HB 710

Mr. Chairman and members of the Committee, I am here representing the Center for Public Policy Priorities—a non-partisan, non-profit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. The center supports replacing the finger imaging requirement with alternative methods because:

- Better technology is available to HHSC to verify identity and prevent fraud more efficiently and effectively.
- The finger imaging requirement undermines HHSC's efforts to develop more efficient eligibility and enrollment processes.
- HHSC estimates the elimination of finger imaging will save $3.1 million in the coming biennium, and $8 million by 2016. The state of Texas should never spend taxpayer money unnecessarily, but this session more than ever we need to ensure that every dollar is preserved to protect critical services.

Better technology is available to HHSC to verify identity and prevent fraud more efficiently and effectively.

We acknowledge the need for strong fraud prevention measures in taxpayer-funded programs to maintain the integrity and viability of these programs. But HHSC should not be tied to finger imaging to achieve this goal. Instead, the Legislature should give HHSC the flexibility to use the best available technology to verify identity and prevent fraud. Better measures exist that are both sound **and** use HHSC's limited resources most efficiently and effectively to prevent fraud.

When finger imaging was first implemented, the eligibility determination process was paper-based with most applicants required to apply in person at a local office. At that time, there was no way for HHSC to electronically verify an applicant's identify to prevent that person from applying for benefits more than once. HHSC determined that finger imaging presented the best option at that time to prevent duplicate participation.

Since finger imaging was first used, HHSC has deployed the TIERS system and introduced electronic third-party verification using sources such as Data Broker and other electronic interfaces. This technology provides HHSC with more cost-effective tools to verify applicant information and confirm identify. For example:

- TIERS sends an automated query to the Social Security Administration to verify an applicant's social security number (SSN). This identifies applicants who might attempt to use a false SSN, which would trigger an investigation by HHC's Inspector General.
- Most applicants present their driver's licenses to prove their identity. HHC and DPS are working on a way for HHSC to have electronic access to that photo for their records.

- Third-party data sources give HHSC's front-line staff lots of information about applicants that could be used to verify their identity. For example, third-party databases provide information about cars, employment history, back accounts, and other personal information. Instead of the costly and labor-intensive finger imaging process, workers could ask questions of applicants using their personal information to verify their identity. This is similar to the process used by banks, for example, to verify identity and prevent fraud. For example, they might ask you to choose for a list of streets to confirm a former address. This is a far more cost-effective way to verify identity than the $1.5 million in state funds spent annually on finger imaging. It is also our understanding that HHSC is working with DPS to have access to additional information that would help verify an applicant's identify and prevent duplicate participation.
- Front-line staff do a number of automated queries to verify other information provided by applicants, such as birth records through the BVS and immigration status through the Department of Homeland Security. If independent data sources turn up conflicting information, the case is put on hold until correct information is provided and confirmed. HHSC could adopt the same approach to identity verification, which would prevent fraud before it occurred, providing the same deterrent effect as finger imaging.

It is important to note that finger imaging has very limited uses. It cannot be used to confirm a person's identity, because federal and state laws prevent a person's finger image from being shared.

The finger imaging requirement undermines HHSC's efforts to develop a more efficient enrollment process.

HHSC is working diligently to update its eligibility and enrollment processes to develop a more efficient and cost-effective system, control future costs, and make do with fewer staff.

- Though HHSC estimated it would need more than 1,500 additional staff in 2012-13 to meet the increase in demand for its services, HB 1 provides no additional resources for staff.
- In order to maintain access to services, continue to provide accurate benefits—which *includes the prevention of fraud*—and meet federal performance standards, HHSC must find ways to simplify processes so applications can be processed timely and accurately with fewer staff.
- One way HHSC is doing this is through a new online portal that enables people to apply online, which will reduce local office traffic and speed up application processing.
- Currently, finger imaging is the *only* rule that requires an applicant to visit a local office in order to be certified.
- Replacing finger imaging requirement with an automated and non-office based method to verify identity will support HHSC's efforts to modernize the eligibility system.

This session more than ever we need to ensure that every dollar is preserved to protect critical services.

Many worthy prevention programs and other critical health and human services face being cut this session. Replacing the finger imaging requirement with less expensive technology could prevent cuts to such vital services. In just one example, DFPS has an exceptional item for a little over $2 million to fund day care services that help keep young kids safe in their homes. This is the amount needed to restore funding for the program to 2010-11 levels.

Funding this program not only protects our most vulnerable children, it would save Texas money by keeping kids out of foster care, which is far more expensive and an entitlement.

Additional background

Finger imaging studies
Several studies have been conducted that demonstrate that finger imaging is not a cost-effective deterrent to fraud:

- In **Texas**, the state commissioned a study by UT's Center for the Study of Human Resources in 1997 to determine whether to expand the finger imaging pilot. This study found that finger imaging in Texas produced little real savings and did nothing to deter fraud.

- In **California**, the state auditor found that the state never established an initial need for its finger imaging system and therefore could not justify the tens of millions of dollars spent on its implementation and annual operation. In addition, the auditors found no evidence that finger imaging had a deterrent effect upon applicants intending to commit fraud. California's auditors also found that the system had serious drawbacks, including a high number of administrative errors, few instances of fraud detection, a potential deterrent effect on legitimate and eligible applicants, and excessive red tape.

- In **New York**, a 1997 audit of the finger imaging program found that the requirement had no significant impact on fraud reduction, casting doubts on New York's then $40 million finger imaging contract. This study argued that other welfare changes had made finger imaging largely superfluous from the outset. In an experiment using control groups, finger imaging made no difference in the dropout or approval rates of welfare recipients, regardless of whether they were told in advance that their fingerprints would be checked.

- **USDA's** report on biometric systems found that in the most carefully controlled estimate of non-compliance among existing clients, finger-imaging reduced participation by approximately 1.3 percent. However, the authors of the study stated that it was impossible to attribute the drop in participation solely to the deterrence of fraud, because the estimate reflected both reduced fraud and the deterrence of eligible individuals and households. The author of this study stated that he would revise his estimate downward, based on the findings of New York's audit.

What other states are doing: Only four use finger imaging, down from eight in 1999

- In 1999, eight states were using some form of finger imaging or other biometric identification system to identify duplicate participation. Today, only four states use finger imaging as a method for detecting duplicate participation. (AZ, NY, TX, CA).

- New Jersey, Massachusetts, and Michigan all have dropped their finger imaging programs. Illinois did a pilot project and found that finger imaging was not cost-effective. Maryland did a feasibility study and found that computer matching was the best way to address duplicate participation. Maryland's study also addressed the potential deterrent effect finger imaging can have on eligible applicants.