

## UI Improper Payment Rate

The Improper Payment Rate is based on the results of the Benefit Accuracy Measurement (BAM) statistical survey. BAM covers the three largest permanently authorized unemployment compensation programs: State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX). In addition to these programs, IPIA outlays include temporary and episodic programs such as Emergency Unemployment Compensation, Extended Benefits, and Federal Additional Compensation, which are not included in BAM. The IPIA rates are based on BAM data for the July to June period. Approximately 24,000 cases are drawn from states annually, with sample sizes ranging from 360 cases per year in the 10 states with the smallest UI workloads to 480 cases in the remainder of the states.

## UI Improper Payment Rate Definitions

**Improper Payment Rate** - This rate consists of overpayments plus underpayments. Overpayments, underpayments, and total UI benefits paid are estimated from the BAM survey results of paid UI claims in the state UI, UCFE, and UCX programs. Overpayments and underpayments determined to be technically proper under state UI law for finality and other reasons are excluded from the measure. The statutory definition of an improper payment is “any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible recipient . . .”

- **Overpayment Rate** - The overpayment rate is defined in UIPL No. 09-13, Change 1. It is the total weighted amount of payments determined to be overpaid divided by the weighted dollar amount paid in the BAM sample population. The rate includes fraud, nonfraud recoverable, and nonfraud nonrecoverable overpayments. All causes and responsible parties are included in this rate.
- **Underpayment Rate** - The underpayment rate is defined in UIPL No. 9-13 Change 1. It is the total weighted amount of payments determined to be underpaid divided by the weighted dollar amount paid in the BAM sample population. All causes and responsible parties are included in this rate. It includes errors where additional payment is made to the claimant. It excludes those errors that are technically proper due to finality rules or technically proper due to rules other than finality.
- **Net Improper Payment Rate** - This rate is defined as total estimated overpayments plus total underpayments minus the amount of overpayments recovered by state workforce agencies. This supplemental measure includes both the overpayment and underpayment rates for all causes, but excludes payments determined to be technically proper under state UI law. The net improper payment rate includes two components – improper payments, which will continue to be estimated from BAM, and overpayments recoveries, which are based on actual amounts reported by the state workforce agencies on the ETA 227 Overpayment Detection and Recovery report.
- **Improper Payment Rate Excluding Work Search** - This rate consists of total estimated overpayments and underpayments excluding overpayments caused by work search issues. This supplemental measure includes the overpayment and underpayment rates for all causes except work search related errors. Both the overpayment and underpayment rates exclude payments determined to be technically proper under state UI law.
- **Agency Responsibility Rate** - This rate includes overpayments for which the SWA was either solely responsible or shared responsibility with claimants, employers, or third parties, such as labor unions or private employment referral agencies. The rate includes fraud, nonfraud recoverable

overpayments, and nonfraud nonrecoverable overpayments. It excludes payments that are technically proper due to finality or other rules.

- **Fraud Rate** - The definition of unemployment compensation (UC) fraud varies from state to state – there is no federal definition of fraud in the UC program. Generally, fraud involves a knowing and willful act and/or concealment of material facts to obtain or increase benefits when benefits are not due. States vary on the level of evidence required to demonstrate a knowing and willful act or the concealment of facts. An overpayment which is classified as a fraud overpayment in one state might be determined to be a nonfraud overpayment in another state. Often fraud determinations include looking at a pattern of action or the claimant's certification of erroneous information under the penalty of perjury. Also states differ on the implementing fraud administrative penalty determinations. In some states, a fraud determination becomes effective on the date of the fraudulent act. In other states, the administrative penalty takes effect on the determination date. Since fraud determination criteria and thresholds vary throughout the individual states. The rate includes all causes and responsible parties.

### Overpayment Cause Definitions:

- Benefit Year Earnings (BYE) - Claiming UI benefits after returning to work or failure to accurately report earnings
- Separation - Ineligible due to voluntarily quitting employment or discharge for cause.
- Work Search - Failure to actively seek employment.
- Employment Service (ES) Registration - Failure to register for referral to work or reemployment services
- Able & Available - Ineligible due to not being able to work or available for work.
- Base Period Wages - Error in calculating claimant's benefit based on wages earned prior to period of unemployment
- Dependent Allowance - adjustments to dependents' allowance
- Sev./Vac./SSI/Pension - adjustments to benefits due to claimant receipt of income from severance pay, vacation pay, Social Security, or employer pension

### Other Eligibility issues:

- refusal of work
- self-employment
- other causes related to eligibility issues
- alien ineligible under 3304(a)(14)FUTA
- claiming benefits using a false identity

### All Other Causes

- back pay awards, payment during a period of disqualification, or agency redetermination of eligibility.