Written Testimony of Adam Roseman

Submitted as part of the record to the Subcommittee on Delivering on Government Efficiency,

Committee on Oversight and Government Reform

Hearing on "The War on Waste: Stamping Out the Scourge of Improper Payments and Fraud"

February 12, 2025

2157 Rayburn House Office Building

Chairwoman Greene, Ranking Member Stansbury, and Members of the Subcommittee:

Thank you for the opportunity to submit written testimony on the urgent issue of improper payments, fraud, and inefficiencies in federal benefit programs. My name is Adam Roseman, and I am here to highlight the massive financial losses incurred by federal and state programs due to outdated income verification systems, the significant delays in benefit determinations, and the failure to ensure benefits reach the right people at the right time.

The issue before us is not just about reducing improper payments—it is equally about ensuring efficiency, accuracy, and fairness in the administration of benefits. This is a bipartisan problem that, if addressed properly, can save taxpayers over $300 billion annually while improving service delivery to those who truly qualify.

I. The Problem: An Income Verification System Built for a Bygone Era

For decades, federal benefit programs—including SNAP, Medicaid, TANF, WIC, Unemployment Insurance, EITC, and SSI—have relied on antiquated, piecemeal income verification processes. These programs primarily use state wage databases, The Work Number (Equifax), and IRS tax records as their primary means of verifying income. These sources are not only limited in scope but also outdated by the time they are used. Consider the following:

- For only 20–25% of claimants, some W-2 wage data is available—but even then, there is no guarantee that it includes all W-2 earnings. The system does not capture 1099

income, gig work, self-employment earnings, or non-work income such as rental income, child support, alimony, and other forms of financial assistance.

- For the remaining 75–80% of claimants, no real income data is available—meaning their eligibility is determined solely based on self-attestation or manual documentation, which is often incomplete or inaccurate.

- Due to limited state resources and lack of a federal mandate, states are often forced to either:

    - Accept self-reported income without verification,

    - Request cumbersome, manual documentation, or

    - Close cases when they receive any single data point (such as a lone W-2 record), without further investigation.

This flawed system results in billions of dollars in improper payments annually, allowing ineligible recipients to receive benefits while making it harder for eligible Americans to get timely assistance.

II. The Consequences: Billions in Waste, Delayed Benefits, and Fraud

The Government Accountability Office (GAO) estimates that $2.8 trillion in improper payments have been made since fiscal year 2003, with $186 billion in improper payments in FY2023 alone. The largest sources of improper payments include Medicare, Medicaid, Unemployment Insurance (UI), Earned Income Tax Credit (EITC), and Supplemental Security Income (SSI).

This problem is not just about fraud—it is about gross inefficiencies that cause delays in benefit determinations and force states to rely on outdated processes.

- Millions of Americans receive benefits months after exceeding eligibility thresholds, simply because no real-time monitoring exists. This alone accounts for tens of billions in improper payments annually.

- Many eligible beneficiaries are forced to wait weeks or months while states manually review income—delaying necessary support for families in need.

- During the pandemic, emergency unemployment programs saw record levels of fraud and improper payments, exposing vulnerabilities that cost taxpayers over $100 billion in fraudulent claims.

- Real-time monitoring of income changes could save an additional 10–20% of total program costs, exceeding $100 billion annually.

Simply put: the federal government is failing at the most basic function of ensuring the right benefits go to the right people at the right time.

III. State-Level Successes: Missouri, Alabama, and Louisiana Have Proven the Solution Works

Three states—Missouri, Alabama, and Louisiana—have demonstrated that real-time income verification using consumer-permissioned deposit account data can transform government efficiency, eliminate improper payments, and accelerate benefit determinations. Their results should be a model for national adoption:

Missouri:

- Missouri's innovative leadership in deploying AI-driven, real-time income verification system uncovered that over 17% of applications that would have been approved under traditional methods were actually ineligible due to undisclosed income.

- If extrapolated nationally, this solution could prevent over $200 billion in improper payments.

Alabama:

- Alabama's Department of Labor automated income verification for unemployment benefits, reducing processing time from 15–60 minutes per claim to under 3 minutes.

- 35% of claims were processed with no human intervention, saving millions in administrative costs and preventing fraud.

Louisiana:

- Louisiana's modernized system reduced unemployment benefit processing times from three weeks to under 24 hours.

- The ability to monitor real-time income changes prevented extended overpayments, ensuring funds went to only those who qualified.

These states have shown that real-time, automated income verification works. It eliminates waste, reduces fraud, speeds up payments, and saves taxpayer dollars.

IV. The Path Forward: A Federal Mandate for Real-Time Income Verification

The federal government must act now to end the cycle of waste and inefficiency in income verification. To do this, Congress should enact legislation to:

1. Mandate Total, Real-Time Income Verification Across All Federal Benefit Programs:

   - Require states to follow Missouri's lead and integrate consumer-permissioned data with the ability to track all sources of income and cross-check with payroll data, which captures all sources of income (W-2, 1099, gig, rental, child support, and more).

   - Eliminate the 75–80% of cases where agencies currently see zero verified income data.

   - Ensure real-time monitoring, which could push total savings beyond $300 billion annually.

2. Replace the "Pay-and-Chase" Model With Pre-Payment Prevention:

   - Stop wasting billions recovering improper payments and instead prevent them before they occur.

3. Tie Federal Funding to Compliance:

    ○   States should only receive federal funding for benefits programs if they adopt real-time verification technology.

4. Leverage Proven Technology:

    ○   Proven solutions, like those used in Missouri, Alabama, and Louisiana, should be scaled nationally to prevent fraud and accelerate benefit processing.

V. Conclusion: A Simple Fix That Could Save Over $300 Billion Annually

The current system is failing both taxpayers and beneficiaries. We have a clear, data-driven solution that could save taxpayers over $300 billion annually while ensuring that benefits reach the right people—quickly and accurately.

I urge this Subcommittee and Congress to mandate real-time income verification and eliminate the inefficiencies that have plagued our benefits programs for far too long.

Thank you for your time and consideration.

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