Employer Misclassification Predictive Analytics
Agenda

- Project Purpose
- Scope
- Business Objectives
- Technical Objectives
- Budget
- Schedule
- Lessons Learned Incorporated into this project
- Questions
Presently, New Mexico has approximately 45,000 active registered employers and is required to meet a one percent penetration rate. Of these, 450 required audits, NMDWS is required to detect 450 misclassified workers. Approximately 50% of these audits are “clean audits,” meaning there were no wage discrepancies detected 225 of the 450 annual audits.

The purpose of this project is to improve the overall efficiency of NMDWS by prioritizing field audit work, reduce the number of employers misclassifying wages and providing mechanisms for better managing performance standards required by the US DOL.
Scope

• Phase 1: Conduct Data Analysis to determine patterns and recommend treatment approaches and work prioritization alternatives
• Phase 2. Scoring Engine Development and Detail Design for Scoring Engine for employers, selected treatment approaches and workflows
• Phase 3. uFACTS Integration: Integrate the uDetect Employer Scoring Engine within the uFACTS application, including configuration of input and output data streams to the Scoring Engine and design and development of a user interface.
• Phase 4. Business Implementation: Enhance the businesses process whereby claims messaging and processing incorporating analysis results and subsequently managed within uFACTS
Business Objectives

- Improve the overall efficiency of NMDWS to reduce the number of employers misclassifying wages by 50%
- Prioritize employer outreach and audit activities to better identify employers who have historically misclassified employees, further reducing the incidence of misclassification, improving efficiency use of staff time and enhance collections to the UI Trust Fund
Technical Objectives

- Extend the use of the uDetect™ Scoring Engine in the DWS technology platform to assess employers for the purpose of identifying and reducing incidents of worker misclassification.
- Integrate the process into the Unemployment Insurance Application (UIA) system to enhance the audit processes through work prioritization, ensure adherence to federal standards, and provide messaging to reduce likelihood of misclassification.
Budget

• Predictive Modeling POC - $250,000
• Development and Design - $150,000
• Testing - $59,970
• Implementation - $40,000

Total: $499,970

Federal funding through supplemental budget request, additional grant funding may be awarded to create capacity for multi state use
Phase 1: Conduct Data Analysis and Test Run: End June 2016
Phase 3. uFACTS Integration: Start August to September 2016
Lessons Learned
Incorporated

- Proof of concept utilized
- Engagement of user community early on – business users have been involved throughout, approach will utilize an agile method of development
DWS has deployed risk-based business actions to enhance program integrity and strengthen the UI Trust Fund.

**Improved Earnings Reporting**
- Focused “nudges” at key moments during the continued claim increase reported earnings
  - Top performing message: 2x earnings reported over control
  - Fraud reduced by ~40% for those seeing messages
- Once rolled out fully, an estimated $1.8m additional earnings will be reported voluntarily, avoiding improper payments.

**Faster Return to Work**
- Work search audits
  - When administered in the 4th week of benefits, audits encourage people to get back to work faster
  - When focused on high risk individuals, claimants are 2.5x more likely to return to work.
- Planning tools encourage claimants to plan out future activities, resulting in more work search activity which leads to return to work

**Working Smarter, Not Harder**
- Risk based prioritization of Benefit Payment Control case worker load
  - Finding overpayments ~8 weeks faster
  - Forecast 28% more overpayments detected
  - Will lead to improved recovery
  - All with no change to staff workload
Questions