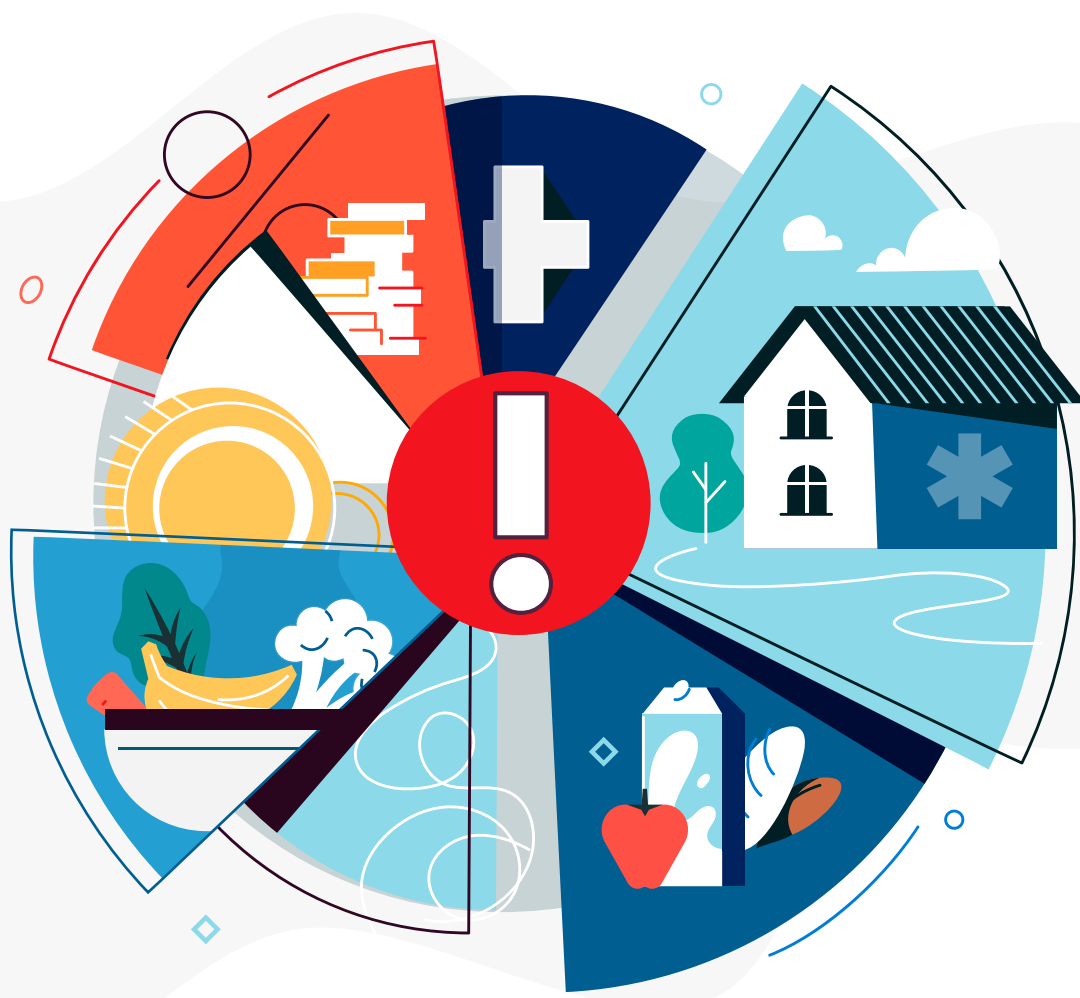




A GOVERNING GO-TO GUIDE

Billions at Risk:

The New Compliance Reality for Medicaid and SNAP



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Introduction

State social services programs are facing monumental changes that will reshape their risk landscape.

The Working Families Tax Cut Act¹ will usher in expanded oversight that sets payment error rate targets; requires more frequent eligibility redeterminations; and reduces federal funding for Medicaid, Supplemental Nutritional Assistance Program (SNAP) and other social services programs.

The federal government is now shifting more fiscal accountability to state agencies. In this environment, risks related to fraud, waste and abuse are no longer single-program issues but an enterprise problem.

To reduce their exposure to potential federal penalties and other fiscal impacts, states must move from reactive, siloed controls to data-driven, unified risk management.

The New Reality for Social Services

Following passage of the One Big Beautiful Bill Act (H.R. 1), new Medicaid eligibility requirements and more frequent verification processes are expected to phase in beginning in late 2026.²

The law also reshapes SNAP by expanding work requirements, tightening eligibility and introducing new reporting mandates. Critically, this shifts financial risk to states. Those with elevated payment error rates may be required to share in benefit costs, raising the stakes for program accuracy and performance.³

“For the first time, in some sense, there is a price tag on inaction,” says Amy Simon, head of labor and workforce solutions at LexisNexis Risk Solutions, a leading provider of government risk management tools. “The combination of state budgets being tight already and the particular incentives and disincentives from this new legislation means that states must change to meet the moment.”

Agencies must also prepare for increased administrative burden, including more eligibility and verification data and more frequent communication with program clients and community partners.



Multiple existing priorities compound these compliance risks, says Sean McSpaden, a senior fellow at the Center for Digital Government (CDG) and former deputy CIO for the state of Oregon.

“Agencies aren’t just responding to the federal requirements — they’re already in the midst of modernization initiatives focused on strengthening cybersecurity and enabling more digital access for their constituents and their clients, all while dealing with workforce shortages,” he says. “In the past, they might have had to deal with one or two of these things at the same time, but now all of them are stacked on top of one another. This burden is unprecedented.”

At the same time, many states lack the integrated systems needed to meet these new demands. Fragmentation across eligibility systems and limited cross-program visibility create significant barriers to identifying improper payments and duplicate participation. Legacy technologies and longstanding operational silos further constrain real-time oversight.

For example, the Public Assistance Reporting Information System (PARIS) identifies dual participants — individuals

receiving benefits in multiple states or programs — only on a quarterly basis and only after benefits have already been paid. This leaves states in a reactive position, requiring them to investigate cases and recover funds after the fact.⁴ PARIS also relies on Social Security matches, which do not provide a comprehensive view of identity.

On top of this, programs don’t typically share data unless a state has an integrated eligibility system or specific MOUs that facilitate data sharing.

These same barriers make it difficult for states to forge a unified, identity-centric customer profile or support the type of proactive audits that are now vital in today’s evolving risk environment.

“There are a lot of spider webs that pivot out from the larger benefit programs, like Medicaid and SNAP,” says Amanda D’Amico, senior director of market planning for government efficiency and fraud solutions at LexisNexis Risk Solutions. “If you think about programs like child care assistance or LIHEAP or TANF, there are opportunities to increase data sharing that improves both the service and program integrity.”

Competing priorities will mean unprecedented burden for states.

Federal Policy Changes: Expected Key Dates

October 1, 2026⁵

SNAP 🍏

- Administrative cost share changes from 50% federal/50% state to 25% federal/75% state.
-

January 1, 2027⁶

Medicaid ✳️

- MAGI Medicaid redeterminations begin every six months.
 - States must regularly obtain address updates for Medicaid enrollees from reliable sources.
 - States must conduct quarterly checks against the SSA Death Master File (DMF) and remove deceased enrollees.
 - Medicaid work requirements begin, supported by \$200 million in federal grants.
-

October 1, 2027⁷

SNAP 🍏

- Fiscal penalties begin for states with total payment error rates above 6%, using FY25 or FY26 error rates.
 - If error rate is very high for FY25 or FY26, states may delay penalties until October 1, 2029, or October 1, 2030, respectively.
-

January 1, 2028⁸

Medicaid ✳️

- States may increase the home equity limit to \$1 million for non-agricultural homes, but limits must apply for Long-Term Care Medicaid eligibility.
 - States must ensure deceased providers are not enrolled in Medicaid.
-

December 31, 2028⁹

SNAP 🍏

- Able-bodied adult without dependents (ABAWD) work waivers expire and cannot be renewed or removed.
-

October 1, 2029¹⁰

Medicaid ✳️

- States face FMAP withholding penalties for PERM rates above 3%.
-

The Consequences of Risk

Recent examples show what happens when risks compromise the integrity of state social services programs.

In Minnesota, federal officials are currently investigating “industrial-scale” Medicaid fraud. Charges allege that the state’s housing stabilization services program, which is funded by Medicaid, paid companies for services never performed. Another federally funded program to provide services to children with autism allegedly paid out \$6 million for services that were never rendered or given to ineligible children who didn’t have autism.¹¹

In a separate case, federal prosecutors charged multiple Massachusetts residents in connection with a multistate SNAP identity and benefits theft scheme. Officials say the group used more than 100 stolen identities to fraudulently claim more than \$1 million in benefits.¹²

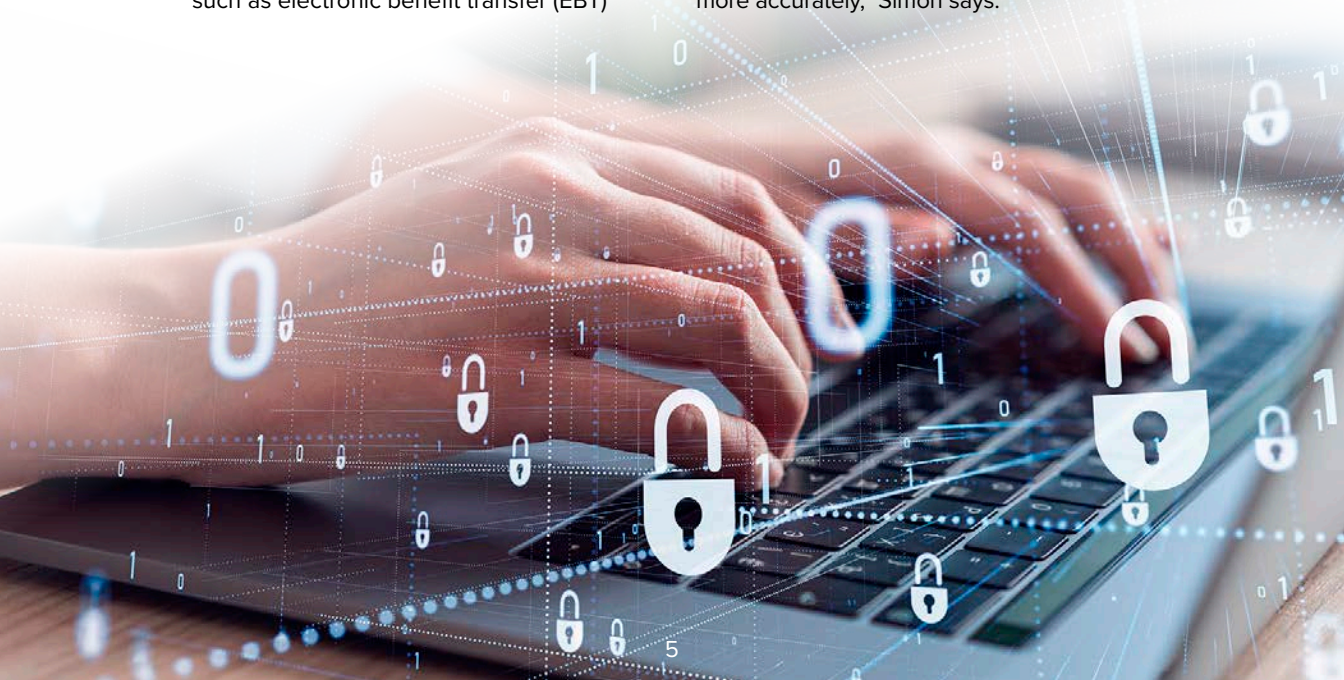
Then there are everyday fraud risks, such as electronic benefit transfer (EBT)

skimming and cloning of SNAP and TANF cards, that have increased calls for stronger card security.¹³

Fraud has always existed in social services programs, says Teri Takai, CDG chief programs officer and former CIO for the U.S. Department of Defense and the states of Michigan and California. But technology has made it easier for bad actors to create more convincing schemes and file fake claims.

“The challenge is that everyone — both the bad guys and the good guys — can take advantage of rapidly maturing AI technologies,” Takai says. “The pace of the threat is much faster.”

The current moment calls for states to move from a program-specific risk management strategy to analytics-driven enterprise risk management. “This approach will enable states to validate data; prioritize risks; and proactively identify fraud, waste and abuse more accurately,” Simon says.





Enabling Enterprise Risk Management in Social Services

Transitioning from a program-level approach to enterprise risk management will help states tackle these pressing risk management goals:

- ❑ **Reducing SNAP error rates to minimize financial exposure under evolving federal cost-sharing requirements**
- ❑ **Standing up cross-program and cross-state identity resolution to prevent duplicate program participation**
- ❑ **Guarding against EBT theft with better monitoring, outreach and rapid response processes**
- ❑ **Preparing for expanded federal verification and reporting requirements — including death record checks and work requirement policies — with automation and defensible audit trails**
- ❑ **Modernizing Medicaid eligibility operations through expanded use of ex parte (automated) renewals and high-quality data sources to reduce improper payments and procedural disenrollments**

To meet these challenges, states will need to better align analytics, workflows and governance across key social services programs.

McSpaden says states with integrated eligibility systems will have a good starting point to implement an enterprise risk management approach.

“A big part of this is whether states have investigated and implemented cross-program data governance initiatives and cross-program identity management verification methods to ensure benefit applicants are who they say they are,” McSpaden says.

Integrated eligibility systems provide a common front door for some states, but they don’t eliminate downstream risks, Takai says. Research suggests that without strong identity and fraud controls, centralized systems can concentrate risk and increase exposure to large-scale fraud.¹⁴ States — whether they have integrated or siloed systems — will need advanced risk and identity intelligence capabilities to strengthen compliance.



Risk and Identity Intelligence Capabilities Checklist

✓ Risk scoring

Risk scoring allows states to prioritize risks based on error rate and fiscal impact. They can use it as part of front-end identity verification and to investigate anomalies and potential fraud.

“This supports a ‘shrink the funnel’ approach that lets teams with limited capacity put their eyes on the most important cases,” D’Amico says.

Risk scoring uses data to bring various risk attributes together and assign scores based on predetermined indicators, such as frequent address changes, income inconsistencies, missing documentation, and billing spikes or unusual service volumes for providers and program partners.

Higher scores show agency staff where they should focus first. A higher risk score doesn’t necessarily mean fraud has occurred. It just means a particular application or case warrants further review.

This proactive detection is crucial for helping states navigate all the application data they’ll receive with more frequent eligibility checks.

✓ A waterfall approach

A waterfall approach, or tiered verification, supports analytics-driven triage to find and fix the biggest errors quickly. With this method, lower-level risks are automatically screened, while higher-level risks are subject to a more intensive, human-driven review process.

This workflow typically involves all cases going through standard identity verification and income checks, as well as cross-checks with other government databases to prevent duplicate claims.

From there, risk scores are applied to outliers or anomalies, with these exceptions flagged for a short eligibility hold or supervisor review, for example. The highest-risk cases among this group may be subject to an audit or investigation before a benefits determination.

Using advanced risk management and identity intelligence tools, agencies can apply a waterfall approach to various social services processes, such as the new community engagement or work requirements for SNAP and Medicaid. For example, they can use a work



Automation can expand access to benefits and strengthen program integrity.

verification waterfall to avoid running expensive income and work verifications if a data check reveals an individual is deceased or incarcerated. This can reduce delays for eligible clients and manual review cycles for agency staff.

A waterfall approach can also be effective when social service applicants must perform self-attestations and authenticate submitted documents. Self-attestation contributes to error rates and fraud, and AI-generated proof of income and expenses is a growing concern. Using reliable data sources to verify applicants' claims can help states confirm eligibility and pinpoint fraud.

"Doing these types of waterfall approaches allows for efficiency, and it reduces the overall number of matches that a state then has to work through," D'Amico says.

Master person index

The lack of a unified identity record for individuals is one of the single biggest challenges for social services programs.

"We have this phenomenon of data fragmentation — client or participant information that's spread all over the place, scattered across many different programs," McSpaden says. "It's hard to see the full picture."

A master person index addresses this fragmented view by combining government

data to create a unified, person-centric identity record. This index allows agencies to:

- **Better understand clients across the social services ecosystem**
- **Strengthen program integrity**
- **Coordinate and deliver impactful services**
- **Reduce risks such as duplicate benefits or enrollments and improper payments**
- **Minimize false positives and false fraud signals that consume staff time**

Deceased insights

State audits across the country have discovered instances of deceased individuals receiving benefits. In one case, the Office of the Inspector General for the U.S. Department of Health and Human Services found that Medicaid agencies issued \$289 million in improper payments to deceased individuals, with federal dollars accounting for \$202 million of the total.¹⁵

This situation typically happens when data from the Social Security Administration isn't matched in a timely fashion against data in eligibility systems. These data matching gaps often lead to improper payments or Medicaid agencies paying for services after a client has died, which means states must go through the cumbersome process of reclaiming these funds.

Referential linking tools prevent this problem by connecting information across systems and enhancing deceased data beyond what agencies usually can access through Social Security death records. With advanced linking, social services agencies can gather insights from state records, obituaries, funeral homes and other databases to identify deceased individuals, streamline quarterly deceased checks and comply with new federal mandates.

In addition to being a serious program failure, sending benefits to deceased individuals harms public trust. Delivering notices and letters to a constituent who has passed away may cause additional stress and frustration for families. Using technology to enhance this process can help states avoid mistakes and deliver more responsive and empathetic public services.

Asset verification services

States are experiencing growing administrative pressures driven by both Medicaid expansion and increasing SNAP enrollment.

Although some social services agencies have made budget requests to expand staff or add contractors to help with the increased workload,¹⁶ automating much of the renewal process can maximize existing capacity even if additional resources aren't provided.

Automated asset checks can support ex parte renewals, minimize procedural disenrollments and improve accuracy for

high-risk populations, such as long-term care recipients who may require more complex verification.

Using reliable third-party data sources, agencies can confirm eligibility without requiring clients to reapply. They can also minimize disenrollments from eligible individuals who fail to submit paperwork on time.

Simon says it's crucial for states to understand where friction exists.

"Are there particular points in our workflow or are there particular questions on the application where folks always get stuck or get confused?" she asks. "Are there places where applicants need additional support or they need targeted intervention?"

Automating asset checks, at least for existing clients, can reduce much of this friction. It can also minimize backlogs to ensure eligible applicants don't experience a lapse in coverage — especially when they may have to reapply for benefits every six months.

"Fraud prevention or fraud control, if done properly, should facilitate access for eligible beneficiaries, not preclude it," Simon says.

Real-time income verification

Some studies have shown that roughly 40% of applicants are denied benefits because they fail to provide the required documentation.¹⁷ This is another area where automation can expand access and strengthen program integrity.

Real-time income verification streamlines eligibility and employment checks while improving accuracy. Clients simply connect their bank accounts, payroll providers and digital wallets, then give permission for the agency to access their income data.

States can streamline the process of verifying income, particularly for nontraditional workers (gig workers, freelancers, hourly employees), by aggregating data directly from financial accounts with user permission.

This information is then aggregated using an AI-powered eligibility verification tool that also checks for inconsistencies, such as conflicting identities, names or addresses. The tool generates an income report that the applicant verifies, and the confirmed information is submitted to the agency.¹⁸

Cross-program analytics and continuous risk signals

States can use cross-program analytics and continuous risk signals to move from a static, rules-based set of controls to a more dynamic, multi-signal risk assessment approach for proactive fraud detection and response.

“This only comes from the ability to assess risk across multiple programs and bring that information back into a single pane of understanding, a single pane of glass,” McSpaden says. “That puts states in a position where they can perform link analysis across programs, detect anomalies, and then continuously update

risk scores for particular clients or particular program areas.”

These capabilities also drive a population-wide view of risk that surfaces hotspots, dual or synthetic identities, high-risk addresses, deceased individuals and organized crime rings so agencies can target remediation where it matters most.

AI-driven, human-powered risk detection

Analytics and AI drive enterprise risk management so states can keep up with an ever-growing volume of data and emerging fraud schemes.

Still, a human must always be in the loop to ensure the best program outcomes.

“If we’re using a waterfall approach, if we’re using risk scoring and risk algorithms, the efficiency is created in streamlining and reducing the volume that humans must look at,” D’Amico says. “We’re never taking humans out of this process.”

Keeping a human in the loop also strengthens the accuracy of risk modeling approaches and analytics-driven automation. Agency staff have context and institutional knowledge that improves the precision of these tools over time.

Human reviews ensure any decision these technologies support is defensible and aligns with internal and federal policies, which is especially critical when dealing with vulnerable populations.



Key Benefits of Analytics-Driven Enterprise Risk Management



Lower payment error rates

With a unified, person-centric identity profile, states can quickly pinpoint issues such as dual participation, synthetic and alias identities, or unworked inter-program moves like income changes that would affect SNAP eligibility or a client transitioning from the Medicaid expansion population to regular Medicaid.



Less pay-and-chase

Cross-program analytics and cross-state identity intelligence can reduce improper SNAP payments to clients who have moved and improper Medicaid payments to clients who have other insurance coverage. This minimizes the need to recover funds from third parties, as pay-and-chase models typically only have an average 50% recovery rate.¹⁹



Enhanced audit-readiness

Strong data lineage explains where information came from, how it was used to make eligibility determinations, and how matches were resolved to accelerate quality control and federal reviews.



Improved caseworker efficiency

Risk scoring, real-time income verification and other process automations surface exceptions and anomalies. These solutions aggregate accurate eligibility data faster to decrease manual reviews and expand ex parte renewals.



Proactive EBT risk insight

Analytics-driven monitoring and outreach-ready contact data help states flag fraud earlier and notify households faster to reduce losses in SNAP and other programs.



Questions Your State Should Answer Before Implementation

Identity and cross-program visibility

Do we have a unified view of an individual across programs and states?

- Where do we lack program visibility today?
 - Which programs or providers pose the greatest enterprisewide exposure?
 - Do we have a single person index across SNAP/Medicaid (and ideally TANF/WIC/CHIP)? If not, what is the plan and timeline?
 - How fast can we move from quarterly, retrospective PARIS to near real-time duplication prevention at intake?
-

Payment accuracy and error rate reductions

What's driving errors, and how do we fix them quickly?

- Which error components (documentation, income, address, deceased or dual participation) drive our state's error rate today?
- What's the 90-day plan to reduce these errors?
- How are we verifying nontraditional and multisource earnings today?
- What share of terminations are procedural vs. true ineligibility?

Front-end prevention vs. post-payment recovery

Are we preventing risk at intake or paying and chasing later?

- Which risks can we prevent upfront?
 - What risks are we only detecting after payments are issued?
 - What is our current recovery rate?
 - What is our EBT theft playbook now that the federal government will no longer pay to replace stolen benefits?
-

Workforce and operational capacity

Are we using human capital effectively?

- Where does our workforce spend the most time today?
 - Is this aligned with the highest-risk cases?
 - Do our current controls scale with policy changes and volume spikes?
-

Governance, accountability and equity

Who owns enterprise risk, and are we defensible?

- Once CMS releases its official guidance, are our processes, notices and exemption rules ready to hold up in audits for the new Medicaid work requirement regulations?
- Who owns enterprise risk decisions when issues span multiple agencies?
Are we prepared for potential compliance audits across programs?
- Are our data-sharing agreements and governance structures enabling or limiting oversight?
- How do we ensure risk controls don't unintentionally block eligible individuals?



Next Steps for States

Establish baseline expectations across programs

All programs need baseline expectations that align with relevant statutes and regulatory guardrails. “These requirements can focus on things like front-end identity verification, program integrity and public reporting,” Simon says.

For example, a state could set thresholds for eligibility determinations for new clients, targets for SNAP error rates or improper payment rates related to deceased individuals, with the goal to achieve meaningful reductions in these rates.

States can think of these baseline expectations as similar to KPIs — giving them a framework to assess how well technology, workflow and process changes reduce risks.

Standardize identity resolution as a foundational capability

To establish identity resolution as a foundational capability, states should consider using advanced risk management and identity intelligence tools to develop a single person index across SNAP and

Medicaid, at the very least, and ideally across TANF, WIC and CHIP.

This capability should be statewide and cross-program so agencies can see the same household across the social services landscape, reduce duplication participation and move away from after-the-fact audits that lead to losses.

States should also develop a tiered verification policy to define what gets auto-cleared versus escalated. This policy should align business rules, analytics and worker guidance.

“Point-in-time, program-by-program checks aren’t enough,” D’Amico says. “We need persistent, referential identity resolution across programs and states so we can prevent improper payments at intake, not after issuance.”

Make data sharing a standard practice

States should codify a cross-program data sharing MOU and privacy model to enable analytics, while meeting statutory constraints and aligning data governance



policies with new risk management and identity intelligence capabilities.

This is where an enterprise risk management platform that's integrated with existing eligibility systems is valuable.

“Having a common platform does give you the opportunity to ensure you have a common approach to privacy,” Takai says. “It gives you the ability to implement a single set of policies and provide assurance to constituents that their data will be handled uniformly.”

Transform analytics into an enterprise asset

Once a state establishes a framework for data sharing, analytics should drive enhanced enterprise risk management processes.

Analytics can identify the highest-risk populations and entities first and effectively allocate resources to serve those groups. Analytics can also enable population scans to identify dual enrollment populations, deceased individuals, synthetic identities and high-risk addresses, as well as prioritize fixes that reduce error rates faster.

Conclusion

By employing all these strategies, states can establish more dynamic, adaptive fraud controls that reduce both program-specific and enterprise risks.

States should seize the current opportunity to implement an enterprise risk management strategy that serves their compliance needs today and can adapt in the future.

“Start with a long-term sustainability plan, and make sure these tools are being used across programs — not just by specialized portions of the workforce,” McSpaden says. “Embed them in the operational capabilities of these benefits programs that are so vital for our residents.”

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