



Director Damschroder update on the Unemployment Insurance program

(As prepared, May 17, 2021)

- It's been about three months since I became Interim Director of the Ohio Department of Job and Family Services.
- As you know, because of the pandemic and Ohioans' great need for unemployment assistance during this time, there have been a lot of questions about the Unemployment Insurance program within ODJFS – from claimants, from lawmakers, and from you, members of the media.
- From the start, I said I would share publicly the facts about Ohio's unemployment insurance program – not just the improvements, but the overpayments as well.
- The assessment of the fraud and other overpayments – as well as careful checking for accuracy of the numbers – has taken some time.
- But today, I will share the overpayments issued since the start of the pandemic.
- The women and men of ODJFS continue to work hard every day to ensure Ohioans in need receive the money they deserve. AND we continue to work on improvements – improvements that involve everything from answering questions in the call center – to clearing up a person's issue on their claim -- to enhancing system security with cutting-edge technology to combat fraud.
- Overall, I believe that the Unemployment Insurance program is in a much better position now than it was a year ago.

Overarching Context

- When the global pandemic hit in March 2020, Ohio's unemployment rate was at its lowest in a decade. Ohio's unemployment insurance program was suddenly charged with the responsibility of paying millions of Ohioans who were suddenly out of work. It's no secret that in the early days of the pandemic, the agency was under tremendous pressure to pay legitimate claims quickly. And ODJFS certainly wanted to do that. Ohioans were hurting!
- Our system was built for the equivalent of a normal annual rainfall. It was not prepared for a once-in-a-hundred-years "flood" – called the COVID-19 pandemic.
- Some people out of work due to the pandemic didn't qualify for traditional unemployment insurance. These individuals include "gig" workers – people who delivered food and car rides – restaurant employees, hairdressers, as well as individuals who were self-employed. These Ohioans had jobs that did not contribute to the unemployment system – which left them ineligible for assistance at the beginning of the pandemic.
- To help, the federal government passed new legislation: the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act. The CARES Act created a new program for

these workers, called Pandemic Unemployment Assistance, or PUA. Ohio implemented this program in less than 45 days.

- The CARES Act law also gave extra money each week for every eligible person receiving unemployment in Ohio. It was an extra \$600 a week on top of the base unemployment benefits at the beginning of the pandemic; today it is an extra \$300 a week. This extra money is called “Federal Pandemic Unemployment Compensation,” or FPUC. As you can imagine, the extra money every week drove up both payments to individuals – and any *overpayments* – very quickly.
- Since the passage of the CARES Act, the federal government has extended the pandemic programs and monetary benefits three times. This has made up to **79 weeks** of federally funded unemployment benefits available to eligible claimants. Because of these extensions, some Ohioans who were laid off in *March 2020* could still be receiving unemployment benefits and the FPUC money today.
- By contrast, the typical pre-COVID unemployed Ohioan received unemployment for only 14 weeks.
- To implement these new federal programs, Ohio – like other states – had to implement new systems and programming. That included programming for issuing legitimate payments, putting safeguards in place to prevent improper payments, and providing detailed federal reports.
- Balancing these items meant Ohio had to build the plane while flying it at the same time. We did not finalize programming of federal reporting changes until recently to include the FPUC portions of fraud and non-fraud overpayments. This is the reason that the numbers you will hear today will be larger than the numbers ODJFS has reported in the past.
- Before I get into the actual numbers, let me explain the distinction between a fraud overpayment and a non-fraud overpayment. Understanding these two terms will be important to understanding the data.
 - **Fraud overpayments:** To be eligible for unemployment insurance, you must be unemployed through no fault of your own; that is the foundation of this federal-state program. Fraud is a legal term; it is a crime. It means that an individual intentionally carried out a deliberate plan to be paid unemployment money that he or she was not entitled to. It also means that the agency has made a factual determination based on its review of the claim file.
 - **Non-fraud overpayments:** Conversely, non-fraud overpayments happen by mistake. This can be a mistake by an employer, a claimant, or the agency.
 - One example of a mistake by a claimant is misunderstanding the rules and not reporting earnings in a weekly claim because they hadn't yet actually received their paycheck for that week.
 - An example of a mistake by the agency is clearing an eligibility issue on a benefit claim and enabling payment without thorough review, due to the high claims volume during the pandemic.
 - An example of a mistake by an employer during the pandemic is not timely reporting an employee's wages to allow for an accurate benefit decision.

Overpayment Numbers

- The overpayment numbers that I will outline are large; there is no getting around that fact.
- Since we are one of the first states to publicly discuss the impact of overpayments, and because each state takes a different approach to the claims review timetable, we are not yet able to accurately compare our numbers to those of other states. But it is clear that widescale fraud and overpayments have been experienced nationwide during this global pandemic. **No state has been immune.**
- That being said, here are the numbers:
 - Total fraud overpayments in the traditional unemployment insurance program, from the beginning of the pandemic through the first quarter of 2021 – including the FPUC money – amount to approximately \$21 million.
 - Total non-fraud overpayments in the traditional unemployment insurance program, from the beginning of the pandemic through the first quarter of 2021 – including the FPUC money – amounts to about \$ 457 million.
 - Total fraud overpayments in the Pandemic Unemployment Assistance program, the program for the self-employed, gig workers, and others who did not qualify for the traditional unemployment insurance program from the beginning of the pandemic through February 2021, including the FPUC money, amounts to just under \$441 million.
 - Total non-fraud overpayments in the Pandemic Unemployment Assistance program, from the beginning of the pandemic through February 2021, including the FPUC money, amounts to \$1.2 billion.
- Again, it has taken some time to analyze, validate, and report these numbers to the federal Department of Labor.
- Although the data validation process took upwards of a month, I can now say with confidence that the reports we amended and filed with the federal Department of Labor today are accurate and reliable.
- We still have a group of claims with suspected fraud indicators that need to be reviewed before making a final decision. The overpayment numbers will grow as the claims are reviewed. We will continue to be transparent about these numbers.

Auditor of State

- As you know, the Ohio Auditor of State has the duty to audit the financial records of all state agencies. In the course of its Single State Audit for the last fiscal year– the timing of which coincided with the height of the pandemic – the Auditor rightfully questioned the accuracy of the agency’s overpayment reporting tools in the Pandemic Unemployment Assistance program.
- When I accepted this role, I made it clear to our team that fixing the items identified by the Auditor of State is a priority.
- And we will continue to be transparent.

Recent Progress

Here are some other examples of our recent progress—our overall continual effort for improvement.

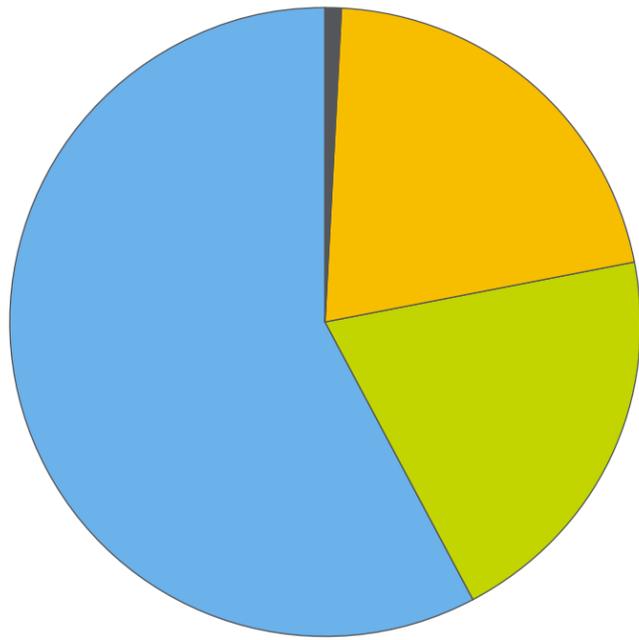
- In partnership with the Ohio Business Roundtable, our Public-Private Partnership Team – or P3 Team – was created. The P3 Team has made great improvements since beginning its work in February.
- As you know, the P3 Team works hand-in-hand with our team at ODJFS. The P3 Team consists of about 15 core experts. In addition, about 30 other subject-matter experts from 12 private companies in the banking and insurance industries have loaned their help. And this P3 Team has improved everything from the Call Center to the claims process to anti-fraud measures.
- We now answer Ohioans’ questions faster than ever before. Our average wait time is about 10 minutes in the Call Center. That’s compared to January, when it might have taken a few hours to get through to someone at peak times.
- We are making huge progress in the claims backlog. The P3 Team – working with ODJFS – has eliminated the non-fraud claims backlog for 2020 and is on track to clear the 2021 non-fraud backlog in the coming weeks. We now have 880 adjudicators working – the highest number since the pandemic started – so that legitimate claimants can receive benefits as quickly as possible. Workflow and systems have been improved.
- We have enacted effective, cutting-edge anti-fraud technology that’s working. We’re now using Experian and LexisNexis as well as other technology, which has greatly reduced the number of fraudulent applications. The number of new claims being filed has dropped 90 percent! The peak – of more than 100,000 new claims filed per day in February – dropped to less than 10,000 new claims filed per day in April.
- In short, we have learned and improved through this unprecedented experience.

Next Steps

- So, what happens next?
- We are currently working on a waiver policy for non-fraud overpayments. That policy must align with federal law and guidance, some of which was issued recently. This may allow us to establish blanket waivers to individuals who have been overpaid through no fault of their own, in certain circumstances. We will have more information on that soon.
- We are in a different stage of the pandemic this year. Ohio is now in the stage of recovery. Nearly 5 million Ohioans have been vaccinated. Our unemployment rate is 4.7 percent, compared to the national unemployment rate of 6 percent. Ohio's economy is getting stronger.
- However, at a time when employers are telling us that their businesses are bouncing back, they are struggling to find workers. What is clear is that workers are no longer out of work because of the pandemic shutdown. The federal assistance – the extra \$300 a week in FPUC payments – is now discouraging some people from returning to work. And that assistance was always intended to be temporary.
- As the Governor announced last Thursday, we will be notifying the federal government that we will be ending FPUC as of June 26th and returning to pre-pandemic monetary benefits. This will give recipients time to get vaccinated and continue to look for work.
- Ohio's premier job-matching site, [OhioMeansJobs.com](https://ohiojobs.com), is available for all Ohioans seeking work and right now lists more than 180,000 job openings. More than half of those pay \$50,000 a year or more. It also provides tools for Ohio job seekers to brush up their interview skills and résumé writing.
- We will continue to make our unemployment insurance programs as efficient, reliable, and fraud-proof as possible. We have made great progress. And our work for improvement continues every single day.
- I'm happy to take your questions at this time.

Unemployment Overpayments

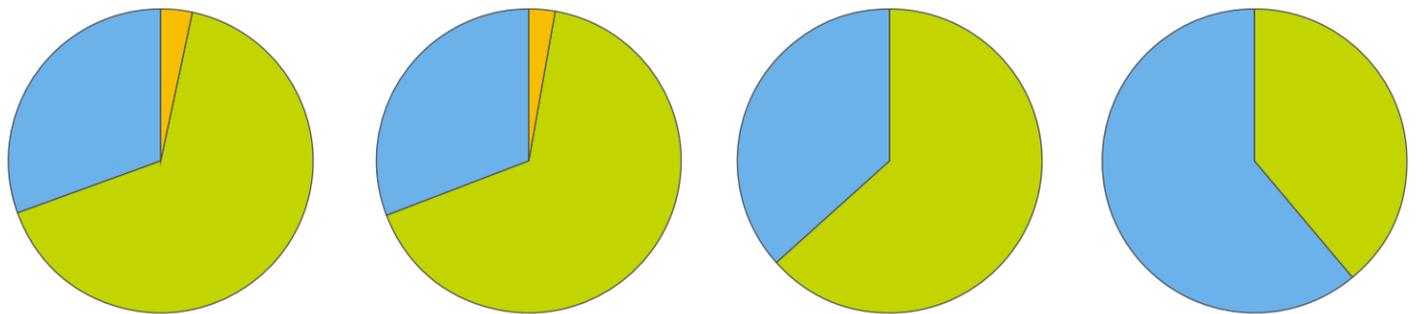
Unemployment Insurance Overpayments vs Pandemic Unemployment Assistance Overpayments



Unemployment Insurance Fraud	\$21 million
Unemployment Insurance Non-Fraud	\$457 million
Pandemic Unemployment Assistance Fraud	\$441 million
Pandemic Unemployment Assistance Non-Fraud	\$1.2 billion

*All Numbers Rounded

Overpayments by Type



	Unemployment Insurance Fraud (April 2020 - March 2021)	Unemployment Insurance Non-Fraud (April 2020 - March 2021)	Pandemic Unemployment Assistance Fraud (May 2020 - February 2021)	Pandemic Unemployment Assistance Non-Fraud (May 2020 - February 2021)
Pandemic Emergency Unemployment Compensation	\$750,000	\$13 million		
Federal Pandemic Unemployment Compensation	\$14 million	\$304 million	\$280 million	\$500 million
Base	\$6 million	\$140 million	\$161 million	\$700 million

*All Numbers Rounded

Key Terms

Pandemic Unemployment Assistance was created for those who don't qualify for traditional unemployment benefits. Overpayments for this program are reported monthly.

Pandemic Emergency Unemployment Compensation is an extension of traditional unemployment benefits. Overpayments for this program are reported quarterly. Overpayments in the traditional unemployment program also are reported quarterly.

Federal Pandemic Unemployment Compensation provides a supplemental weekly payment (currently \$300) to eligible claimants in all unemployment programs.