF OP WRITTEN BY OFA, NOT INCLUDED IN EXHIBIT 1

OP written by OFA	Number of cases	Dollar value
SFY19	174	$1,911,155
SFY20	182	$2,909,267
SFY21	159	$2,805,952
SFY22	108	$1,724,222
YTD23 (July 1 – March 28)	87	$1,365,311

[2] Data for FY23 pulled prior to end of the fiscal year. FY23 Data contains July 1, 2021 – March 28, 2023

Exhibit 3

REASON FOR OP WRITTEN BY OFA, NOT INCLUDED IN EXHIBIT 1



Consumer OP: Breakdown by Cause

Of the 1,478 OP for SFY 2023, DCYF wrote 96 to consumers, accounting for $223,921 of the total dollar amount. This does not include OP written by OFA. Analysis of the data resulted in the identification of six reasons for consumer OP.

Exhibit 4

CONSUMER OP AS A PERCENTAGE OF TOTAL DOLLAR AMOUNT BY REASON SFY23

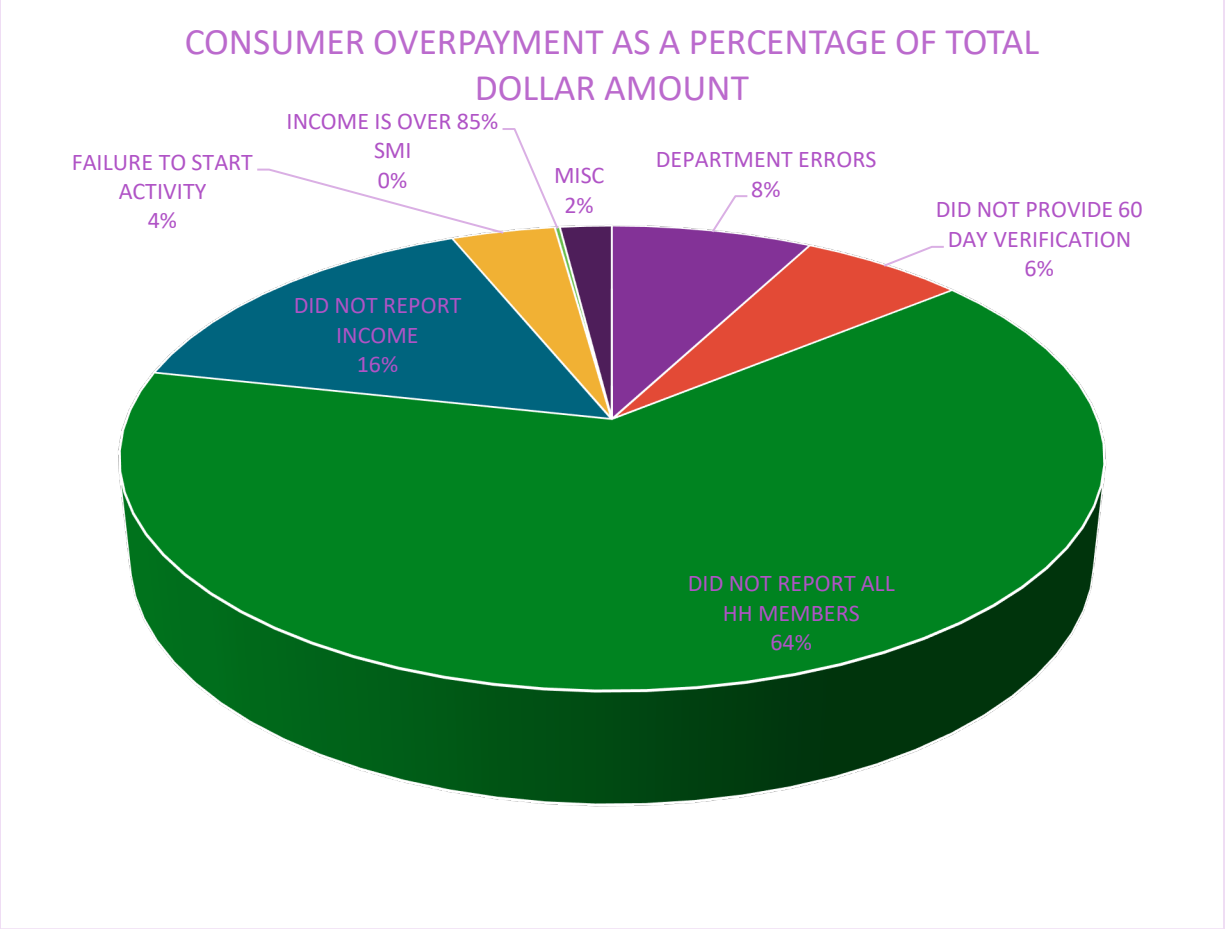


Exhibit 5

CONSUMER OP AS A PERCENTAGE OF OVERPAYMENTS BY REASON SFY23

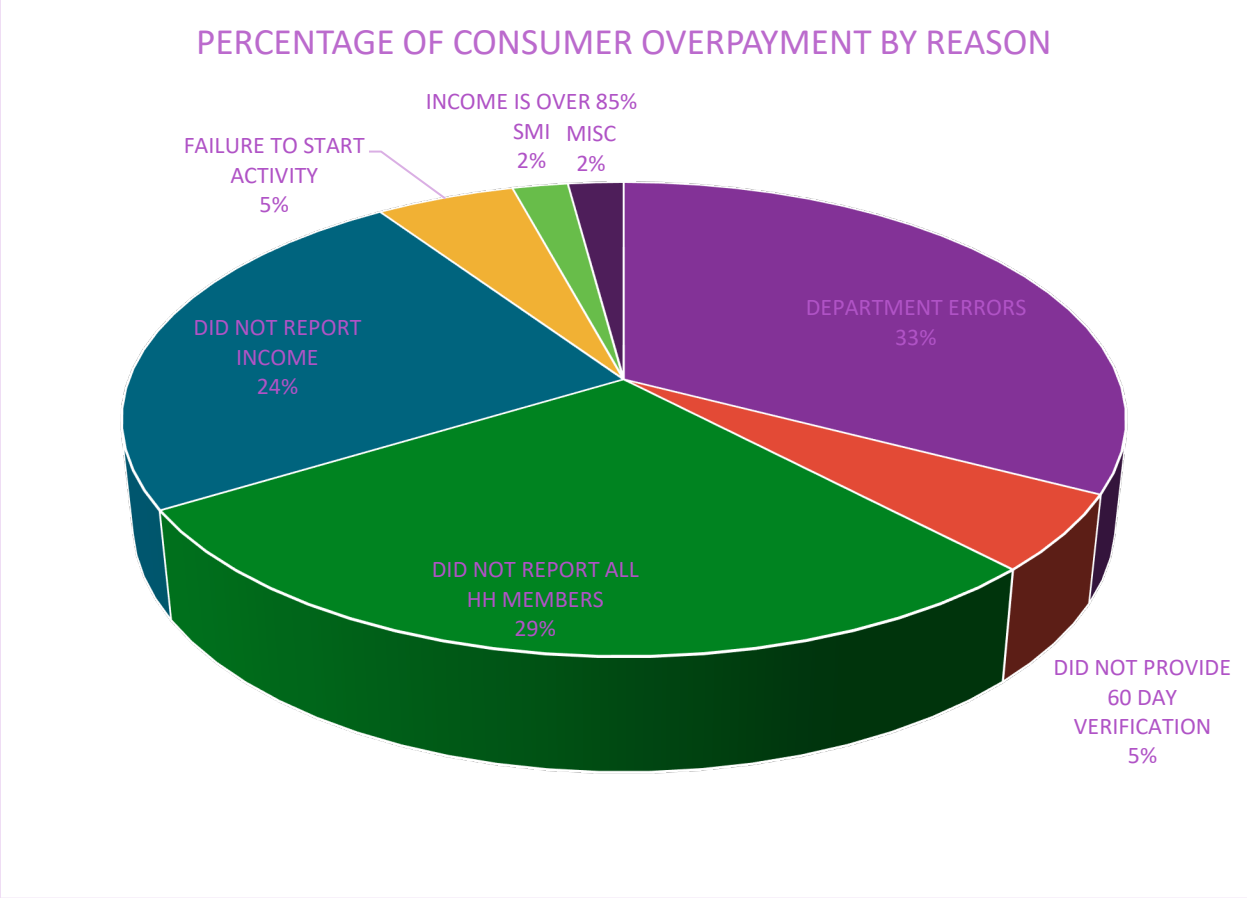
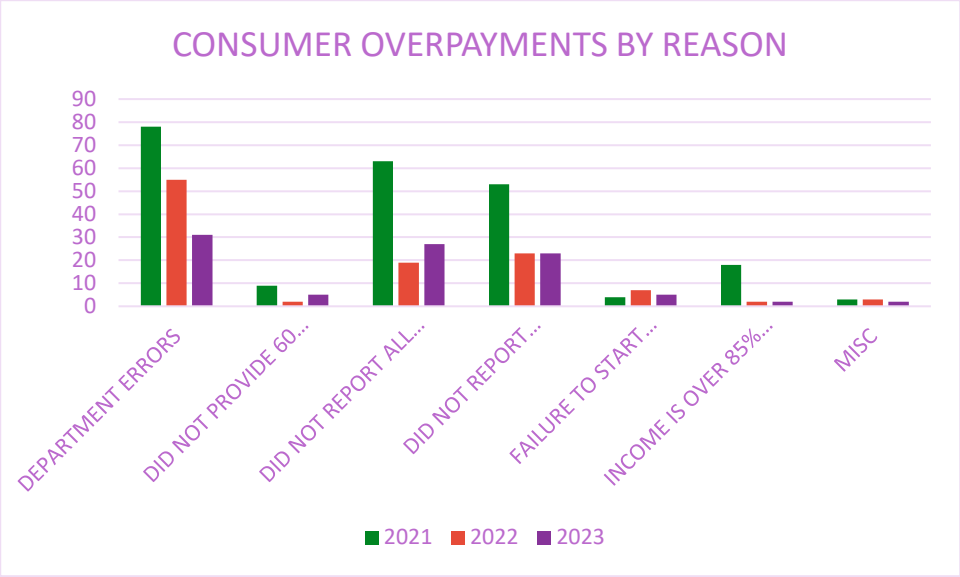


Exhibit 6

CONSUMER OP COMPARISON BETWEEN SFY21, SFY22, & SFY23



Reason 1: Consumer did not report all household members

A consumer receives an OP when they do not accurately report all household members at the time of application or reapplication. These OP may occur when a spouse or co-parent is living in the home but the consumer fails to report this information on their application or reapplication. Eligibility determination considers the other parent's availability, activity, or income. When the other parent is not included in the eligibility calculation, this may result in approving an ineligible family, establishing an incorrect copayment, or over-authorizing the amount of care. The majority of consumers report household composition accurately. However, unreported household members remain the most significant reason for the total number and total dollar amount of consumer overpayments.

The department continues to balance restrictive measures to verify household composition with the need for timely approvals for families. This is especially important when consumers are starting a new job and need child care to go to work. Delays in approvals may result in consumers losing their employment, which creates long term impacts for the family and children. DCYF uses available information to confirm household composition when available. When information is unavailable DCYF requests additional verification from the consumer

before approving benefits. DCYF refers potential fraud to OFA for investigation. As highlighted in exhibit 3, this is the most common reason for referrals to OFA .

Reason 2: Consumer did not report income

A consumer receives an OP when they do not report their income accurately at application or reapplication. Examples of unreported income include informal child support agreements or additional employment. Under-reporting income occurs when the consumer reports less income than the actual amount they received. Examples include reporting and verifying a portion of the tips they earn, failing to report a recent pay increase, or failure to report additional employment, or failing to report employment to the Employment Security Department and receive Unemployment Compensation benefits while also earning wages.

The eligibility verification process used by staff to establish household composition also provides more accurate household income determinations. Staff identify unreported income at application, preventing incorrect payments.

DCYF is implementing guidance provided by the Office of Child Care's Family-friendly application process, and the Program Integrity Self-assessment tool by adopting a policy to utilize wage information provided by employment security for eligibility determinations. This policy change will improve program integrity and payment accuracy.

Reason 3: Consumer did not provide 60-day verification

A consumer receives an OP when they do not provide verification to support their self-attestation of new employment and the agency is unable to obtain verification using its internal systems. Consumers with new employment can self-attest an estimate of income at application when this information is not available from the employer. This allows consumers to receive care so they can begin their new job. Verification of income is required from the consumer within 60 days. Failure to verify income results in closure of the case and an OP for any care used. In some cases, the consumer's income is higher than reported at the time of application and an OP may be established for the difference in copayment amount.

An automated reminder is mailed to clients when the system notes income verification has not been received, resulting in an increased client response. DCYF worked with Barcode to develop an automated authorization closure on the 60th day after the date of application if verification hasn't been received. DCYF has seen significant improvement in the reduction of these overpayments. The 60-day time period to provide verification is a necessary support for our families, helping to expedite child care benefits to families starting new employment and who must have care to begin their activity.

Reason 4: Consumer's income goes over 85% of state median income (SMI)

A consumer receives an OP when they do not report going over the maximum income limit. Consumers remain eligible through the end of their eligibility period as long as their income stays below 85% of the SMI. A consumer's failure to report an increase of income that exceeds 85% SMI during their eligibility period results in an OP. Eligibility threshold for this past year are listed in Exhibit 7.

Exhibit 7

INCOME ELIGIBILITY TABLE BY HOUSEHOLD SIZE, UPDATED ANNUALLY ON APRIL 1.

Current Income Guidelines (4.1.23)			
Family Size	Initial eligibility income limit 60% SMI	Eligibility limit at re-application 65% SMI	Income limit during the 12-month eligibility period 85% SMI
2	$3,818	$4,136	$64,909
3	$4,716	$5,109	$80,181
4	$5,614	$6,082	$95,454
5	$6,513	$7,056	$110,726
6	$7,411	$8,029	$125,999
7	$7,580	$8,211	$128,863
8	$7,748	$8,394	$131,726
9	$7,914	$8,576	$134,590

Federal rule (98.21) constrains the department from requiring mid-certification eligibility reviews. However, the consumer is required to notify the department if the household income increases above 85% SMI. Consumers receive a notice from the department informing them of the requirement to contact the department when the household income exceeds the limit for their household size. A consumer's case is closed with 10 days' notice when they report their income exceeds 85% SMI.

Reason 5: Department error

A consumer receives an overpayment when they receive benefits they are not eligible for based on an error made by the department. Department errors can lead to an incorrect amount of authorized care or an incorrectly assessed copayment for a consumer. These errors result from an inaccurate data entry, or eligibility determination, or a failure to act on a required change.

Department errors are grouped into six distinct categories:

1) Eligibility overpayments occur when a child receives benefits they were not eligible for due to being over-age or not meeting the citizenship requirements.

2) Income error overpayments occur when the department calculates the household's income incorrectly leading to an incorrect copayment.

3) Incorrect copayment overpayments occur when the department incorrectly records a copayment amount into the authorization system.

4) A multiple provider overpayment is the result of the DCYF authorization system, which requires the client copayments be assigned to a single provider even when the client uses multiple providers. If the client stops using the provider assigned to receive the copayment, an overpayment will occur.

5) $15/$15 copay change overpayments occur when the department fails to increase a client's copayment in a timely manner following the introductory $15 copayment for the first two months of a client's eligibility period. No errors for this reason during SFY 23.

6) Ineligible provider overpayments occur when the department authorizes a child at a Licensed Family Home where the parent is employed, or the child is outside of licensing age-range for the provider. No errors for this reason occurred during SFY 23.

DEPARTMENT ERRORS	AMOUNTS	OCCURRENCES
Multiple providers	$310	4
Eligibility	$12,890	7
Income	$3,158	11
Incorrect copay	$1,015	9
$15/$15 copays	$0	0
Ineligible providers	$0	0

The department continues to use a multi-pronged approach to identify the cause of errors and address them through adjustments in policy, procedures, automation, audits, and training. The approach the administrative overpayments from 78 occurrences in SFY 2022 to 31 occurrences in SFY 2023 and the dollar amount dropped from $88,964 to $17,373.

Reason 6: The consumer fails to start their reported approved activity

A consumer may be approved for subsidy 14 days prior to starting an approved activity (i.e., employment or education). A consumer receives an OP when they do not begin the approved activity.

Provider OP: Breakdown by Provider type

DCYF issued 1,133 OP to providers for SFY 2023 totaling $650,086. DCYF has three provider types for child care consumers - Licensed Centers, Licensed Family Homes, and Family, Friend, or Neighbors (FFN).

Exhibit 8

PROVIDER OVERPAYMENTS BY PROVIDER TYPE.

PROVIDER TYPE	# of OP	OP Amount
Licensed Centers	241	$237,505
Licensed Family Homes	158	$76,715
Family, Friend or Neighbors	734	$335,866
Total 2023*	1,133	$650,086

Provider OP: Breakdown by Reasons

Analysis of the data resulted in the identification of five reasons for provider OP.

Exhibit 9

PROVIDER OP BY REASON SFY23

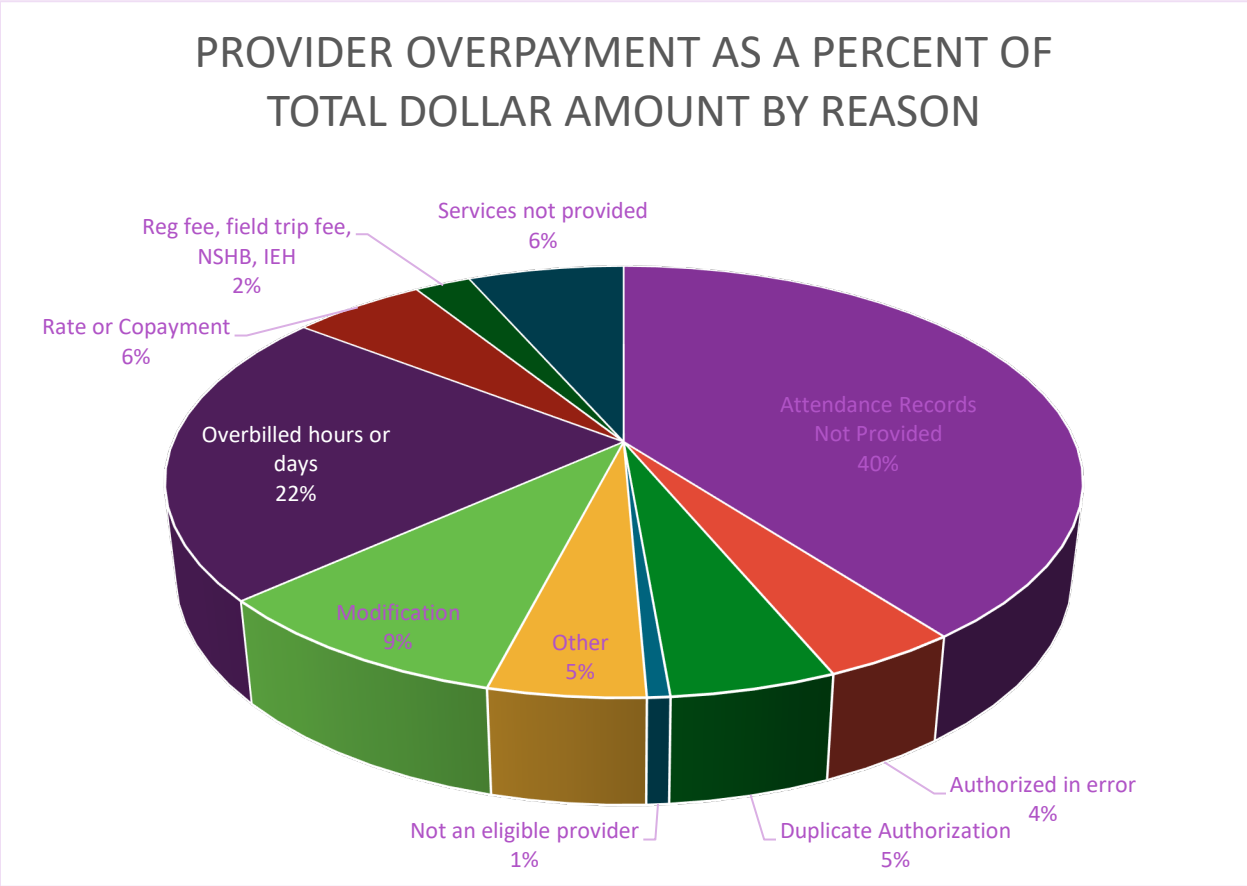
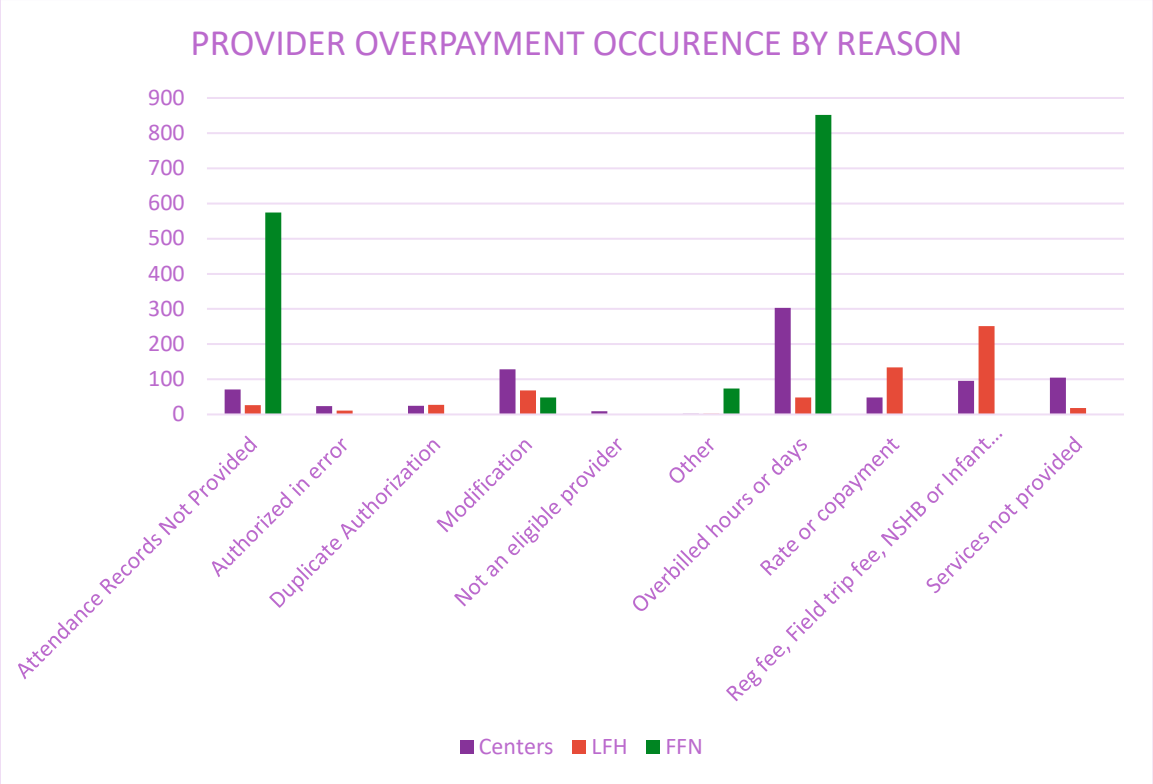


Exhibit 10

PROVIDER OP OCCURRENCES BY REASON SFY23



Reason 1: Provider does not provide attendance records

A provider receives an OP for all child care claimed for a period of time if they fail to provide attendance records requested by the department. DCYF requests attendance records from providers for QA and program integrity processes. Many of these OP are modified when a provider submits attendance records through the administrative hearing process.

Reason 2: Provider overbilled

Provider overbilling occurs when:

- Providers bill the maximum authorized amount for a shortened month or the consumer has a shortened authorization period and the provider is not eligible to bill for the full amount of care authorized. Examples of this include:

- Providers bill the maximum 23 days per month although operate only Monday through Friday. These providers cannot bill the maximum when there are fewer than 23 weekdays in a month.
- Provider bills for the authorized 23 full-day units and the child is only expected to attend four days per week. The child's attendance is verified with the provider's scheduled days of attendance and in the electronic attendance records.

The department continues to explore ways to improve and simplify provider claim accuracy. DCYF implemented formal processes to assist providers with consistent billing issues leading to the disqualification of receiving subsidy. The implementation of monthly units in July 2021 under the Collective Bargaining Agreement has simplified the billing process for LFH providers. Monthly units allow the department to authorize an average monthly unit of care. This eliminates claims for more days of care than are in an average month and reduces part-time care authorization to the anticipated amount of days scheduled with a provider.

Reason 3: Provider submits no records for services provided

Providers can bill for services in addition to child care base payments including field trip fees, non-standard hours bonus (NSHB), and overtime. Providers must have policies that require families who are private pay to pay for these additional services and must provider necessary documentation when requested. The Department assesses an OP when a provider does not have required policies, does not provide their handbook, or does not provide necessary receipts.

The department now provides technical assistance to providers who make these errors as part of the overpayment.

Reason 4: Department error

Errors occur when more care is authorized than a consumer is eligible for. 45 CFR 98.68 does not require repayment of CCDF funds unless the overpayment is a result of fraud and DCYF is exploring options to improve policies related to overpayments created by administrative error.

Reason 5: Other

Other errors occur when provider's attendance records are missing signatures, or providers have no receipts for reimbursements that require receipts, or when the provider does not have policies charging ancillary and overtime fees for families who are private pay. The department continues to provide technical assistance for providers who incorrectly claim, in addition to writing overpayments.

Summary

The total number and amount of client OP in FY 2023 is down from FY 2022. This is attributed to:

- Continuous improvement of family friendly rules, policies, and procedures.
- Implementation of the Fair Start for Kids Act.
- Improved eligibility verification processes for approving child care rather than post-eligibility referrals to OFA for an investigation.

The total number and amount of provider OP for FY 2023 is down from FY 2022. This is attributed to:

- Simplification of the claiming process for providers decreasing provider unintentional errors.
- Overpayments being modified through the Administrative Hearing Process when providers submit paper records. Paper records are allowed by the administrative law judge supporting payment for services provided.

DCYF remains committed to improving the accuracy of eligibility decisions and provider payments. This is reflected in our audit results and the continued decline of overpayments. As we anticipate adjusting to the changing child care landscape, we will continue our program integrity activities. DCYF continues efforts to strengthen policy, procedure, and training, and to collaborate with SEIU 925 and other partners to simplify processes and ensure clear communication with providers. Implementing the provider program violation rules, outlined in WAC 110-15-0277, will further reduce repeat intentional overpayments from providers.