



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

Office of the Commissioner

October 30, 2025

MEMORANDUM

TO: The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Luke E. Torian
Chair, House Appropriations Committee

The Honorable L. Louise Lucas
Chair, Senate Finance and Appropriations Committee

Michael Maul
Director, Department of Planning and Budget

FROM: Kevin Erskine 

SUBJECT: Report on Employment and Income Verification Services

This report is submitted pursuant to Item 326.J. of the 2025 Appropriation Act, which states:

The Department of Social Services shall investigate alternatives to its current employment and income verification services contract that may provide more cost-effective opportunities. This examination shall include, but not be limited to, an inventory of all potential providers of necessary data, the cost structure for obtaining data from potential providers, the feasibility of using data from potential providers, and the estimated cost of adding new providers to the agency's case management system as to prioritize free or low-cost providers. These alternatives shall be

Committees, and the Director, Department of Planning and Budget, in a report due by November 1, 2025. Funding provided in this paragraph shall be unallotted by the Department of Planning and Budget until such time as DSS provides documentation of biennial contract costs.

Please contact me should you have questions at (804) 726-7011.

KE:kc

Attachment

cc: The Honorable Janet V. Kelly, Secretary of Health and Human Resources



Employment & Income Verification Alternatives

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EMPLOYMENT AND INCOME VERIFICATION ALTERNATIVES

A Report for the Virginia General Assembly

November 1, 2025

REPORT MANDATE

2025 Appropriation Act, Item 326 J.

The Department of Social Services shall investigate alternatives to its current employment and income verification services contract that may provide more cost-effective opportunities. This examination shall include, but not be limited to, an inventory of all potential providers of necessary data, the cost structure for obtaining data from potential providers, the feasibility of using data from potential providers, and the estimated cost of adding new providers to the agency's case management system as to prioritize free or low-cost providers. These alternatives shall be reported to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees, and the Director, Department of Planning and Budget, in a report due by November 1, 2025. Funding provided in this paragraph shall be unallotted by the Department of Planning and Budget until such time as DSS provides documentation of biennial contract costs.

EXECUTIVE SUMMARY

In alignment with budget directive requirements, the Virginia Department of Social Services (VDSS) issued a Request for Information (RFI) in April 2025 to investigate alternatives to its current employment and income verification services. The RFI yielded 13 responses from vendors offering a range of solutions.

VDSS identified three primary categories of providers through this process: single-source data providers, multi-source data aggregators with cost-optimization features, and configurable platforms offering flexible integration of various verification sources. These findings are being used to evaluate the feasibility, cost structures, and technical considerations of incorporating additional providers into the eligibility system, with a focus on prioritizing free or low-cost solutions.

About VDSS and Division of Benefit Programs

The Virginia Department of Social Services (VDSS) partners with local departments of social services and community organizations, to promote the well-being of children and families across the Commonwealth. We proudly serve alongside nearly 13,000 state and local human services professionals throughout the Social Services System, who ensure that thousands of Virginia's most vulnerable citizens have access to the best services and benefits available to them.

Together, we work each day to serve, empower, and create opportunities for brighter futures.

Benefit Programs administers a range of public assistance programs designed to support the health, nutrition, and economic stability of individuals and families across the Commonwealth. This includes Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Low-Income Home Energy Assistance Program (LIHEAP), Percentage of Income Payment Program (PIPP), and the Child Care Subsidy Program (CCSP).

DEFINITIONS

Request for Information (RFI)

A formal procurement process to gather information from potential vendors or service providers about their products, services, capabilities, and approaches. It is typically issued early in a project or procurement cycle to help the agency better understand available market solutions, industry trends, and potential strategies

Application Programming Interface (API)

A set of rules and protocols that allow different software systems to communicate with each other.

PROGRAM OVERVIEW

The Virginia Case Management System (VaCMS). VaCMS provides automated eligibility and enrollment services and case management for:

- Temporary Assistance for Needy Families (TANF),
- Supplemental Nutrition Assistance Program (SNAP),
- Medicaid/ Family Access to Medical Insurance Security (FAMIS),
- Energy Assistance Program (EAP),
- Child Care Subsidy Program (CCSP), and
- Refugee Resettlement Services.

CONTACTS

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Employment and Income Verification Alternatives

SECTION 1 CURRENT STATUS

Employment and income verification through VDSS supports eligibility determination for key assistance programs including:

- Child Care Subsidy Program (CCSP),
- Energy Assistance Program (EAP),
- Medicaid/ Family Access to Medical Insurance Security (FAMIS),
- Refugee Resettlement Services,
- Supplemental Nutrition Assistance Program (SNAP), and
- Temporary Assistance for Needy Families (TANF).

VDSS's income verification processes are integrated within the Virginia Case Management System (VaCMS) to efficiently confirm applicant eligibility across these programs.

VDSS has maintained a contract with a single-source income verification provider for the past seven years. The anticipated cost to continue this contract is approximately \$24.8 million annually. To reduce reliance on this high-cost vendor and explore more cost-effective alternatives, VDSS has taken several proactive steps to diversify its verification sources and improve operational efficiency.

In November 2024, VDSS restructured the hierarchy in which income verification source is used within its eligibility system, Virginia Case Management System (VaCMS), to prioritize free and low-cost data sources. As part of this restructuring, the existing vendor was repositioned as the final option in the verification sequence, reducing the number of transactions routed through the higher-cost provider. Simultaneously, VDSS integrated additional data sources into VaCMS. Experian was added in November 2024 through a no-cost agreement with the U.S. Department of Agriculture's Food and Nutrition Service (FNS), available through September 2027 for cases involving SNAP.

In April 2025, the Center for Medicaid and Medicare Services (CMS) Hub was implemented for Medicaid eligibility as a cost-sharing option through a federal Memorandum of Agreement, offering access to the same data vendor of our current contracted vendor. However, the CMS Hub is being decommissioned in August 2025 due to a low success rate, driven by limited data availability and strict mandatory field requirements that often prevent returns. With the anticipated increase in Medicaid renewals under the Big Beautiful Bill (BBB), continuing with CMS would lead to higher transaction costs. VDSS has negotiated unlimited transactions with its current vendor for a fixed price and intends to fully leverage that contract to avoid dual payment obligations and maximize cost efficiency.

SECTION 2 MARKET LANDSCAPE OVERVIEW

As part of its review, VDSS identified three categories of vendors offering employment and income verification services: single-source data providers, multi-source aggregators with intelligent routing, and configurable verification platforms. These categories reflect the range of service models available in the market—from narrowly focused vendors with proprietary data to broader integration hubs that allow for flexible configuration of verification types. Each model presents different advantages in terms of scope, flexibility, and user experience.

RFI RESPONSES

SINGLE SOURCE DATA PROVIDERS

These vendors offer income verification services based solely on proprietary data they receive through direct partnerships, such as payroll providers or financial institutions. Their solutions typically return verified income and employment information but are limited to the scope and reach of their data partnerships.

MULTI-SOURCE AGGREGATORS WITH INTELLIGENT ROUTING

These providers operate as data marts that integrate with multiple third-party data sources to offer a broader range of income verification options. They utilize a cost-optimized hierarchy—beginning with free or low-cost data sources and escalating to premium (paid) sources only when necessary. These solutions often include tools to compare and analyze data across sources to detect inconsistencies or potential fraud. Additionally, they frequently offer client-initiated options, where applicants can authorize access to their payroll, gig economy, or financial data.

CONFIGURABLE VERIFICATION PLATFORMS

These vendors serve as integration hubs that aggregate data from a variety of sources, including commercial vendors, federal databases, and state systems. Their platforms are highly configurable, allowing agencies to select specific data providers and types of verifications to meet unique programmatic or policy requirements. These solutions can support income verification as well as additional eligibility factors such as residency, identity, or incarceration status.

COST STRUCTURE

As part of the RFI process, VDSS requested cost structure information from respondents. While most respondents identified their pricing models as either tiered or based on per-transaction costs, the majority declined to provide detailed cost estimates, citing proprietary considerations. Among the few that did share pricing information, the proposed costs were generally comparable to the current vendor's structure. This feedback suggests that while alternative providers may offer expanded functionality or flexibility, significant cost savings may be limited without additional negotiation or changes in usage strategy.

FEASIBILITY OF DATA USAGE

Based on the responses received through the RFI, the data provided by potential vendors would be feasible for use within VDSS eligibility processes. However, 11 out of the 13 respondents indicated that their solutions rely heavily on client-initiated actions, such as providing consent or logging into a portal to authorize access to their income information. This model shifts the process from a fully automated backend verification to one that requires active client participation. While technically feasible, this dependency on client engagement may introduce new operational considerations, including accessibility challenges and increased support needs for clients with limited digital literacy or access.

INTEGRATION WITH VIRGINIA CASE MANAGEMENT SYSTEM

The estimated cost of integrating a new income verification portal with VaCMS is approximately \$10 million over the 2026–2028 biennium. This includes one-time implementation expenses of \$2.5–\$2.9 million for the platform build, client-facing screens, and integration with both consent-based and API-based providers, as well as training and administration tools. In addition, there are ongoing annual costs of about \$3.49 million for platform maintenance, provider fees, and continuous monitoring.

SECTION 3 BIENNIAL CONTRACT COSTS

The biennial contract costs for VDSS' primary electronic income verification vendor, reflecting expenditures from FY 2019 through FY 2026 is below:

2018–2020: \$3,945,941

2020–2022: \$10,834,308

2022–2024: \$32,668,104

2024–2026: \$36,730,164

CONCLUSION

The evolving vendor landscape, featuring multi-source aggregators and configurable platforms, offers potential for more flexible, comprehensive verification solutions. However, transitioning to these alternatives will require careful consideration of integration costs, client engagement challenges, and ongoing operational demands. By leveraging negotiated fixed-price contracts and exploring scalable, technology-enabled solutions, VDSS can position itself to sustainably meet growing program demands while ensuring fiscal responsibility and continued support for Virginia's most vulnerable populations.

APPENDIX A MANDATE 2025 APPROPRIATION ACT, ITEM 326 J

2025 Appropriation Act, Item 326 J.

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