	CLASSIFICATION
EMPLOYMENT AND TRAINING ADMINISTRATION **ADVISORY SYSTEM** **U.S. DEPARTMENT OF LABOR** **Washington, D.C. 20210**	Unemployment Insurance
	CORRESPONDENCE SYMBOL OUI/DPM
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ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO.** 17-16

TO: STATE WORKFORCE AGENCIES
            STATE WORKFORCE ADMINISTRATORS
            STATE UNEMPLOYMENT INSURANCE DIRECTORS

FROM: PORTIA WU /s/
            Assistant Secretary

SUBJECT: Reengineering Unemployment Insurance (UI) Benefits Program
            Accountability Process: High Priority Designation of States with Sustained
            Poor Performance

1. **Purpose.** To inform states regarding the new selection process for designating low performing states as "High Priority" and the process for removal from that designation.

2. **References.**

   - Section 303(a)(1) of the Social Security Act (SSA);
   - Title 20 Code of Federal Regulations Parts 602-617, 625, 640, and 650;
   - Unemployment Insurance Program Letter (UIPL) No. 22-10, *Selecting and Monitoring At-Risk States for Continuous Improvement and Compliance with First Payment Timeliness and First Level Appeals Promptness*;
   - UIPL No. 33-11, *Identification of "Improper Payment High Priority States" for Unemployment Insurance*;
   - UIPL No. 9-13 Change 1, *Integrity Performance Measure for Unemployment Insurance;*
   - UIPL No. 17-15, *Additional Planning Guidance for the Fiscal Year (FY) 2016 Unemployment Insurance (UI) State Quality Service Plan (SQSP)*;
   - Training and Employment Notice (TEN) No. 8-14, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Process*;
   - TEN No. 3-15, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes: Update on Implementation Progress and State Impacts;*
   - Employment and Training (ET) Handbook No. 301, 5th Edition, *UI Performs*: *Benefits Timeliness and Quality Nonmonetary Determinations Quality Review*;
   - ET Handbook No. 382, 3rd Edition, *Handbook for Measuring Unemployment Insurance Lower Authority Appeals Quality*;

RESCISSIONS	EXPIRATION DATE
None	Continuing

- ET Handbook No. 395, 5th Edition, *Benefit Accuracy Measurement State Operations Handbook*; and
- ET Handbook No. 396, *4TH Edition, Unemployment Insurance Benefit Accuracy Measurement Monitoring Handbook.*

3. **Background.** In April 2014, the Employment and Training Administration (ETA) initiated a project to reengineer UI benefit program accountability processes. ETA realized that a change in the current benefit accountability processes was needed to address the evolving changes occurring in the UI program. The UI system has a complex array of accountability and performance measurement processes designed to ensure program integrity and quality. Over the years, the UI program has changed and evolved and is now facing challenges, such as aging information technology systems and increased operating costs to support these systems, and staffing reductions due to continued funding constraints.

   TEN Nos. 08-14 and 03-15 outlined the new framework undertaken by ETA. As part of the new framework for UI benefit accountability processes, ETA has developed a new process for identifying states that are considered to be "High Priority" and in need of more intensive technical assistance. For over five years, ETA used two processes and designations that relate to states struggling with program performance and/or program integrity issues.

   - UIPL No. 22-10 describes the previous process of selecting and monitoring states designated as "At-Risk" for continuous improvement with First Payment Timeliness and First Level Appeals Promptness performance.
   - UIPL No. 33-11 describes the previous process for selecting states with program integrity issues to be designated as "High Priority."

   The goal of both processes described in these two UIPLs was to provide enhanced monitoring and intensive technical assistance to the designated states in support of performance improvement. As discussed in more detail below, the new reengineered framework envisions a single designation of "High Priority" for states with performance challenges.

4. **The New High Priority Designation Framework.** The new High Priority Model integrates a variety of important program performance measures relating to UI benefit payment performance, integrity, and operations. The methodology was developed to include integral parts of UI Performs core measures, data validation results, and program integrity-related data as explained in further detail below. The UI Performs Core Measures used in the model are currently documented here: http://www.ows.doleta.gov/unemploy/pdf/Core_Measures.pdf. The variables in the model primarily contain all core benefit measures, three out of the four Core Performance Program Integrity measures, one of the core appeals measures, and one additional program-integrity data item not used as a core measure. The model also takes into account state data validation results.

   The new High Priority Model consists of four data inputs that will be used to determine if a state will be designated as "High Priority." The data inputs are: 1) Benefits/Appeals and Data

Validations Results; 2) Program Integrity and Data Validation Results; 3) State Self-Assessment Results; and 4) ETA Regional/National Office Input. A graphic depiction of the High Priority Model is provided in **Attachment A**.

The High Priority Model compiles performance data from the states' UI benefit payment operations using the following data inputs:

A. **Benefits/Appeals and Data Validation Results Module.** This component includes the core benefits and appeals measures, and data validation results. The following measures will be included as part of this module:

1. Benefit Measures

    a) First Payment Timeliness – percent of all first payments made within 14/21 days after the week ending date of the first compensable week in the benefit year. First payments must be made within 14 days for states with a waiting week, and 21 days for states without a waiting week.

    b) Nonmonetary Determinations Time Lapse - Percent of nonmonetary determinations (separations and nonseparations) made within 21 days of the date of detection of any nonmonetary issue that had the potential to affect the claimant's benefit rights.

    c) Nonmonetary Determination Quality – Nonseparations - Percent of nonseparation determinations with quality scores equal to or greater than 95 points, based on the evaluation results of quarterly samples selected from the universe of nonseparation determinations.

    d) Nonmonetary Determination Quality – Separations - Percent of separation determinations with quality scores equal to or greater than 95 points, based on the evaluation results of quarterly samples selected from the universe of separation determinations.

2. Appeals Measures – Average Age of Pending Lower Authority Appeals – The sum of the ages, in days from filing, of all pending lower authority appeals divided by the number of lower authority appeals.

3. Data Validation Results – Population corresponding with the following areas:

    a) First Payment Timeliness (Benefit Population 4)
    b) Nonmonetary Determinations Timeliness (Benefit Population 5)
    c) Separation Determinations Quality (Benefit Item BTQ1)
    d) Nonseparations Determination Quality (Benefit Item BTQ2)
    e) Lower Authority Appeals Timeliness (Benefit Populations 8 and 10)

B. **Program Integrity and Data Validation Results Module.** This module will include the following program integrity components:

1. Integrity Measures

a) Overpayment Detection – Percent of detectable, recoverable overpayments estimated by the Benefit Accuracy Measurement (BAM) survey that were actually established for recovery by the state.

b) Overpayment Recovery – Percent of overpayments recovered of established overpayments that are not waived.

c) Improper Payments – Percent of BAM estimated benefits overpaid plus BAM estimated benefits underpaid.

2. Integrity Data - Operational Rate (Non-UI Performs Core Measure) – Percent of fraud and nonfraud overpayments that states are reasonably expected to detect and establish for recovery (excluding work search, employment service registration, base period wage issues and miscellaneous causes, such as benefits paid during a period of disqualification, redeterminations, and back pay awards) of total benefit outlays.

3. Data Validation Results – Population corresponding with the following areas:

a) Overpayments Established (Benefit Population 12)

b) Overpayment Recovery (Benefit Population 13)

C. **State Self-Assessment Results Module.** A new component of the reengineered UI benefit accountability processes is a state self-assessment tool that states will complete annually to identify and implement improved business processes. The results from the UI Benefits Program Operations State Self-Assessment will assist ETA in monitoring the states' quality of operations and identify areas where improvement is needed. The self-assessment is completed by dedicated state staff (state employee or contractor). The self-assessment consists of fifteen (15) functional areas (**see Attachment B**). The state self-assessment tool was piloted with nine states (California, Colorado, Connecticut, Delaware, Georgia, Idaho, Minnesota, New Hampshire, and Utah) and the feedback received from the pilot states is being used to further refine the self-assessment questionnaires. ETA is in the process of developing an approach to incorporate the results from the state self-assessment into the High Priority state composite score. This will require a full year of state self-assessment data, so the data from the state's self-assessment will not be part of ETA's High Priority designation process until Fiscal Year (FY) 2018 at the earliest. States will have an opportunity to provide comments on the self-assessment tool as part of the Office of Management and Budget's Paperwork Reduction Act clearance process, which was announced in the Federal Register Notice (https://www.federalregister.gov/articles/2016/06/30/2016-15467/agency-information-collection-activities-comment-request-unemployment-insurance-benefits-operations).

D. **ETA Regional/National Office Input.** ETA Regional/National Office input is the last component used in determining which state(s) will be designated "High Priority." Examples of this input include findings from prior program reviews; Office of Inspector General or General Accounting Office audits; awareness of significant changes to state policies, IT systems, or program leadership; and other data and information available regarding the state's administration of the program.

5. **High Priority Designation Process (Selection as a "High Priority" State)**. The information from each of the modules described above will be part of the process for designating "High Priority" states. **Attachment A** outlines how the scores are computed for each module.

The selected "High Priority" state(s) will be formally notified by ETA with information on the specific areas that caused their selection as "High Priority." One of the key aspects of this new process is the on-site review with each "High Priority" state by a select expert review team. The expert team is made up of National, Regional and State subject matter experts (SMEs) on the issue areas identified as needing improvement. State SMEs will be used only for providing technical assistance. The expert team will conduct the on-site review with the designated "High Priority" state. The on-site review is designed to identify process improvements needed and provide enhanced technical assistance that will support implementation of those process improvements and result in improved program performance. The expert team may evaluate other areas if the data indicate potential problems in those areas that were not previously identified. At the end of the review, states will be issued a formal Monitoring Report by the Region that will identify any findings, areas of concern, and best practices. Additionally, based on the issues identified in the on-site review and action steps for process improvement, states may be required to modify their State Quality Service Plan (SQSP) to either revise their existing corrective action plan (CAP) or add new CAP(s), as appropriate.

6. **High Priority Designation Removal Process**. The purpose of the "High Priority" Designation and its associated processes is to enable ETA to provide more enhanced monitoring and technical assistance to the state to allow the state to improve in those specific areas of concern without the detriment to other program areas. ETA will work collaboratively with the state to identify strategies and action steps that will enable the state to improve its performance in the areas identified during the on-site review.

In order to have the "High Priority" designation removed, a state must:
   a) Complete corrective actions resulting from the state's on-site review;
   b) Meet and sustain any Acceptable Level of Performance (ALP) for the core measures related to the areas of concerns during the initial designation process:
      - The High Priority designation will continue until the state meets the ALP standard(s) http://www.ows.doleta.gov/unemploy/pdf/Core_Measures.pdf) for six consecutive months;
      - The state can show that it is likely to continue to sustain the performance improvement; and
   c) Maintain performance in other program areas without any diminution of performance, i.e. the improved performance in the identified performance areas must not negatively impact the performance in other measured areas.

7. **Action Requested.** State administrators and UI directors are requested to provide the above information to all appropriate state personnel.

8. **Inquiries**. Inquiries should be directed to your Regional Office.

9. **Attachments**.
   Attachment A – High Priority Model, Computing the Scores
   Attachment B – The Operational Functions Chart