

# Monthly Wage Reporting and Proposed Wage Reporting Enhancements

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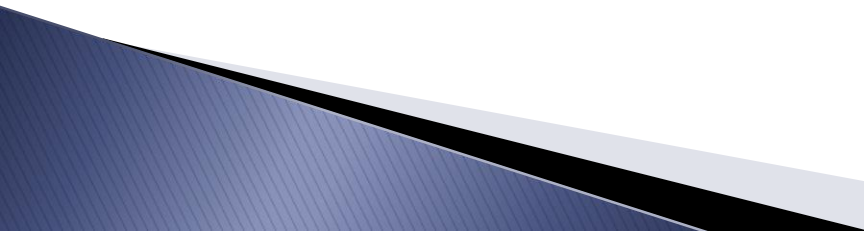
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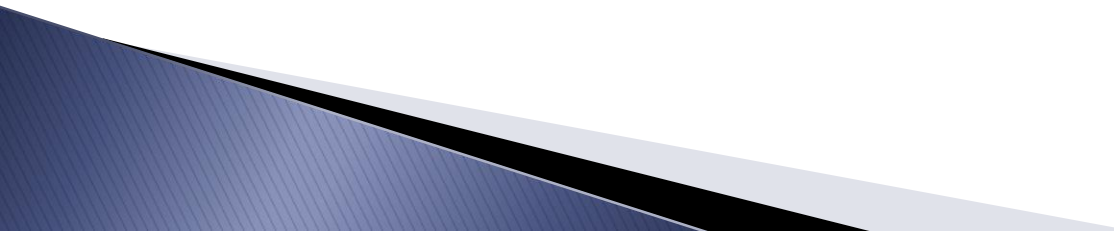
# Save Medicaid Access and Resources Together (SMART) Act

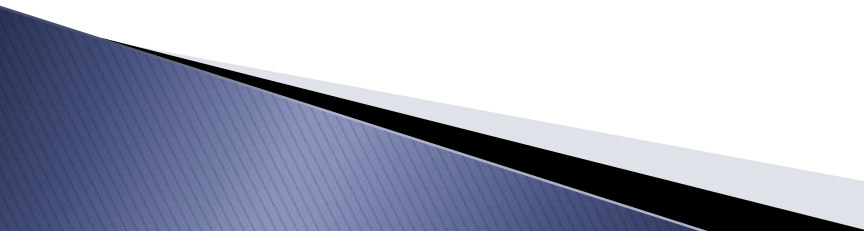
- ▶ Enacted in 2012 as part of legislative package to address estimated \$2.7B shortfall facing Illinois' Medicaid program.
- ▶ Included requirement for monthly submission of UI wage reports to improve ability to monitor Medicaid eligibility.
- ▶ Agreed to by Illinois employer community.

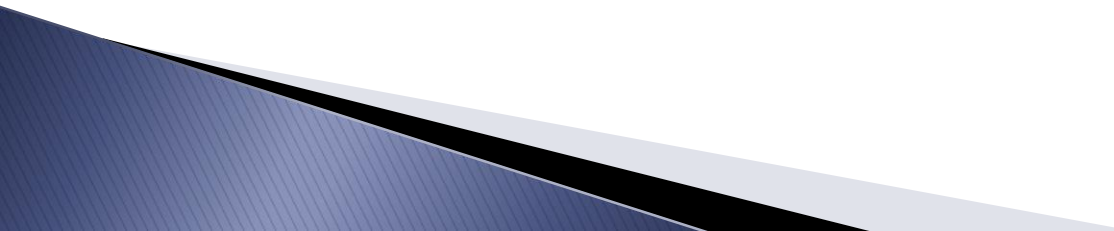
# Monthly Reporting Considered Preferable to New Hire Reports in Illinois

- ▶ Generally better compliance rate for wage reports
  - ▶ Less cumbersome enforcement mechanism for wage reports
  - ▶ Data from wage reports more manageable
  - ▶ Wage reports contain wage information
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“For any month which begins on or after January 1, 2013, a report of the wages paid to each of an employer's workers shall be due on or before the last day of the month next following the calendar month in which the wages were paid if the employer is required to report such wages electronically pursuant to the regulations of the Director; otherwise a report of the wages paid to each of the employer's workers shall be due on or before the last day of the month next following the calendar quarter in which the wages were paid.” 820 ILCS 405/1402.

- ▶ Electronic reporting threshold at time of enactment was 250 or more.
  - ▶ Given efficiencies from electronic reporting, IDES planned to lower threshold to 25 or more.
  - ▶ Developed rulemaking agreed to by employer community to phase in lower thresholds for monthly reporting.
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- ▶ Phase-in for Monthly Reporting Threshold
    - 250 or more – 1/1/2013 (effectively moved to 2/1/2013)
    - 100 to 249 – 7/1/2013
    - 50 to 99 – 1/1/2014
    - 25 to 49 – 7/1/2014
  
  - ▶ Notices issued to each employer group prior to effective date of monthly reporting phase-in for that group.
  
  - ▶ Six-month grace period for employer newly subject to electronic/monthly reporting.
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- ▶ Worked closely with interested parties on content requirements.
  - ▶ New reports for each of first two months of quarter.
  - ▶ Traditional quarterly report would constitute report for third month.
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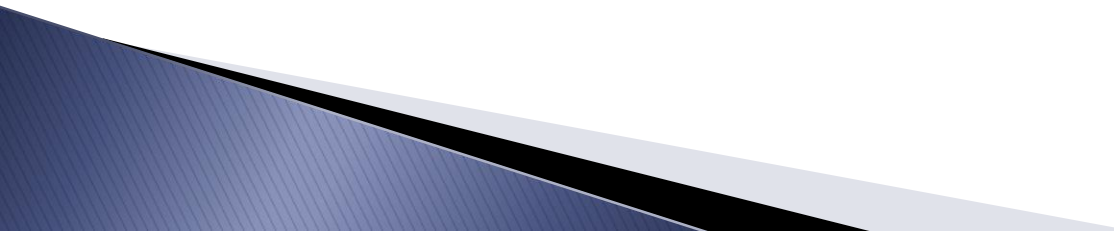
- ▶ Streamlined means of electronic reporting.
- ▶ Reports for each of first two months submitted through file upload onto IDES's TaxNet system.
- ▶ Reports for each of first two months provide:
  - employer name, FEIN, UI account number, total wages  
(E,123456789,9876543,2000,0)
  - employee name, SSN, monthly wage  
(S,John,Smith,123-45-6789,1000  
S,John,Doe,124-53-9768,1000).
- ▶ Report for quarter submitted through FTP, manual entry or file import or upload onto TaxNet system.



# Potential Benefits of Monthly Reporting

- ▶ Combined Medicaid savings from SMART Act initiatives estimated at \$1.1B (not just attributable to monthly wage reporting).
- ▶ Potential as UI integrity tool to detect claim fraud (e.g., manual run indicated 6,457 individuals with wages in February and April 2013, who collected benefits for 4 of 4 weeks in February, March and April and did not report any wages).
- ▶ Automated call-ins based on cross match between monthly reports and claims.

# Additional Rulemaking Required to Address Unintended Consequences

- ▶ Employers incurred penalties as a result of transitional issues.
  - ▶ IDES rulemaking automatically took down more than \$14M in penalties.
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## Other Efforts to Combat Waste, Fraud and Abuse

- ▶ Cross matches against state driver's license records.
- ▶ Call-in notices where remote claimant provides out-of-state ID (will have to present or send copy of ID).
- ▶ Federal TOP initiative.
- ▶ Inmate cross matches.
- ▶ Social security cross matches.
- ▶ Work search cross matches.
- ▶ National Directory of New Hires

# Potential Future Wage Report Items

- ▶ PA 98–1133 authorized rulemaking to require employers subject to monthly reporting to report employee occupation; hours worked; hourly wage; work location.
- ▶ IDES would have to permit additional items to be submitted via “native files.”





# New Reporting Requirements: Impact on Employers and State Workforce Agencies



# Illinois Monthly Wage Reporting – Impact to Employers

- ▶ Just running an existing process more frequently?
- ▶ Employers must undertake extensive data gathering efforts to value and input reportable benefits information:
  - Dependent care/adoption assistance
  - Employer retirement plan contributions
  - Educational assistance
  - Lodging & meals
  - Transportation/parking benefits
  - Third Party Sick Pay
- ▶ Monthly reporting will cost Illinois businesses in excess of \$115 million per year, excluding one-time transition costs, such as programming

◦ *Ernst & Young Study:* [www.nprc-inc.org/govcst.html](http://www.nprc-inc.org/govcst.html)

# Illinois Monthly Wage Reporting

- ▶ Must be filed electronically
- ▶ Unique specifications
  - [http://www.ides.illinois.gov/Pages/Monthly\\_Wage\\_Reporting.aspx](http://www.ides.illinois.gov/Pages/Monthly_Wage_Reporting.aspx)
- ▶ Department of Employment Security was very helpful in implementation

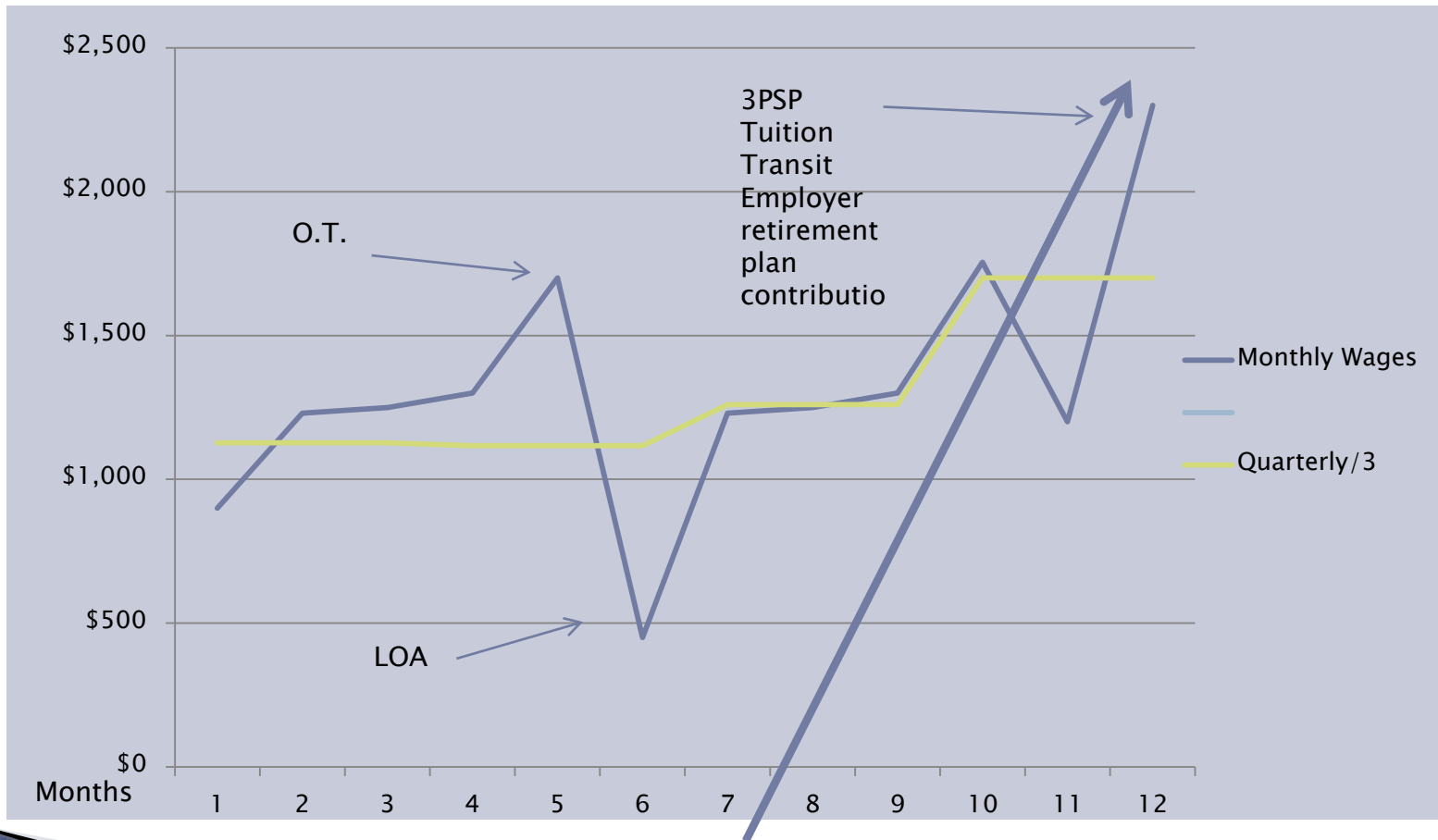
# Intended Use: Identify Ineligibles

- ▶ 2011 Illinois Medicaid reform law (P.A. 96-1501) requires verification of one month of income & Illinois residency
  - Medicaid eligibility: = 133% of FPL (\$2,643/month – family of 4)
- ◆ Intended for Medicaid eligibility check
  - ◆ Recipients are expected to report changes in Income to Medicaid
    - ◆ Eligibility is re-determined based on monthly income
      - ◆ Source: Center on Budget and Policy Priorities, August 28, 2013
- ◆ Stating the obvious: Medicaid needs to identify beneficiaries with significant, ongoing income increases
  - ◆ Who are truly no longer eligible for benefits



# How useful?

Issue 1: Wage levels naturally vary significantly



Issue 2: When is non-cash compensation input?

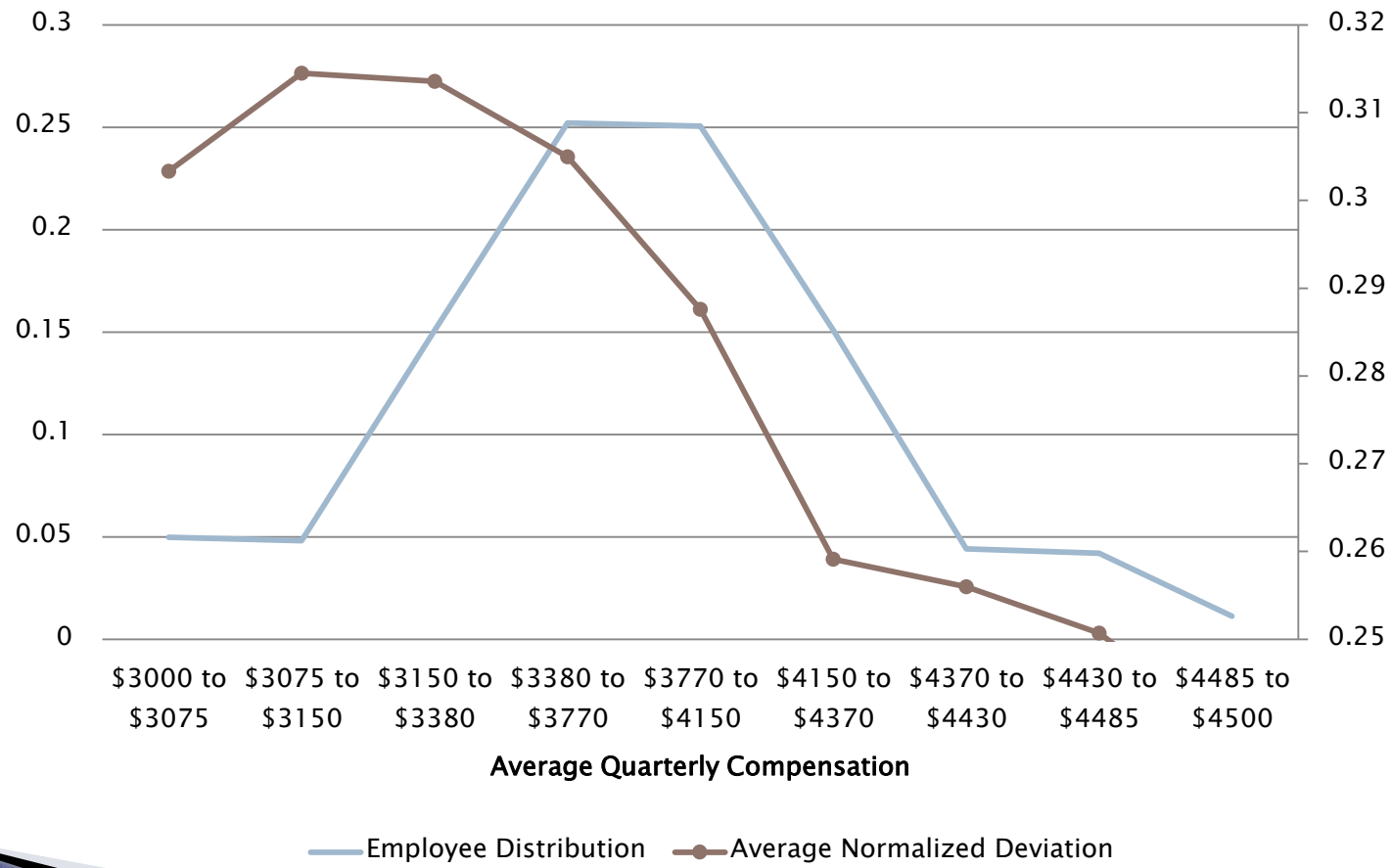
# How useful?

## 1. Wage volatility

- ▶ Individuals: 40 percent of workers ages 25 to 55 experience changes in year-to-year earnings of 25 percent or more.
- ▶ Households: 25 percent saw their income change by 25 percent
  - More than a quarter of them move into or out of employment.
  - Unmarried, younger workers, those with less education, and lower earnings have higher volatility
    - Source: CONGRESSIONAL BUDGET OFFICE, Recent Trends in the Variability of Individual Earnings and Household Income, 2008
  - This is roughly consistent with a Federal Reserve study: Earnings Variability in the United States, Columbia University & Federal Reserve Bank of NY, 1998

# ADP Research Institute Study of Wage Volatility

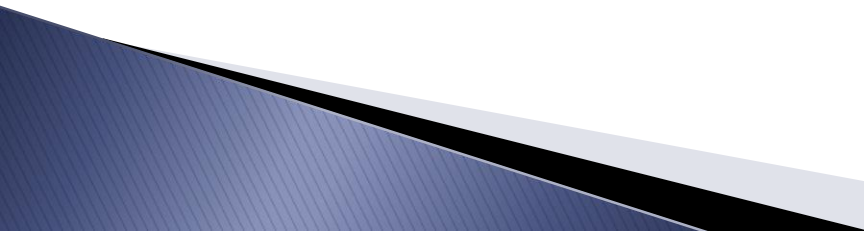
## Normal Variation in Quarterly Wages, by Income Level



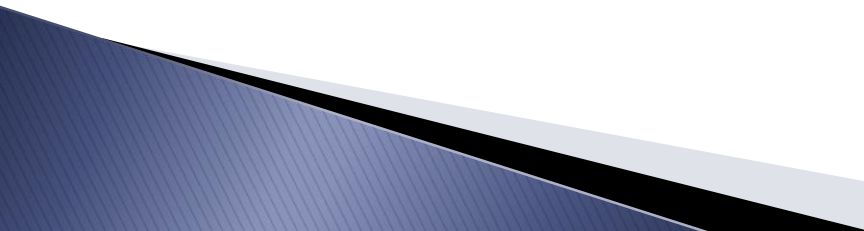
# Why? A. Natural Wage Volatility

- ◆ Cash earnings naturally vary significantly from month to month
  - ◆ Overtime
  - ◆ Holiday/shift premiums
  - ◆ Performance bonuses; profit sharing
  - ◆ Commissions
  - ◆ Stock options
- ◆ Workers leaving and entering the work force
- ◆ Part-time, seasonal, contingent and temporary services workers often have highly volatile cash wages.

# Why? B: Recognition of Benefits

- ▶ Non-cash compensation is often not regularly recognized.
  - ▶ Some employee benefits are added to the payroll system for reporting quarterly or annually, which can cause monthly earnings to vary dramatically.
  - ▶ Employers offer up to 50 types of compensation
    - Dependent care and adoption assistance,
    - Athletic facilities
    - Educational assistance
    - Lodging & meals
    - Personal use of a company car
    - Transportation and parking allowances
- 

# Why Is Wage Volatility a Problem?

- ▶ Reliance on monthly earnings could cause many *eligible* Medicaid recipients to be incorrectly identified as *ineligible*
  - ▶ Will the Medicaid agency be compelled to contact employers to verify apparent wage increases?
  - ▶ For employers, gathering all reportable compensation and reporting it on a monthly basis will require continual effort and expense
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# How useful?

## 2. Definitions Don't Line Up

- ▶ Some UI-reportable compensation is expressly excluded from Medicaid eligibility; e.g.
  - Cafeteria/flexible spending plans, 401(k) contributions
  - Lodging
  - Scholarships, awards or grants used for education
  - Relocation allowances attributable to moving expenses
- ▶ Will due process require verification?
  - *Will employers experience additional workload to respond to Medicaid agency requests for verification?*

# How useful?

## 3. Not Available Much Sooner

- ▶ Monthly reporting will only hasten availability of wage data substantially in four months of the year.
- ▶ In the other eight months, there is either no improvement in availability, or a gain of only thirty days over the current quarterly reporting system.
  - E.g., the deadline for the March wage report is April 30 – the same date as the existing quarterly report.





# New Hire Reporting vs. Wage Reporting

- ▶ Is monitoring each month's wages effective?
  - Earnings generally do not permanently increase substantially while working for the same employer.
    - Significant earnings increases are normally associated with job *changes*.
- ▶ Monthly wage reporting applies to less than 10% of Illinois employers
  - New Hire reporting applies to all employers
- ▶ New Hire reports are much faster – – within 20 days of hire, versus up to 60 days for monthly wage reports.

# New Hire Reports are Faster

- ▶ *Example:* A person starts a new job on January 14, 2013.
  - Initial pay period ends January 25.
  - First paycheck is a week later, on February 1.
  - The first monthly wage report for the new worker would be due to IDES on March 31.
  - The New Hire Report for that same worker would be due on February 4 – – *55 days earlier*
    - *Probably even sooner from twice-monthly electronic reporters*
- ▶ A deadline of 20 days from hire date will always be faster than 30 – 60 days from a new employee's first pay date.



# News Release

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**Pat Quinn, Governor**

**Jay Rowell, Director**

**For Immediate Release  
February 25, 2013**

**Greg Rivara**  
Media: (312) 814-0095  
[www.ides.illinois.gov](http://www.ides.illinois.gov)

## **New Monthly Wage Reports to Fight Fraud in Unemployment, Medicaid, Affordable Care Programs** *Stopping Fraud Before it Starts to Save \$100 Million Each Year*

**CHICAGO** – New monthly wage reports will help stop individuals from illegally collecting unemployment insurance benefits while working because officials will have the most up-to-date wage information available, the Illinois Department of Employment Security (IDES) said today.

The new monthly reports also will help prevent fraud in the Medicaid and the Affordable Care Act programs because the up-to-date wage information will more quickly identify those who make too much money to qualify.

# Summary

- ◆ Is Illinois a significant precedent?
  - ◆ Effective in verifying Medicaid eligibility?
  - ◆ If so, could be a major advancement in Integrity capabilities for many government benefit programs
- ◆ More frequent wage reporting is probably not cost-effective for means-tested benefit programs such as Medicaid, due to
  - Natural wage volatility
  - Irregular recognition of non-cash compensation
- ▶ Monthly wage reporting may prove useful for other purposes, such as unemployment insurance
  - But New Hire reporting is much faster

# Proposed Wage Reporting Enhancements

Tom Crowley  
ADP

# Enhanced Wage Reporting

## State Efforts – Louisiana Workforce Commission (LWC)

- ▶ Seeking to add 2 new data elements to UI reporting
  - Nominal hourly pay rate; and
  - Standard Occupational Classification Code
- ▶ NPRC seeking clarification and definitions
- ▶ New reporting effective on voluntary basis on July 1 for 2015/2 wage reporting
- ▶ Required reporting begins on January 1, 2016 for 2015/4 wage reporting
- ▶ Reporting required for all employers
- ▶ Fields must not be blank
- ▶ All LA employers required to file electronically

# Enhanced Wage Reporting

## State Efforts – LWC

- ▶ Nominal rate of pay
  - Only if there is no other option for an employer to report will the employer use a calculation.
  - For salaried employees, base the calculation on a 40 hour work week.
  - For example, \$21.56 would be populated as 0215600





# Enhanced Wage Reporting

## State Efforts – LWC

- ▶ Standard Occupational Classification (SOC) Code
  - Using BLS 2010 SOC codes – over 840
  - Assigned to each employee and reported at the individual wage record level
  - LA will allow either job description or actual SOC
  - LA will use OccuCoder software to automatically convert job descriptions to SOC codes
  - Demo link – <http://demoapps.itsc.org/occucoder/occucoder-ajax.html>



WORK IN PROGRESS



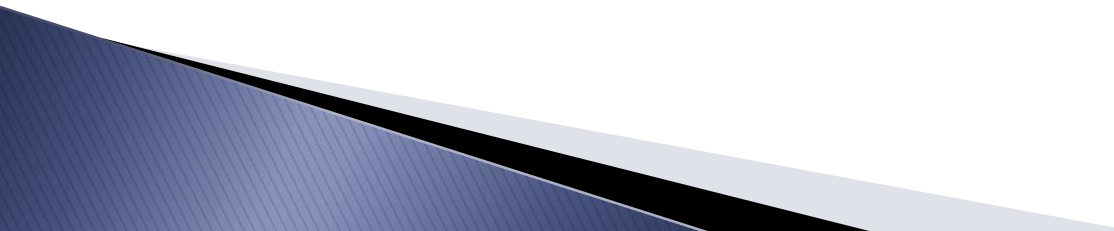
# Enhanced Wage Reporting

## State Efforts – LWC – SOC Code Examples

Certified Athletic Trainers	29-9091
Certified Children, Youth, and Family Social Workers	21-1021
Certified Dental Assistants	31-9091
Certified Detention Deputies	33-3012
Certified Marine Mechanics	49-3051
Certified Morticians	39-4031
Certified Nuclear Medicine Technologists	29-2033
Certified Nurse Aides	31-1014
Certified Nurse Midwives (CNM)	29-1161
Certified Nursing Assistants	31-1014
Certified Occupational Therapy Assistants	31-2011
Certified Orthotic Fitters	29-2091
Certified Personal Chefs	35-2013
Certified Pharmacy Technicians	29-2052
Certified Public Accountants	13-2011
Certified Recreational Therapists	29-1125
Certified Registered Nurse Anesthetists (CRNA)	29-1151
Certified Respiratory Therapy Technicians	29-2054
Certified Surgical Technologists	29-2055
Certified Vehicle Fire Investigators	33-2021
Chambermaids	37-2012
Change Persons, Gaming	41-2012
Changers, Tire	49-3093

# Enhanced Wage Reporting

State Efforts – DC Division of Employment Services (DOES)

- ▶ DOES implementing Hours Worked reporting
  - ▶ Effective for 2015/2 UI wage reports
  - ▶ Data being collected for DC Wage and Hour
  - ▶ To be used for enforcing FLSA rules in restaurant business area
  - ▶ At the present time, files will not be rejected for missing or invalid data
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# Enhanced Wage Reporting

## Federal Efforts –Workforce Investment Opportunity Act (WIOA)

- ▶ WIOA, in a Notice of Proposed Rule Making (NPRM), says the US DOL Secretary will develop:
  - (1) Standardized definitions for the data elements comprising “wage records” as defined in § 652.301; and
  - (2) Improved processes and systems for the collection and reporting of wage records.



# Enhanced Wage Reporting

## Federal Efforts –H.R. 644

- ▶ Amends Section 1137 of the Social Security Act to require employers to report:
  - *such occupational information with respect to each employee of the employer that permits the classification of such employees into occupational categories as found in the Standard Occupational Classification (SOC) system.*
- ▶ Will be used to *analyze and evaluate occupations in order to improve the labor market for workers and industries.*
- ▶ State UI agencies would be required under Federal law to collect SOC codes with UI wage records for all employers
- ▶ Bill has not been reconciled and is still in Congress



# Enhanced Wage Reporting

## Workforce Information Council (WIC)

- ▶ Formed the Administrative Wage Record Enhancement Study Group
- ▶ Membership includes BLS, ETA, NASWA, and state UI/LMI staff
- ▶ Purpose “is to examine the feasibility of improving local and state Labor Market Information by adding data elements to the quarterly wage record reports ...”



# Enhanced Wage Reporting

## WIC – Survey

- ▶ Inventoried state UI wage record requirements
- ▶ Identified wage record data some states already collect that is in addition to SSN, name and wage
- ▶ Looked at uses of wage record data beyond administration of the UI program
- ▶ Surveyed state UI agencies on their collection of UI wage records – how, what, when?
- ▶ Surveyed payroll service and software companies to assess their capacity to collect and report additional data

Examples of UI Wage Record Uses and User Programs Identified by States/Territories

Programs and Agencies Identified as Using the UI Wage Records	Primary Uses of Wage Record Information												
	Employment Verification	Income Verification	Fiscal Management	Investigations	Locating Individuals	Law Enforcement	Data Generation, Market and Policy Analysis	Program Administration	Eligibility Determination	Program Performance Assessment	Credit/Grant/Loan Making	Collection of Fines, Restitution, Penalties, Debts, Overpayments	Tax Collection
Workers' Compensation				Most use		Most use							
Financial Institutions		Most use							Most use		Most use		
FMHA Loan Program		Most use								Most use			
HUD Assisted Housing Program		Most use						Most use	Most use				
State and Local Housing Programs		Most use						Some use	Most use				
Human Services Agencies		Most use		Some use				Some use	Most use				
Temporary Assistance for Needy Families (TANF)		Most use	Some use				Most use	Most use					
Supplemental Nutrition Assistance (Food Stamps)	Some use	Most use					Some use	Most use					
Public Assistance	Some use	Most use	Some use				Most use	Most use					
Utility Assistance		Most use						Most use					
USDA Rural Assistance		Most use					Some use	Most use					
Social Security		Most use					Most use	Most use					
Retirement Programs	Some use	Some use		Some use			Most use						
Health Care	Some use	Most use		Some use		Some use	Most use	Most use			Some use		
Health Insurance	Most use	Most use	Some use				Most use	Most use					
Mental Health		Most use					Most use	Most use	Some use				
Medicaid Assistance	Some use	Most use		Some use		Some use	Most use	Most use					
Disability Assistance	Most use	Most use		Some use		Some use	Most use	Some use	Some use				
Debt Collection Agencies						Most use					Most use	Most use	
IRS and State Revenue Agencies		Some use	Some use	Some use		Some use				Some use		Most use	

Most use:       Some use:       Few use:       No use mentioned: 



# Enhanced Wage Reporting

## WIC – Items under consideration

- ▶ Hours worked – regular and premium
- ▶ Weeks worked
- ▶ Salary paid
- ▶ Hourly wages paid – regular and premium
- ▶ Other cash compensation paid
- ▶ Non-cash compensation paid
- ▶ Job title
- ▶ Standard Occupational Classification Code
- ▶ Principal work location
- ▶ Employee's time at alternate work locations
- ▶ Paid leave



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