UNEMPLOYMENT MODERNIZATION AND IMPROVEMENT COUNCIL REPORT AUGUST 5, 2021

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I. Executive Summary

Like other states, Ohio's unemployment system was overwhelmed by a sudden increase in unemployment claims due to the onset of the COVID-19 pandemic in March 2020. As the pandemic wore on, state unemployment systems in Ohio and across the country were targeted by criminals looking to take advantage of lax federal guidelines to file fraudulent claims, especially targeting new federal Pandemic Unemployment Assistance (PUA) systems in numerous states.

Throughout the pandemic, many jobless Ohioans struggled to secure unemployment benefits they were due or to get answers about the status of their claims. Serious issues with the processing of the rapid increase in traditional claims and the confusion over new federal programs were made evident to everyday Ohioans.

In response, lawmakers created the Ohio Unemployment Modernization and Improvement Council,¹ which was tasked with examining the process by which an individual files a claim for and receives benefits under this chapter, and any changes made to that process after the effective date of this section. The scope of the council's examination shall include, but not be limited to, all of the following:

(a) The technological infrastructure used to file claims and pay benefits and the experience had by individuals and employers participating in the process;

(b) Possible improvements that will maximize responsiveness for individuals and employers;

(c) Methods for sharing data across systems related to unemployment compensation to maximize efficiency;

(d) Methods for synergizing user experience across multiple programs administered or supervised by the director of job and family services.²

The council's goal is a best in class unemployment system, one that is responsive to Ohio employees and employers while reducing waste, fraud and abuse. These recommendations are designed to cut red tape, improve user experience for claimants and employers, increase transparency, and make government more responsive so Ohioans can get answers to their questions and feel secure through the process of receiving benefits.

The council has learned valuable lessons from the problems of the past and identified recommendations for real reforms for the future. The council has met 12 times, hearing more than 27 hours of testimony from over 77 subject matter experts, constituents and others. These meetings were based on providing a fair assessment of the current struggles and developing a

¹ https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA133-HB-614

² <u>https://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_133/bills/hb614/EN/05?format=pdf</u>

greater understanding of the limitations and advancements made within the system and claimant experience. With a temporary federal PUA system and a Traditional Unemployment System set to be replaced in the fourth quarter of 2022, it is essential that the lessons learned within these current systems be evaluated for future system(s). Technological advancements in all levels of the unemployment processing workflow, focus on employee training, ability to report metrics for quality and experience, improved vendor Service Licensing Agreement expectations, and improvements to the claimant and employer experience are the focuses of these recommendations.

Today, Ohio's unemployment system is improving. Call wait times are down. Claim backlogs are getting shorter and ongoing improvements continue. We are confident the recommendations contained in this report will build on the important work that has already taken place to improve the system. It is not the intent of the council to prioritize or subvert the ongoing efforts of Ohio Department of Job and Family Services (ODJFS) or their vendor partners, but rather to collaboratively address claimant, employer, and stakeholder experiences and feedback.

As the Ohio Unemployment Modernization and Improvement Council winds down its work on the initial report, we are optimistic its collective work, notated below, will have a lasting positive impact for the people of Ohio.

We believe this council and its work will serve as a blueprint for how the legislative and executive branches can partner public and private sector leaders to solve critical problems for the people of Ohio.

Recommendations

Elevate the Visibility and Public Understanding of Unemployment Compensation:

- Continue to elevate the importance of the Unemployment Office within ODJFS.
 - Continually improve staff training and retaining employees, ensuring economic or other variables are met with a workforce ready to assist Ohioans.
 - Evaluate technological advances to Ohio's unemployment system to react to changes in the economy and statutory changes.
 - Encourage a departmental focus during times of decreasing or low unemployment rates to fine-tune and evaluate processes to maximize efficiency and improve claimant and employer experiences.
- Elevate public awareness of unemployment compensation and the key differences between this program and other programs ODJFS oversees.
 - By doing this, Ohioans will have a better understanding of how the unemployment system functions prior to engaging with the system, the benefits available, supporting information, and the manner in which they need to apply.

Improve Accuracy in the Claim Process and Authentication:

- Continue to leverage two-step verification (multi-factor or dual authentication). In addition to deterring fraud this will improve the delivery of benefits in a more timely, efficient, and accurate manner.
 - Evaluate use of dual authentication and key modifications in the systems to reduce fraud on both initial and recurring claims.
- Evaluate current data sharing agreements with state resources. By doing this, Ohio will ensure that ODJFS is connected to all allowable state data systems that will improve accuracy in claims filed. ODJFS can also determine appropriate redundancy within state systems and build necessary contingency strategies.
- Continue to evaluate and/or maintain improved self-servicing functionality on ODJFS's website as well as through other communication methods. As ODJFS expands functionality, continue to maintain while improving traditional forms of communication for individuals who may not be able to use more self-servicing functionality.
- Evaluate if a document tracking and notification system can be implemented. This will ensure Ohioans can guarantee documents needed to process claims are received in a timely manner no matter how those documents are submitted, and can be remediated if necessary.
- Determine system capacity and set departmental standards for call and claim support to ensure positive claim experience.

Transparency for Claimants:

- Evaluate the possibility for a claimant to be able to clearly track in real time where their claim is in the process.
 - Additionally, explore being able to appropriately track ODJFS staff servicing of claims and where claims are throughout their life-cycle while being active within the department to assist in claimant inquiries.
- Evaluate the possibility of publicly displaying call wait times on the website and upon phone call entry, similar to the functionality of the Ohio BMV. By publicly displaying current wait times, Ohioans will know what to expect prior to calling the phone line. Also, continue to evaluate and expand frequent caller, call-back, and other pro-active constituent services.
- Evaluate the ability to synergize the look, feel, and branding of all unemployment websites, log-in screens, and public facing documents and notifications. This will provide more certainty to Ohioans they are interacting with legitimate ODJFS resources.
- Improve ODJFS communications by ensuring that all Ohioans can understand the documents. By providing clearer, concise communications with Ohioans, this will improve claimant experience and understanding of their claim. Evaluate building more public facing communications (i.e. FAQs) for specific notifications to allow for more self-servicing.
 - Improve access to alternative forms of communications, (multi-lingual documents, larger print, etc.)
- Continually evaluate and update FAQs based on constituent (claimant and employer) feedback. This will allow Ohioans to get more-timely answers to commonly asked questions.

- Clearly communicate realistic timelines and expectations moving forward with system enhancements and claimant experience.
- Involve claimants in the development of future communications, system changes, etc. to ensure issues individuals may face are learned prior changes going public.

Ohio has a wealth of resources – use them:

• Continue to engage with private industry to ensure Ohio is continuing to evolve and improve Ohio's unemployment system.

II. BACKGROUND:

HISTORICAL BACKGROUND

The nation's unemployment insurance system was created in 1935 in response to the Great Depression. From its inception, the system has been designed to provide short-term income to unemployed workers who lose their jobs through no fault of their own. It reduces the hardship families experience during periods of temporary unemployment and bolsters local economies by maintaining the purchasing power of the unemployed workers. Because the unemployment program was developed as a federal-state partnership, it is regulated by both federal and state law.

Federal law requires the following:

- The establishment of minimum national standards to ensure that the unemployment program is delivered consistently by states;
- Provision of adequate administrative funding for states; and
- Annual certification that state laws conform with federal law requirements as a condition for receiving federal administrative funds and for employers to continue receiving the offset credit against their federal unemployment tax.

State law must provide for the following:

- Establishment of the eligibility, amount, and duration of unemployment benefits;
- The collection of State Unemployment Tax Authority(SUTA) taxes and payment of benefits in congruence with federal standards;
- Transmission of tax receipts for deposit into the federal trust funds;
- Timely determinations of eligibility and paying benefits; and
- Collection of overpayments.

Beyond the specific provisions of the federal law, states are given flexibility in how their programs are administered in order to meet the unique requirements of their state economy and labor market.

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES (ODJFS) CREATION

From the World War II era – when the federal employment services and unemployment insurance agencies were merged to form the U.S. Department of Labor (DOL) – through 2000, Ohio's unemployment insurance system was managed by the Ohio Bureau of Employment Services (OBES). That changed after Ohio enacted House Bill 470 and House Bill 471 in 1999,

merging OBES with the Ohio Department of Human Services to form the Ohio Department of Job and Family Services (ODJFS).

The state agency merger was prompted by the passage of two landmark pieces of federal legislation in the 1990s: the federal Personal Responsibility and Work Opportunity and Reconciliation Act – which created the Temporary Assistance for Needy Families program and instituted time limits for the receipt of public assistance payments – in 1996, and the Workforce Investment Act in 1998. This set in motion a lengthy period of legislative study in Ohio to determine how to best take advantage of the new synergies created by these new laws. Both adopted a work-first posture regarding the delivery of financial subsidies and offered new opportunities for cooperation between workforce development programs funded by DOL and programs funded by the U.S. Department of Health and Human Services (HHS).

HHS serves as the cognizant federal agency for ODJFS because it provides more appropriated funding than DOL. The merger allowed Ohio to reduce the amount of General Revenue Funding needed to supplement the Federal Unemployment Tax Act (FUTA) resources received for the operation of DOL programs.

UNEMPLOYMENT TAXES – PROCESS OF FUNDING THE SYSTEM

House Bill 614 prohibits the council from reviewing the solvency of the system. Please note this section is not an attempt to review the solvency of the program, rather to provide an understanding of how funding can be used within the system.

Historically, unemployment insurance benefits are financed entirely by premiums paid by employers to both the federal and state governments.³ The underlying philosophy for holding employers responsible for the financing of the system was to provide a financial incentive for employers to adopt practices that promoted employment and minimized unnecessary dislocation, in much the same way as workers' compensation was designed to promote industrial safety. A necessary element of this approach was the adoption of an experience rating system to vary the charges to individual employers based upon the liabilities to the fund attributable to their actions. The employer taxes that are paid to states (SUTA) fund the actual benefits. The employer taxes that are paid to the federal government (FUTA) are intended to cover all administrative costs. Over time, however, the federal appropriation has not kept pace with the cost of administering the program. A majority of states have been forced to assume an increasing percentage of those costs from state resources.

State Unemployment Tax Act (SUTA)

Workers do not pay any part of the cost of unemployment benefits in Ohio. The money for unemployment benefits comes from taxes that each liable employer pays. Employers must file quarterly reports on wages and contributions. Penalties or interest may be assessed for failure to

³ During the global pandemic, program benefits were financed in part by employers and in part via full federal funding, depending on the program/benefit.

file or failure to submit established contributions. The taxable wage base for the SUTA is the first \$9,000 of an employee's annual wages.

Experience rates are established for contributory employers, who pay quarterly unemployment insurance contributions. The majority of Ohio's employers are contributory employers. Governmental entities and nonprofits are generally reimbursing employers, unless they specifically elect to be contributory employers. In lieu of paying state unemployment taxes, reimbursing employers pay dollar-for-dollar on actual benefits drawn by claimants they formerly employed.

Experience rates are made up of three components. The base rate schedule set forth in Ohio Revised Code 4141.25 ranges from 0.1 percent to 6.5 percent. The two other components are the Minimum Safe Level (MSL) tax and the mutualized tax. The MSL tax is a positive or negative adjustment to the base rate schedule depending on whether the Unemployment Insurance Trust Fund is above or below a minimum safe level. For 2021, the MSL tax rates range from 0.2 percent to 2.8 percent. The mutualized tax is a flat rate of 0.5 percent for 2021. The sum of these three taxes equals the employer's total contribution rate.

An employer's experience rating is variable depending on the size of the employer's payroll, how much the employer has paid in contributions, and how much the employer's account has been charged for unemployment compensation benefits paid to former employees. The total minimum experience rate for 2021 is 0.8 percent and the maximum is 9.8 percent.

Federal Unemployment Tax (FUTA)

Employers pay FUTA taxes to the Internal Revenue Service. The prescribed tax rate is 6.0 percent of the first \$7,000 paid to each employee during the tax year. However, as long as the state remains in conformity with federal requirements, employers receive an offsetting credit of 5.4 percent against their federal unemployment tax, making the net cost to employers 0.6 percent.

Unlike the SUTA funds, which are held in trust by the U.S. Treasury, all FUTA funds provided to states for the operation of their unemployment programs must be appropriated as part of the DOL budget. As such, they are subject to the same budget constraints as all federal funds, regardless of the balance of employer-paid tax revenue in the fund.

BENEFIT ELIGIBILTY

When employees are laid off, they can apply for unemployment benefits. To be eligible for unemployment benefits, according to state law, individuals must:

- Be totally or partially unemployed through no fault of their own;
- Have worked at least 20 weeks in covered employment during their "base period," which in most cases is four out of the last five completed calendar quarters; and
- Earned at least \$280 a week during their base period (2021).

Benefits are authorized weekly. In order to receive unemployment benefits, historically, claimants must be **able** to work, **available** for work, and **actively seek** work for *every* week of benefits they claim.

Benefit amounts are based on 50 percent of the claimant's average weekly wage during the base period, up to an established maximum. However, benefit amounts may be increased if the claimant has dependents and decreased if they are subject to any offsets, such as child support, vacation pay, severance packages, company buy-out payments, pensions, or workers' compensation.

For example, if a claimant had \$32,000 in wages and 32 qualifying weeks, the average weekly wage would be \$1,000. That number would then be halved to \$500. Next, the number of allowable dependents would be taken into consideration.

The 2021 maximum weekly benefit amount are as follows:

- For a claimant with 0 dependents: \$498
- For a claimant with 1 or 2 dependents: \$604
- For a claimant with 3 or more dependents: \$672

It should be noted, the *average* weekly benefit amount in Ohio for 2020 is currently around \$337 (base amount). That is down from the pre-pandemic level of about \$378 per week (2019).

Under normal circumstances, a claimant can receive up to 26 weeks' worth of unemployment benefits within the 52-week benefit year period. The clock begins ticking on the benefit year at the time of the initial filing of the unemployment claim.

HOW TO APPLY FOR TRADITIONAL STATE UNEMPLOYMENT:

As part of the authorizing legislation, "the council shall examine the process by which an individual files a claim for and receives benefits under this chapter." Over the last six months the council has heard from ODJFS and constituents on their experience surrounding filing for benefits. Below are hyperlinks that illustrate the process for filing benefits:

https://jfs.ohio.gov/ouio/pdf/QuickTipsAndStepByStepGuide.pdf

https://jfs.ohio.gov/ouio/HowToVideos.stm

https://jfs.ohio.gov/ocomm/pdf/ODJFS-infographic_Program-Progression.pdf

UI Benefit Claims Process Overview

The following illustrates the core steps in a UI claims process, with a sample listing of sub-components for each step:



UI: Governed by Federal and State Law, Rules, Policies Developed Over 85 Years



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⁴ <u>https://jfs.ohio.gov/ouio/pdf/UC-Pandemic-Response-Overview-2021-03-11.pdf</u>

III. COVID-19 PANDEMIC AND RESPONSE

FEDERAL RESPONSE:

In response to the COVID-19 pandemic, the federal government enacted multiple pieces of legislation that directly impacted unemployment systems in all states as well as created new temporary pandemic unemployment programs.

Federal Pandemic Legislative Response and Impact to State Unemployment:

- March 18, 2020 Families First Coronavirus Response Act (created flexibilities in federal eligibility requirements)
- March 27, 2020 CARES Act, among other changes, established the following programs:
 - Pandemic Unemployment Assistance (PUA), which provided up to 39 weeks of benefits to many who historically have not qualified for unemployment benefits, such as self-employed workers, 1099 tax filers, part-time workers, and those who lack sufficient work history.
 - Federal Pandemic Unemployment Compensation (FPUC), which provided an additional \$600 per week to existing benefit amounts for those in multiple programs, including regular unemployment benefits, Pandemic Unemployment Assistance, trade benefits, and SharedWork Ohio benefits through July 25, 2020.
 - Pandemic Emergency Unemployment Compensation (PEUC), which provided up to 13 weeks of additional benefits for Ohioans who exhaust their maximum 26 weeks of regular unemployment benefits.
- December 27, 2020 Consolidated Appropriations Act
 - Continuation and modifications of PUA and Traditional Unemployment Pandemic Benefits
 - Additional verification requirements for PUA recipients
 - \$300 Add-on Benefit to Unemployment programs
 - Establishment of the Mixed Earner Unemployment Compensation program
- March 11, 2021 American Rescue Plan Act (extended existing programs and benefits)

*Please note, the above list is a summary of the larger changes within the federal pieces of legislation. It is not an all-encompassing list.

STATE RESPONSE

Executive Actions:

The DeWine administration issued a number of executive orders, director orders, and emergency rules that either directly or indirectly impacted employers, employees, and the unemployment system in Ohio. Below is a chart that encompasses some of these orders, please note this is not an exhaustive list. To view all of the orders please visit:

https://coronavirus.ohio.gov/wps/portal/gov/covid-19/resources/public-health-orders/public-he



The below charts depict the gradual increase in Ohio's unemployment rate over two years during the 2008 recession, versus the immediate increase in Ohio's unemployment rate in April 2020, during the COVID-19 pandemic.



Ohio Unemployment Rate during Great Recession, Source Federal Reserve Bank of St. Louis:

⁵ U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UNRATE, July 26, 2021.

<u>Ohio Unemployment Rate during COVID-19 Pandemic 2020 – June 2021, Source Federal</u> <u>Reserve Bank of St. Louis:</u>



⁶ U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UNRATE, July 26, 2021.

AGENCY ACTION

Contact Center and Staffing:

Stated in the ODJFS Director's testimony in front of the House Ways and Means Committee on May 27, 2020, because unemployment claims were at their lowest in decades, staffing in the unemployment office was gradually reduced over the years to conserve state resources. Ohio's low unemployment rate triggered a reduction in federal administrative funds. As a result, ODJFS's unemployment office reduced its workforce by nearly 200 employees through attrition. When this pandemic began, only 553 people worked in unemployment, and the call center was comprised of only 40 full-time agents.⁷ Unlike the 2008 recession, claim volume at the beginning of the pandemic skyrocketed quickly rather than a gradual incline as seen during traditional recession periods.

On Saturday, March 14, 797 unemployment applications were filed. On Sunday, when the first round of closures were ordered, almost 12,000 claims were filed. On Monday, more than 36,000 were filed. Over the seven days, March 14 - 21, ODJFS experienced a nearly 2,700 percent claims increase from just over 7,000 initial claims in a week pre-pandemic, to more than 196,000. That number continued to rise for three more weeks, and was at more than 1.2 million on May 23.⁸ Coupled with the dramatic rise in claims, ODJFS was shifting to a work remote model due to the pandemic. According to ODJFS, the agency was able to transition all of their employees to remote work locations by the end of March 2020, including the contact center employees to help take calls from claimants.

Early in the pandemic, the contact center's technology became more stressed as constituents began calling with questions regarding state traditional unemployment and with questions regarding PUA. During testimony regarding House Bill 614, council meetings, and from constituents reaching out to members of the General Assembly, there were countless stories regarding extreme wait times, dropped calls, reaching agents that were not able to assist with the particular question, etc.

⁷ https://www.legislature.ohio.gov/legislation/legislation-committee-documents?id=GA133-HB-614

⁸ https://www.legislature.ohio.gov/legislation/legislation-committee-documents?id=GA133-HB-614



Incoming Call Support

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ODJFS Staffing Growth: Full and Part-Time Employees



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ODJFS responded to a rise in calls by doing the following: contracting with multiple vendors to help staff and augment technology for two separate call centers in both the traditional unemployment system and the PUA system, hiring and rehiring individuals to staff the call

⁹ https://jfs.ohio.gov/oleg/testimony/ODJFSWays-and-Means-HB-614-Testimony.stm

¹⁰ https://jfs.ohio.gov/oleg/testimony/ODJFSWays-and-Means-HB-614-Testimony.stm

centers, implementing some Interactive Voice Response (IVR) self-service capabilities, call-back scheduling, the ability to text to file, and extending call center hours to seven days a week.¹¹

Based on constituent feedback and testimony, functionality for IVR, call back systems, text to file, and other ODJFS initiatives were often only unavailable to certain claimants and frequently caused confusion for what options were available. While internal ODJFS contact center staffing and vendor staffing rose steadily through the pandemic, elected officials continued to hear of extreme wait times, dropped calls, and inconsistent constituent experiences. ODJFS implemented additional quality assurance measures and metrics throughout the pandemic to improve claimant experience and auditability.

Unit	2/2/21 FTE	3/2/21 FTE		30, 2021 TE*		31, 2021 TE*		30, 2021 TE*	-	15, 2021 TE*
			State	Vendor	State	Vendor	State	Vendor	State	Vendor
Adjudications & Appeals (UI/PUA)	843	980	975	22	896	156	907	145	781	171
Contact Center	1,185	1,397	197	1,198	175	1,281	176	1212	176	1222
Enterprise Operations	144	145	125	20	125	20	125	20	125	20
Fraud	156	156	143	4	129	3	146	3	146	3
Communications	14	17	2	1	2	1	2	1	2	0
Personnel	8	10	4	1	9	1	9	0	8	0
Public Private Partnership (P3)	7 +27 PT vol*	9 +27 PT vol*	S	esource Staff PT Vol*	11 Resource Staff + 27 PT Vol*		11 Resource Staff		11 Resource Staff	
Total	2,350	2,705	1,446	1,246	1,336	1,462	1,365	1,381	1,238	1,416
	2,350	2,705	2	,644	2	,798	2,	746	2,	654

*State/Vendor breakout data effective starting in April; P3 Resources not counted in total staff count

*FTE equivalent : 1 FTE = 1 FT staff or 2 staff at PT (4 hours), etc.

** 36 Intermittent state staff included in this total onboarding 6/20/21; Ramp down of 35 IG Vendor staff continues

Due to language in House Bill 614, ODJFS was required to create and update a strategic staffing plan. The most recent copy of this plan can be found here: <u>https://jfs.ohio.gov/ouio/pdf/UCMI-Staffing-Plan-Presentation-2021-05-13.pdf</u>

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¹¹ <u>https://jfs.ohio.gov/oleg/testimony/SFY-2022-23-ODJFS-Budget-Testimony---House-Finance-Committee.stm</u>

¹² http://jfs.ohio.gov/ouio/pdf/Unemployment-Compensation-Modernization-and-Improvement-Council-2021-06-29.pdf

State and Federal System Response Systems Changes/Build for both State Traditional Unemployment and New Federal Programs:

On May 27, 2020, the ODJFS Director testified in front of the Ohio House Ways and Means Committee on House Bill 614, saying, "the antiquated technology of Ohio's benefit system and call center have been our greatest challenge and disadvantage as a state."¹³ In 2018, Ohio began the procurement process for replacing the Ohio Job Insurance (OJI) system which was implemented in 2004. The OJI system is one of about a dozen states' unemployment systems that still use Common Business Oriented Language (COBOL), an English-like computer programming language designed for business use. COBOL programing was not built for the claim volume it faced during the pandemic.¹⁴ The procurement process took approximately one year and culminated on December 13, 2018 with Sagitec being selected to upgrade the system. The contract had an original expiration date of June 30, 2021 to replace the OJI System with the new Unemployment Insurance System Transformation (UIST) System. The total cost was approximately \$86 million representing, \$16 million for the tax module, \$23.5 million for the benefits, \$3.5 million trade, and \$41 million for operations (representing \$4.8 million per year). The Sagitec system would replace multiple Ohio systems including OJI (Ohio's Traditional Unemployment System), RC Express (Appeals System), and Employer Resource Information Center (ERIC). The Tax Department was selected to begin the process with the first module to replace ERIC, followed by benefits and appeals for ODJFS.

While a targeted go-live date was staggered with multiple systems being replaced the pandemic and federal changes have slowed the go live date for the replacement system. The first module was scheduled to be the tax portion of the system, with a go-live date scheduled initially for March 2020. The tax portion was not able to go into production on the scheduled date and is now scheduled for delivery in the third quarter of 2021. The delays were exacerbated by COVID-19, as critical staff were pulled off the project for assistance on other functions. The remaining portion remains a direct dependency on the tax module being placed into production. The remaining portion is ODJFS' benefits and appeals modules; initially scheduled for April 2021, are now scheduled for the fourth quarter of 2022. The original timeline for total implementation was slated for 32 months, but will now take approximately 20 additional months.

On March 16, 2020, ODJFS created a mass layoff number (2000180) and instructed employers planning layoffs or shutdowns as a result of the COVID-19 pandemic to share it with their employees.¹⁵ State law requires a custom mass layoff number when an employer lays off 50 or more employees within a seven-day period.¹⁶

As the director stated in testimony, the OJI system was not built to handle the claim volume it faced during the pandemic and the system leveraged antiquated technology. Because of this,

¹³ https://www.legislature.ohio.gov/legislation/legislation-committee-documents?id=GA133-HB-614

¹⁴ https://www.legislature.ohio.gov/legislation/legislation-committee-documents?id=GA133-HB-614

¹⁵ https://jfs.ohio.gov/RELEASES/pdf/031620-ODJFS-Provides-COVID-Number.stm

¹⁶ ORC 4141.28 (C)

ODJFS was tasked with implementing real time improvements and fixes to be able to respond to the dramatic increase of claims.

Due to federal action, ODJFS continues to review and implement numerous changes brought on by federal legislation and action. With the creation of PUA, ODJFS had to procure a new system to administer the program. Through emergency procurement, ODJFS selected Deloitte on April 13, 2020. ODJFS had to procure a new system to implement these federal changes in part due to the OJI being outdated.¹⁷



¹⁷ https://jfs.ohio.gov/oleg/testimony/SFY-2022-23-ODJFS-Budget-Testimony---House-Finance-Committee.stm



¹⁸ <u>https://jfs.ohio.gov/ouio/pdf/Unemployment-Compensation-Modernization-and-Improvement-Council-2021-06-29.pdf</u>

Prior to the Deloitte system coming online, ODJFS announced in late April 2020, that Ohioans who might have been eligible for PUA can "pre-register" on unemployment.ohio.gov.¹⁹ As stated in the April 23, 2020 press release, "The pre-registration tool will allow individuals to get in line early and pre-register their account, so that as soon as the agency has the technical ability to process their claims in May, they can log in and complete their paperwork."²⁰ On May 13, 2020, ODJFS announced that the PUA program went live for individuals to start applying.²¹ Based on constituent testimony, even those who pre-registered had to reenter information. Based on constituent feedback there was confusion around this "pre-registration" tool. Individuals believed they were pre-registering for the benefit but the tool did not input information into the PUA system, rather only serving as a tool to alert individuals when the PUA system was available.

CHALLENGES:

It is the council's understanding that typical verification steps via Social Security and for incarcerated individuals failed under the volume of both Ohio and other state inquires, resulting in a necessity to bypass or resolution with Ohio-based systems. Batch processing also caused issues due to volume and run time limitations within the system, causing processing delays, incomplete tasks in the system, and a need to remediate in real-time.

The large volume of claims early in the pandemic quickly created a backlog of employer verification requests for traditional unemployment claimants. Based on testimony, and despite many employers responding to improper claimants filing, their responses were not processed prior to claims being paid.

The large volume of claims in the traditional system saw some individuals receive benefits with relative ease while other claimants experienced long delays and required manual ODJFS intervention. Individuals with prior credentials required a PIN reset if they could not recall their PIN from years ago, and would wait to reset a PIN on overburdened phone lines. Once they were able to file a claim, many claimants experiences varied based on leveraging the mass layoff number, claim details, and document submission to process a claim.

Due to the rapid changes being made by the federal government, ODJFS was tasked with making modifications and changes to the state traditional unemployment system. Since the beginning of the pandemic period in March of 2020, the DOL has issued 56 Unemployment Insurance Program guidance letters known as UIPLs. Each UIPL required careful analysis and often required programmatic or system changes.

For example, after passage of the Consolidated Appropriations Act 2021 ODJFS had to implement new documentation and reporting requirements for PUA.²² Due to the passage of

¹⁹ https://jfs.ohio.gov/RELEASES/pdf/042320-OH-Begins-Implementing.stm

²⁰ https://jfs.ohio.gov/RELEASES/pdf/042320-OH-Begins-Implementing.stm

²¹ https://jfs.ohio.gov/RELEASES/pdf/51320-Pandemic-Unemployment-Assistance.stm

²² <u>https://crsreports.congress.gov/product/pdf/IF/IF11723</u>

federal legislation, ODJFS had to take PUA off-line from December 27, 2020 to February 6, 2021 for new applications. During this time Ohioans who may have been eligible for this program were not able to apply.

Further challenges surrounding processing delays occurred early in the pandemic in the traditional system with payment file processing delays due to size of payment files caused by unprecedented claim volume. The problem continued throughout the pandemic for individuals in both traditional and PUA systems who experienced initial claim processing delays and on-going claim weeks placed in pending status without payments being received and required manual intervention. Adjudication and re-adjudication of claims also has caused delays and varying payment amounts to numerous claimants. Manual intervention for payment and claims to remediate issues has played a part with contact center wait times and constituent complaints.

In initial and on-going PUA processing, federal regulatory changes, system enhancements, and system availability has caused numerous constituents to have issues with filing and receiving their benefits. Many Ohioans leveraged the Ohio PUA system, some with relative ease, and others with significant delays and real struggles. Early connectivity claim information for individuals with a traditional system dependency required a fix to assist with claimants filing their initial claim, was followed with on-going releases and fixes into the PUA system. The spike in claims in January 2021 into the PUA system, made aware the sophistication and volume of fraud attempts for Ohio and negatively impacted legitimate Ohioans from filing or receiving payments. The PUA duplicative system has added complexity to the unemployment system, requiring additional staffing and support expectations to the department. Outside vendors have helped support the volume of constituent questions through the contact center, with a varying degree of quality feedback for metrics and individual experience throughout the pandemic

OHIO GENERAL ASSEMBLY RESPONSE:

Temporary Law in House Bill 197

The Ohio General Assembly unanimously passed House Bill 197, and it was signed into law on March 27, 2020. While House Bill 197 addressed a number of pandemic related issues, the legislation did the following in regards to unemployment:

- Specifies that, during the period of emergency declared by Executive Order 2020-01D, dated March 9, 2020, but not beyond December 1, 2020, an individual is not disqualified from receiving unemployment benefits if the individual is unable to work because of an order issued by the individual's employer, the Governor, or a state or local health authority.
- Charges benefits paid to an individual who is unable to work due to an order described above to the mutualized account, unless the benefits are chargeable to a reimbursing employer.
- Suspends, during the period described above, a requirement that an individual serve a waiting period before receiving unemployment benefits.

• Allows the Director of ODJFS, during this period to waive the requirement that a person actively search for suitable work as a condition of receiving unemployment benefits.²³

House Bill 614 and the Creation of the Unemployment Compensation Modernization and Improvement Council

In response to the issues caused by the pandemic on Ohio's unemployment system – House Bill 614 was introduced on May 5, 2020 and enacted by the General Assembly by an overwhelming bipartisan vote and was signed into law on October 1, 2020. In addition to creating the Unemployment Compensation Modernization and Improvement Council, House Bill 614 did the following:

- Required the Director of ODJFS to develop and periodically review, a written staffing plan to be implemented whenever there is a substantial increase or substantial decrease in inquiries or in the number of claims for unemployment benefits;
- Required the Director to adopt rules creating a system that participants in the unemployment benefit application process can use to make customer service complaints;
- Required the Director to maintain a consolidated list of contacts related to inquiries about unemployment benefits;
- Revised the process by which the Director notifies an applicant for unemployment benefits of eligibility issues; and
- Required the Auditor of State to examine the unemployment benefit claims process and prepare a report containing specified information no later than July 1, 2021.²⁴

Below is the actual language authorizing the council:

ORC Sec. 4141.12.²⁵ Unemployment compensation modernization and improvement council.

(A)(1) There is created the unemployment compensation modernization and improvement council. The council shall examine the process by which an individual files a claim for and receives benefits under this chapter, and any changes made to that process after the effective date of this section. The scope of the council's examination shall include, but not be limited to, all of the following:

(a) The technological infrastructure used to file claims and pay benefits and the experience had by individuals and employers participating in the process;

(b) Possible improvements that will maximize responsiveness for individuals and employers;

(c) Methods for sharing data across systems related to unemployment compensation to maximize efficiency;

(d) Methods for synergizing user experience across multiple programs administered or supervised by the director of job and family services.

²³ <u>https://www.legislature.ohio.gov/download?key=13600&format=pdf</u>

²⁴ <u>https://www.legislature.ohio.gov/download?key=14591&format=pdf</u>

²⁵ <u>https://codes.ohio.gov/ohio-revised-code/section-4141.12</u>

(2) The council shall not examine the solvency of the unemployment compensation fund created in section 4141.09 of the Revised Code or changes that would either increase or reduce benefits paid from the fund.

(B) The council shall consist of eleven members appointed as follows:

(1) Two members who on account of their vocation, employment, or affiliations can be classed as representative of employers and two members who on account of their vocation, employment, or affiliation can be classed as representatives of employees appointed by the governor;

(2) The chairpersons of the standing committees of the senate and the house of representatives to which legislation pertaining to Chapter 4141. of the Revised Code is customarily referred, as appointed by the president of the senate and the speaker of the house of representatives, respectively;

(3) Two members of the senate appointed by the president of the senate, one of whom is a member of the majority party and one of whom is a member of the minority party;

(4) Two members of the house of representatives appointed by the speaker of the house of representatives, one of whom is a member of the majority party and one of whom is a member of the minority party;

(5) The director of job and family services or a designee of the director who has administrative responsibilities with respect to the unemployment compensation system.

(C) Members of the council appointed by the governor shall serve for a term of two years, each term ending on the same day as the date of their original appointment. Legislative members shall serve during the session of the general assembly in which they are appointed to the council and for as long as they are members of the general assembly. Vacancies shall be filled in the same manner as the original appointment but only for the unexpired part of a term.

(D) Members of the council shall serve without compensation.

(E) The chairpersons of the standing committees of the senate and the house of representatives to which legislation pertaining to Chapter 4141. of the Revised Code is customarily referred shall jointly call the first meeting of the council. The council shall organize itself and select a chairperson or co-chairpersons. Six members constitute a quorum and the council may act only on the affirmative vote of six members.

(F) The council shall have access to only the records of the department of job and family services that are necessary for the administration of this chapter. The council shall not have access to sensitive or personally identifying information. It may request the director, or any of the employees appointed by the director, or any employer or employee subject to this chapter, to appear before it and to testify to relevant matters. At least once a year, the council shall allow members of the public to appear before it to testify to relevant matters. Not later than the date that is six months after the council's first meeting , the council shall issue an initial report that, at minimum, describes the state of the process by which an individual files a claim for and receives benefits under this chapter at the time the report is issued, as well as any planned improvements to the process. The director shall post all testimony and other relevant materials discussed,

presented to, or produced for the council in accordance with this division on a publicly viewable web site maintained by the director.

(G) The director shall notify the chairperson or co-chairpersons of the council of any unauthorized access to or acquisition of records maintained by the department of job and family services that are necessary for the administration of this chapter. The director shall provide the notice not more than five days after the director discovers or is notified of the unauthorized access or acquisition.

(H) The director shall notify the members of the council of any substantial disruption in the process by which applications for determination of benefit rights and claims for benefits are filed with the director. The council shall adopt and periodically review a definition of a substantial disruption that must be reported in accordance with this division.

- Current Council Members:
 - <u>Senators</u>:
 - Bob Hackett, Co-Chair, (District 10)
 - Teresa Fedor, (District 11)
 - Bill Reineke, (District 26)
 - <u>Representatives</u>
 - Mark Fraizer, Co-Chair, (District 71)
 - Derek Merrin, (District 47)
 - Lisa Sobecki, (District 45)
 - Governor Appointments

Two members who on account of their vocation, employment, or affiliation can be classed as representatives of employees

- Matt Smith, Legislative Director, AFL-CIO
- o Vacant

Two members who on account of their vocation, employment, or affiliations can be classed as representative of employers:

- Teresa Tanner, CEO, Reserve Squad
- Mimi Chizever, Nationwide Insurance
- <u>Administration</u>
 - Matt Damschroder, Director, ODJFS
- Past Members: Fred Pantaleano was replaced by Mimi Chizever. Director Kim Henderson was replaced by Director Matt Damschroder.
- Met a total of 12 Times, from February 11, 2021 to July 29, 2021.
- Met for a total of 27:38 hours, hearing 77 testimony submissions from private citizens, agencies, and organizations.

IV: CONSTITUENT FEEDBACK

The General Assembly and the Unemployment Modernization and Improvement Council heard numerous accounts from constituents regarding their struggles with contacting ODJFS, working with their agents to resolve issues, and answering their questions. Testimony to these committees was laden with concerns over ODJFS' handling of claims, and the ability of the contact center to assist them. As ascertained by those who testified before committee, concerns of understaffing and undertraining have in part contributed to the length of delays in claim processing and payments issuance.

Common themes among constituent testimonies:

- On the phones: Reports of exorbitant wait times, lack of call backs, long hold times when being transferred, busy signals, and dropped calls. Claimants testified that contact center staff were unknowledgeable, supplying inconsistent, insufficient, or inaccurate claim statuses, and in extreme cases, were rude to constituents.
- **Document review and processing**: We heard testimony online documents getting lost and/or not going through when submitted, with constituents being required to re-submit identity verification multiple times as a result. Documents were often required to be mailed into offices impacted by remote pandemic conditions, and documentation requested consisted of numerous forms of ID (copy of State ID, Birth Certificate, Social Security Card, Utility Bill, etc.). Constituents also complained of inconsistent direction for required documentation and the fulfillment status of documentation requests.
- **Payment Processing Delays**: The council heard extensive testimony around delays in payment processing in both the state unemployment and PUA systems. Often times this led to constituents not receiving weekly benefits in a timely manner and in some cases at all for weeks or months.
- **Online**: General sense of confusion when navigating requirements of claimants. Little to no feedback from ODJFS as to whether or not your claim is successful. Claimants received no notice for issues like a reduction in payments, a hold on their account, or overpayments. Overburdened and outdated system lead to constituents not receiving email responses, receiving time-sensitive information like PIN resets after the information has reached its expiration date, high volume web traffic causing crashes and 404 errors while information was being logged.
- **Grievances**: As users found themselves struggling to get ahold of agents on the phones and online, desires to file complaints of poor customer service grew, only to be met with a perpetuating realization that ODJFS had no online location or phone number to which constituents could file complaints. House Bill 614 required ODJFS to establish a constituent complaint form. The complaint form can be located here: https://unemploymentccs.ohio.gov/
- Security concerns: Constituents concerned over lack of security noted that ODJFS often could not tell them if their identity verification information was received. Constituents testified over their concern that their information may not be secure in the system,

referencing past data breeches.²⁶ Recent constituent feedback has raised concerns around account take overs when they occur.

- **General Confusion:** The council heard testimony from numerous constituents regarding the difficult nature of the communication surrounding both state traditional unemployment and PUA. Confusion frequently arose when certain aspects of the program would be live and individuals could apply for benefits. Confusion around eligibility for Traditional and PUA, what documentation was needed, what questions were being requested during applications and filings, and around inconsistency of login and structure.
- Language: Constituent testimony included issues in which non-English speakers would wait in queues to get in touch with an agent speaking their language, only to be connected to someone at times unable to assist.
- **Emotional accounts**: In addition to procedural issues constituents faced in their efforts to file and receive benefits, many testimonies included emotional accounts, highlighting their extreme confusion, anger, frustration, and undue stress experienced while using the traditional and PUA unemployment systems. According to testimony, overarching feelings of neglect, receiving several different answers for the same question, and not knowing when or if they would receive benefits was frequent.

As mentioned, noting concerns with user interface throughout the pandemic, ODJFS released multiple requests for proposals to improve their technology. The request included a virtual agent for the contact center to address less complex items and preventative warnings for claimants of possible issues they may face in their applications. The virtual agent went live in the fourth quarter of 2020 with mixed results in messaging assistance to users. Based on feedback by constituents and claimants these improvement faced mixed results and in testing done by members of the Unemployment Modernization and Improvement Council, the virtual agent was unable to answer basic questions.

²⁶ <u>https://jfs.ohio.gov/RELEASES/pdf/052020-Pandemic-Unemployment-Data.stm</u>

V. FRAUD AND NON-FRAUD OVERPAYMENTS:

According to ODJFS in general, fraudulent misrepresentation requires intent (in a legal sense), regardless of the program. There is no one definition of fraud, since it could be identity theft or another type of fraudulent misrepresentation, i.e. claiming or attempting to benefits knowing that he/she is not entitled.

As part of the regular process, in first quarter of 2021, ODJFS reported 1,634,902 Ohioans were sent IRS 1099-G forms for the benefits they received in the system. Compared to 193,460 in 2020. Represented in the almost 1.7 million 1099-G's that were sent, both legitimate claimants and individuals who may have been subject to fraud. ²⁷

After these tax documents were sent, heightened awareness developed of the impact of unemployment fraud a large number of Ohioans. Shortly after, ODJFS established a dedicated fraud hotline and a portal for individuals to report suspected fraud. Individuals contacted ODJFS to report the suspected fraud and have ODJFS investigate and if appropriate issue a corrected 1099-G. Additionally, ODJFS encouraged impacted Ohioans to reach out to credit bureaus to report the fraud activity. According to testimony provided to the council by ODJFS on June 29, 2021, 79,881 individuals have received corrected 1099-G tax forms.²⁸ ODJFS still encourages anyone who may be a victim of fraud to report suspected fraud to the department by visiting: https://unemploymenthelp.ohio.gov/IdentityTheft/ or by calling 614-466-2148.

Please see the charts below provided by ODJFS for the up-to-date fraud and non-fraud overpayment figures.²⁹

Additionally, ODJFS reports as of June 29, 2021:

- 325,800 fraud reports filed
- 73,550 reporting fraud 1099-G forms
- 79,881 corrected 1099-G forms

²⁷ https://jfs.ohio.gov/ocomm/pdf/011321-ODJFS-Issues-a-Record-Amount-of-1099-Tax-Forms,-Online-Fraud-Form-and-Guidance-Available-for-ID-Theft-Victims-with-Unemployment-Claims.stm

²⁸ https://jfs.ohio.gov/ouio/pdf/Unemployment-Compensation-Modernization-and-Improvement-Council-2021-06-29.pdf

²⁹ <u>https://jfs.ohio.gov/ocomm/pdf/051721UnemploymentMediaBriefing.pdf</u>



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

VI. PUBLIC PRIVATE PARTNERSHIP:

THE P3 PROJECT:

In the first quarter of 2021, ODJFS began the Public-Private Partnership (P3 Project), working with 12 private sector companies to adopt best practices from industry leaders, prevent fraud, improve the contact center, and streamline claims and adjudication.³⁰ The P3 project industry partners included financial services, processing, technology & advisory services, and insurance companies, leveraging their expertise to improve ODJFS' struggling adjudication processes. Using a 30-60-90 day plan, the P3 Project used secure connection to ODJFS' SharePoint data repository to bolster workflow systems.³¹

PROJECT SUMMARY

Fraud:

The P3 90-day plan sought to deploy a full lifecycle fraud prevention operating platform to minimize the impact of fraud threats to the traditional and PUA unemployment systems. Leveraging the skills of financial industry leaders, P3 approached the mounting threats to Ohio's constituents by identifying the five basic pillars of fraud:

Prevention: Systems that stop fraud before it can enter the PUA and UI systems.

- <u>Detection</u>: Methods of identifying suspected fraudsters claims once they are in adjudication.
- <u>Investigation</u>: Process for regularly updating the fraud operations based on new learning, behavior and fraud trends in Ohio and elsewhere.
- <u>Funding</u>: Controls to ensure real claims are paid, fraudulent payments are stopped, and fund recovery is enabled.
- <u>Servicing</u>: Best practices and controls to ensure customer service representatives and assisting real claimants, not fraudsters.

By implementing new rules for OJI fraud analytics, by the 60-day mark, there was an 87 percent reduction in new applications by April 1, 2021, and a further reduction in fraudulent initial claims after additional identity verification system was deployed. Additionally, Ohio's PUA system saw a 98 percent reduction in initial claims at the 60-day mark since implementing two rounds of new fraud analytics rules, leveraging additional identity verification system.³²

³⁰ https://governor.ohio.gov/wps/portal/gov/governor/media/news-and-media/covid19-update-02042021

³¹ https://jfs.ohio.gov/ouio/pdf/P3-Meeting-2021-03-04.pdf

³² <u>https://jfs.ohio.gov/oleg/hb614.stm</u>

Contact Center:

The 90-day goal for the contact center was to operate a multi-channel customer service call center environment that answers claimants' calls timely with knowledgeable agents who understand how to address the callers' needs. To do this, P3 partners reviewed the entirety of ODJFS' contact center environment, and reviewed vendors for contact center agents. Of the initial recommendations supplied to the Unemployment Modernization and Improvement Council at the beginning of the P3 project, an emphasis on capitalizing on the use of AI capabilities for self-adjudication, and prioritizing the components with the biggest impact on caseload for agents. Based on testimony presented to the council on April 29th, 2021, as the ceiling for calls being handled was raised, the contact center was able to handle 65 percent more calls in April 2021 than it was in January 2021, with 95 percent fewer callers affected by queue caps. Additionally, the amount of repeat callers was reduced by half, and there was a 5 percent increase in users self-servicing through the contact center during the same timeframe.

UI Contact Center Progress



- 6,200,000 YTD calls UI Contact Center (January to April forecast)
- 95% fewer claimants expected to be impacted by Queue Caps in this month
- 65% more calls handled (172,000) in April over calls handed in January
- ~80% Average Handled Rate (AHR) in April; improved from 15% in January
- 16% of calls handled by Self Service IVR; up from 11% in January
- Repeat calls are down from to 51% (April) from 67% (January)



³³ <u>https://jfs.ohio.gov/oleg/hb614.stm</u>



PUA Contact Center Progress

- 2,800,000 calls YTD (January through April forecast)
- 700,000 inbound calls forecasted for April
- 31% of calls contained in self-service IVR for April
- 87% Average Handle Rates forecasted in April
- Queue Caps limits have not been exceeded since March 29th



Additional Components:

The P3 Project sought to create a consistent view of UI and PUA claims to assess the total claim volume during the pandemic, the total benefits payment amount, and track these data points on a weekly basis.

³⁴ <u>https://jfs.ohio.gov/oleg/hb614.stm</u>

DOL REPORTING AND OTHER REPORTING FEATURES:

As part of the on-going improvements with reporting, leveraging the Innovate Ohio Platform and enhancing the reporting for OJI and PUA assisted in closing reporting gaps. PUA was under reporting figures to DOL due to database and query issues with reporting. These issues were eventually resolved as reported in the April 22, 2021 ODJFS Update with reports corrected from April 2020 to present within PUA and reported to DOL. Enhancements with reporting helped to better show greater understanding of claims, fraud data, backlogs, data visualization, and a better display of the history of claims during the pandemic for all facets of the claims. The P3 appears to have dramatically improved the reporting capabilities for both OJI and PUA, as well as assisting in addressing fraudulent claims. Additional metrics for contact center focus, quality metrics, quality review standards, vendor Service Licensing Agreements (SLA), and additional standards have greatly improved over the course of the pandemic. Accuracy in reports and standard review processes have helped to better articulate the issues and the resolutions facing Ohioans in the Unemployment System. Standard metrics reported to the committee helped to demonstrate on-going evaluation and enhancements, and build transparency with the general public. Continuing the investment and enhancing meaningful reports will help ensure trust and accuracy within all facets of the unemployment system.