# How privatization increases inequality

## Section 3: *Privatization of critical social safety net services*

**In the Public Interest** • September 2016

# Executive summary

**Inequality in the United States**, which began its most recent rise in the late 1970s, continues to surge in the post–Great Recession era.[1] During similar eras—such as the New Deal—many of the public goods and services we value today were created to deliver widespread prosperity. But the way in which cities, school districts, states, and the federal government deliver things like education, social services, and water profoundly affects the quality and availability of these vital goods and services. In the last few decades, efforts to privatize public goods and services have helped fuel an increasingly unequal society. The report, *How privatization increases inequality*, examines the ways in which the insertion of private interests into the provision of public goods and services hurts poor individuals and families, and people of color.

In the Public Interest's analysis of recent government contracting identifies **five ways in which government privatization disproportionately hurts poor individuals and families**, each of which is explored in greater detail in the report.

This section of the report, *Privatization of critical social safety net services*, describes how programs that provide and deliver critical support to the poor are often subject to privatization experiments, many times with tragic results. Because these programs assist those who have little to no political power, these programs are low hanging fruit for privatization. The complex social problems faced by families and children who utilize services like food assistance (SNAP) and Medicaid are difficult, if not impossible, to address using a privatization model, as the need to help recipients with difficult problems and a contractor's interest in extracting profits from the service are often incompatible.

Download the full report at **bit.ly/PrivatizationInequality**.

# Introduction

**The magical thinking of privatization** has no more devastating consequences than when it's applied to those living on the margins. State and local governments are outsourcing important functions related to programs that involve poor individuals and families. Unfortunately, such programs are low hanging fruit for privatization efforts, as they affect only those who have little to no political power.

The impact of privatization on families struggling at or below the poverty line can be tragic. The critical social services examined in this section, such as child foster care services, welfare services, the distribution of food assistance and other social safety net funds, Medicaid provision, and child support services have increasingly become privatized in many jurisdictions, as contractors take over important aspects of these programs. But the complex social problems faced by families and children who utilize these services are difficult, if not impossible, to address using a privatization model. Providing in-depth assistance that truly helps people climb out of poverty often cannot be captured in a contracting structure. Many of social services contracts have financial incentives that—even if inadvertently—perpetuate cycles of poverty and divert money from critical programs toward corporate profits.

Recent research that explores how privatization has impacted the provision of social services found that while many performance-based contracts attempt to require greater accountability by focusing on quantifiable metrics, this approach has its limitations. It has negatively impacted the relationship between front-line workers and clients in need of assistance, and ultimately, the ability of workers to help clients in a real and sustainable way.[2] In interviews with researchers, front-line social service workers explained that contracts that require adherence to specific metrics can overly standardize provision of care for people with unique needs, instead of address root causes of social issues. Furthermore, contractors may feel pressure to meet certain metrics or performance targets by engaging in practices that favor more easy to serve people (known as "creaming" or "cherry picking"), or providing minimal services to those who have more difficult or complex problems.[3]

In this changing landscape of social service provision through the increased use of outcome-based contracting, front-line social service workers report that their professional discretion and judgment has been limited. This contributes to a deskilling of the workforce, as contractors try to separate functions that require judgment from those that are perceived as more routine,[4] as the child support discussion below illustrates. However, this effort to "streamline" social service provision, while it decreases labor costs, impacts the quality of the relationship between social service providers and their clients. As one front-line social service provider explained to researchers, "Work that is not easily quantifiable—such as a focus on quality, creative problem solving, assessment and diagnoses, client engagement and the power of relationship building—is not recognized or valued. Yet these are the very tasks that are critical to making things happen and achieving successful outcomes."[5] Unfortunately, social services privatization has led to an environment where the culture and goals of social service provision have been corporatized to maximize company revenues at the expense of meaningful client assistance.

Combined with high caseloads, and the reduced autonomy of the social service worker profession, workers report low morale and high turnover, ultimately undermining the very missions of these critical safety net programs.

## Foster care

**Some states have experimented** with contracting with private companies to run critical aspects of their child welfare systems, including foster care placement and monitoring of those placements. This introduction of private interests into child welfare services has had a profoundly negative and sometimes even deadly impact on the most vulnerable of kids.

Research has established a strong association between poverty and involvement with the child welfare system, especially in urban areas.[6] Furthermore, due to structural racism and other factors, these impacts disproportionately affect children of color. Researchers have found that Native American, African American, and Latino children in certain states are, compared with white children, removed from families at higher rates once identified by child protective services. Children of color also stay in foster care for longer periods, experience more placement moves, and exit the foster care system without permanence, while their parents receive fewer services.[7] This means that the negative impacts of child welfare privatization are adversely felt by children from poor socioeconomic backgrounds, whose families have very little voice in what happens to their children once they enter foster care.

Child welfare contracts are simply unable to capture the complex dynamics and varied circumstances of those in need and subsequently direct the private provider to make complicated decisions regarding children's lives. Payment from the government to the contractor must rely on a certain set of metrics, and for companies providing foster care services, the number of foster parents on their list and their ability to place children quickly into foster homes are the keys to maximizing revenues. Roland Zullo, a researcher at the University of Michigan who has studied the privatization of foster care, explains, "Given that every foster parent represents potential revenue, an agency may be more likely to overlook sketchy personal histories or potential safety hazards. There's little incentive to seek out reasons to reject a family, to investigate problems after children are placed, or to do anything else that could result in a child leaving the agency's program."[8] This contracting model puts pressure on caseworkers to place children in homes with little vetting and oversight, housing already vulnerable kids in dangerous situations. This dynamic has played out in private foster care placements throughout the country.

For example, states including Texas, Georgia, Massachusetts, and Ohio have contracted with the publicly traded corporation, Mentor, to perform critical services such as screening, training, and overseeing foster parents, and the outcomes of that decision have been detrimental to the well being of many children. In 2015, Mentor reportedly had 4,000

children in its care in 14 states, making it one of the largest companies in the foster care industry. In its fiscal year ending September 2015, the company had net revenue of $1.36 billion and profits of $3.1 million.[9] Mentor was the subject of a 2015 indepth investigation by the media outlet *Buzzfeed*, which reported on numerous instances of children being neglected, abused, and even murdered by foster parents that the company had recruited and were supposed to oversee.

For example, in Texas, Mentor sent 2-year-old Alexandria Hill to live with foster parent Sherrill Small, after she had been removed from another Mentor foster home where she had experienced neglect and possible abuse. The company failed to properly vet Small, failing to understand her own background as well as the background of those who frequented the house. Small had even previously reported to the company that fostering children stressed her out. Small's sisters, who were never interviewed by Mentor, both attest that if they had been, they would never have recommended Sherrill Small be allowed to operate as a foster parent.[10] Mentor interviewed, but astonishingly never performed a background check on one of Small's daughters who frequented the house. A simple background check would have revealed that the daughter had been convicted of aggravated kidnapping and robbery.

Alexandria Hill was kept in a room with no toys or child-appropriate décor, and family members described dropping by the home and finding the child in a dark room facing a wall for hours at a time.[11] One sister of Small's reported that Small "hated" Alexandria, while another said that she rarely allowed the girl her out of the dark room.[12] All visits from Mentor to check on Alexandria were prearranged, giving Small time to prepare and clean up before any evaluation.[13] Only 7 months after Alexandria came to live with Small, Small called 911 and reported that the child had stopped breathing.[14] Small admitted to police that she'd been frustrated with the girl, swung her until her head crashed into the floor. An autopsy revealed that the 2-year-old had bruising on her right cheek, left ear, left knee, right ankle, chin, back, and buttocks; multiple blunt force injuries to her head; subdural hemorrhaging; and two tears in her liver. A third of her blood was found pooled in her abdomen.[15] In 2014, Small was convicted of murder.

Alexandria Hill's story is not unique. In Texas, 90% of foster children are housed in foster care homes overseen by private companies.[16] From 2001 and 2013, at least nine children living in private agency foster homes in Texas died of abuse or neglect.[17] In California, where a large percentage of foster care is privatized, an analysis by the *Los Angeles Times* found that children living in homes run by private agencies were about a third more likely to be the victims of serious physical, emotional, or sexual abuse than children in state supervised foster family homes.[18] The *Los Angeles Times* also found that other important foster care metrics suffered under the privatized system. California foster children in homes run by private agencies remained in the foster system 11% longer than those in other types of homes— 378 days compared to 341 days. Those children were 15% more likely to move from one home to another. The incidence of children that moved through five homes or more occurred three times more often under the care of private agencies than publicly run homes.[19]

Several states have experimented with large-scale privatization by handing over control of vital aspects of their child welfare systems to private contractors. In November 2009, Nebraska engaged in a statewide child welfare privatization experiment to detrimental results. The state gave five private contractors responsibility for managing the child welfare system in different sections of the state. These contractors, called "lead agencies," then subcontracted with private providers that provide direct services for children in the foster care system and their families, instead of the state directly overseeing the providers.[20] Within a year, four of the five private contractors lost or ended their contracts due to financial and management problems.[21]

In late 2011, the State Auditor issued a damning report, revealing that the state spent millions more than expected and failed to provide accountability for the costs of the new system.[22] Several months later, in January 2012, state legislators held hearings on the state of the child welfare system. One foster parent who testified explained that the lead contractor for her area, KVC, "appears overwhelmed with case overload and poor management." "Contact with KVC case managers is close to nil. Except for court hearings, there is no contact. They do not answer their phones. Their messages are overflowed, so they can't accept a message on their phone, and foster care parents are left dangling in midair."[23] Other foster parents and foster children echoed these concerns.

In February 2015, an independent evaluation commissioned by the legislature concluded that privatization did not produce "any measurable benefits" and that "privatization has caused disruption and dissension among the parties and within the community without obvious benefits to children and families."[24]

## Temporary Assistance for Needy Families (TANF)

**In examining the rise of corporate interests** embedded in our country's social safety net services, one helpful starting point is the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which opened the door for the privatization of many social service programs and projects. This major piece of legislation reconstructed the nation's welfare system, creating the Temporary Assistance for Needy Families (TANF) program. The TANF program replaced the Aid to Families with Dependent Children (AFDC) program, which had provided cash assistance to poor families with children since 1935.[25]

One major component of this welfare reform was a focus on "work first," which emphasizes the need to divert program applicants into jobs instead of welfare rolls[26] and subjects recipients who fail to meet work requirements to sanctions that reduce or eliminate cash benefits they receive.[27] To meet more stringent federal work participation requirements, many states signed lucrative contracts with private companies to provide employment services. Companies like Maximus, Lockheed Martin, and Ross Perot's Electronic Data

Systems were some of the first corporations to win significant contracts in the employment services arena.[28] For example, in the first year after welfare reform passed, Maximus was able to double its revenue from $50 million in 1995 to $105 million in 1996.[29] Likewise, in 2000, Lockheed Martin disclosed that welfare reform services was one of its two fastest growing business lines at that time, with the number of government contracts increasing from zero to 25 in the two years after federal welfare reform passed in 1996.[30]

Another major difference between the old and new welfare programs is that under AFDC, the federal government provided unlimited matching funds to states to provide cash assistance to needy families, while under TANF, the federal government instead gives each state a fixed block grant to administer its welfare program.[31] This change in funding structure has had a dramatic impact on the way that states use welfare funds and how they administer their programs. With a block grant structure, many states quickly sought ways to save costs in service delivery. This focus on cost savings contributed to a shift in TANF funds to private companies, as contractors promised states cost savings through privatization.[32] By 2001, state and local governments spent at least $1.5 billion in TANF funds for contracted services.[33] Of note, the basic TANF block grant to states was set at $16.5 billion in 1996, and has not increased since then, eroding the value of the federal grant through the years by one-third due to inflation.[34]

Additionally, PRWORA significantly loosened the rules dictating how states could spend TANF funds, allowing welfare dollars to be spent on services other than general assistance to poor families and children. Many states have turned to private contractors to design and implement an array of other types of programs paid for with TANF funds.[35] This shift away from cash assistance has had a dramatic impact on where TANF funds are going, and who is actually receiving this support.

The year of this report publication marks the 20-year anniversary of TANF, and problems stemming from major changes in our country's welfare program can still be felt today. A recent investigative piece produced by *Reveal* from the Center for Investigative Reporting examines how states are currently using TANF funds, and finds that very few poor families actually receive any cash assistance. Nationally, only 23 out of every 100 families who live below the poverty line receive TANF.[36] By comparison, in 1996, 68 families received TANF for every 100 families in poverty.[37] In 2014, only 26% of federal and state TANF funds nationwide went to basic assistance for poor families. This figure was even worse in ten states where less than 10% of TANF funds went toward basic assistance.[38]

In Oklahoma, a mere seven families receive TANF for every 100 in poverty.[39] One major reason that so few poor families in Oklahoma receive assistance with day-to-day needs is that the state spends much of its TANF funds on other services. For example, under the guise of encouraging marriage, Oklahoma has given the company, Public Strategies, more than $70 million in TANF money since 2001 to run relationship workshops. These classes focus on topics like where couples have compatible "love styles" and have been available to and taken by Oklahoma residents of all demographics, including many middle- and upper-middle class

couples. In the 15 years the classes have been offered, the poverty rate in Oklahoma has barely declined and its marriage rate has actually fallen.[40]

Funds that should be going to meeting the basic needs of poor families, such as housing, clothes, and transportation, are going to other types of programs, and contractors continue to find new ways to squeeze profits from a limited pool of welfare dollars. Because TANF actually reaches so few poor families, it fails to provide a true safety net against poverty. States have spent federal dollars originally intended to go to poor families on corporate services. Instead of increasing family economic security and stability for those in deep poverty, TANF funds are going directly from states to wealthy corporations.

## Financial fees for the distribution of social services

**The county's food assistance program** in its modern form began in 1961 as a pilot program and rapidly expanded across the U.S. by 1964 with the passage of the Food Stamp Act. The program is known for its successful track record of providing nutritious food to poor Americans. In the 1990s, states began experimenting with Electronic Benefit Transfer (EBT) cards to dispense benefits and by the early 2000s, all states and U.S. territories were utilizing EBT cards.[41] With an EBT card, each participant has an account in which food assistance benefits are electronically deposited into each month. Participants access their benefits through the card. While EBT cards have eliminated traditional paper coupons that could be lost or stolen, and may help prevent fraud, they have also been a business opportunity for financial corporations that contract with states to administer the cards. EBT cards are not only used for food assistance, currently referred to as the Supplemental Nutrition Assistance Program (SNAP), but also to dispense monetary benefits for other social service programs including TANF, the Women, Children, and Infants (WIC) program, and many more. In most states, one contractor provides EBT card services for multiple social service programs.[42]

The three major companies providing EBT services are J.P. Morgan Electronic Financial Services, Xerox, and Fidelity National Information Services (FIS eFunds).[43] Based on 2016 U.S. Department of Agriculture (USDA) data, market share for EBT card contracts is distributed as follows:

| Contractor | Number of U.S. States and Territories |
|---|---|
| Xerox | 23 |
| J.P. Morgan | 15 |
| FIS efunds | 14 |
| Evertec | 1 |
| State-operated | 1 |

The banking industry has greatly profited off these programs. For example, J.P. Morgan Chase, which in 2012 controlled EBT contracts in 21 states, Guam, and the Virgin Islands,

made more than half a billion dollars between 2004 and 2012 providing public assistance benefits. During that time, its seven-year contract with the state of New York was worth $126,394,917.[44]

While the exact terms of these contracts vary state to state, the ways that companies make money follow a similar structure, and fees are often aimed at the end users of the card—those on public assistance who already have financial hardships. The state typically pays the contractor a specified amount per card per month and a monthly rental charge for Point of Sale (POS) machines that each authorized retailer uses to process and track EBT card purchases. Other fees outlined in the contract are directly charged to the program participant.[45] These charges include:

- **ATM fees:** fees charged at ATM machines when an EBT card is used to withdraw cash funds (such as TANF funds) or to make a balance inquiry. The typical charge is between $0.75 and $1.50 per transaction.[46] Some contracts allow the user a certain number of cash withdraws per month if the ATM machine is within the company's network. This charge especially impacts poor card users in high crime areas who may not want to withdraw large amounts of money out of their account in a single setting.[47]
- **Card replacement fees:** fees for when a user loses a card and requests a replacement. For example, Arizona EBT users pay $5 to replace a card.[48]
- **Customer services calls:** fee for when a user calls the company's customer service phone number. The typical charge is $0.25 per call.[49]
- **Insufficient funds fee:** fee for when a card is denied for insufficient funds in the user's account. For example, in New York's previous contract with J.P. Morgan, users paid $0.50 each time their cards were declined for insufficient funds.[50]

These fees levied by corporations onto social service programs' recipients impact a significant portion of poor Americans. In February 2016, 44,391,436 people participated in the SNAP program,[51] constituting almost one out of seven Americans.[52] In 2014, the U.S. Census Bureau estimated that about one in five children received food assistance through the SNAP program.[53] Additionally, it is estimated that 52% of all Americans will access SNAP at some point in their lifetimes.[54] These numbers represent an enormous business opportunity for just a few corporations to reap rewards off the backs of those experiencing difficult financial times. And this line of business is immune from some normal economic business risks. As *The American Prospect* explains, "Banks make money distributing government benefits if the economy is bad, because more people sign up for assistance; they make money if the economy is good, because rising interest rates mean more profit on the money they hold to distribute to beneficiaries."[55]

In 2011, California contracted with ACS, a subsidiary of Xerox, to distribute cash assistance for its welfare programs, utility grants, and other social safety net programs. These

arrangements with J.P. Morgan and other banks cost poor California residents almost $17.4 million in surcharges and fees that year.[56] These fees are taken from families for which every penny is needed to make ends meet. And there are not many options to avoid these fees and surcharges. As Rodney Robinson, a single father who lives in South Los Angeles and relies on government assistance, explains to a *Huffington Post* reporter, he is resigned to giving up a part of his $317 monthly check because his options are so limited for withdrawing the money he needs to pay his rent. He can visit a bank ATM, but that entails charges of as much as four dollars per transaction. A local check cashing chain charges $1.75, and grocery stores will let him withdraw cash, but only after a purchase.[57] In essence, banks are allowed to siphon off a portion of a recipient's public benefit to take as corporate revenues, as they provide financial services to a captured market that has no other choice but to use the bank's card and comply with the bank's terms to receive public assistance.

Even with the large amounts of money that these companies are able to take in through their EBT contracts, numerous problems have occurred with cards and underlying computer systems that have prevented thousands of poor individuals and families from accessing the benefits they need when they need it. In 2013, 37,000 food assistance recipients in 17 California counties were unable to purchase groceries as their cards essentially cancelled their SNAP balances due to technological errors. While Xerox and another contractor, Hewlett Packard, scrambled to fix the system and reactivate the cards, these families were unable to purchase food for several days.[58] Similarly, that same year, poor residents across 17 states that contract with Xerox were unable to use SNAP benefits on their EBT cards when the contractor encountered technological problems related to a power outage at a data center. Families in the affected states reported having to put food back on the shelves at the grocery store or leave grocery baskets behind because they couldn't afford to pay for the food without the SNAP assistance.[59]

## Medicaid

**Medicaid provides critical health insurance** to low-income Americans and those with disabilities. This important social safety net program is typically administered at the state level, but both the state and the federal government share in its cost. Over the course of 2014, Medicaid provided health coverage for 80 million low-income Americans, nearly half of which were children.[60]

An increasing number of states have experimented with privatizing large portions of their Medicaid programs. Instead of administering the program themselves, some states have contracted with private managed-care organizations (MCOs), which are typically private insurance companies, and pay a set amount per member per month to the MCOs based on the projected cost of services that Medicaid recipients will require that year. The MCOs typically have responsibility over many aspects of managing the program,

including determining eligibility of Medicaid applicants, recruiting medical providers to their networks, and controlling the reimbursements to doctors and hospitals that Medicaid recipients use. This model, often referred to as Medicaid Managed Care (MMC), is often touted as a way for states to save money, while still providing coordinated care. However, the repeated experience of privatized Medicaid programs shows that this model has high administrative costs and often fails to save money or improve care. Inherent in the fixed rate contract structure is the pressure for private insurance companies to limit care and deny services because the less care they deliver, the more they can maximize profits.[61]

Large insurance giants, such as UnitedHealth Group, Humana, Anthem, and Centene, are becoming increasingly entrenched in the provision of Medicaid services with over half of Medicaid recipients now enrolled in privatized plans.[62] Multiple states have had ongoing problems with Medicaid Managed Care, with contractors routinely denying or delaying payments to medical providers that serve patients. For example, Kansas privatized its Medicaid program, now called KanCare, in 2013. Almost immediately after privatization began, problems with reduced level of care for patients, slow payments to providers, increased paperwork and costs for providers seeking reimbursements, and inconsistent and inaccurate payments surfaced.[63] Problems have continued and multiple allegations of improperly denied claims have surfaced against the state's three contractors, Amerigroup, UnitedHealthcare, and Centene. In a December 2015 state legislative hearing, hospital officials explained how the contractors denied claims with no explanation in an effort to keep costs down and maximize profits.[64] State officials recently disclosed that all three contractors have failed to meet some performance requirements in their contracts.[65]

Illinois, which long ago privatized a portion of its Medicaid program, experienced widespread issues related to access of health care for low-income recipients. In 2008, Amerigroup, a former contractor with Illinois's Medicaid program, settled a lawsuit for $225 million related to allegations that the company systematically avoided enrolling pregnant women and other high-risk patients in its programs between 2000 and 2004. As the Illinois Attorney General explained following the settlement, "In 2005, The United States and the State of Illinois joined a lawsuit against Amerigroup, alleging that it violated this requirement, and avoided enrolling unhealthy patients, as well as pregnant women, who were more costly to treat and would have eroded Amerigroup's profit margin."[66]

The exact scope and design of privatized Medicaid programs vary from state to state, making it difficult to perform an apples-to-apples comparison with state-operated Medicaid programs. However, a 2012 study from the Robert Wood Johnson Foundation reviewed the available research in this area and cautioned governments from moving ahead with Medicaid privatization. As the report explains, "…there is limited peer-reviewed evidence as to what works and what does not work among such [privatized] programs, and…the limited evidence suggests the programs will have uncertain impact on beneficiary access, and may neither save money nor improve health outcomes."[67]

Private interests inserted into safety net programs, such as Medicaid, can directly conflict with program mission and goals, and have real human impact on the lives the programs are designed to protect. As Dr. John P. Geyman, former chair of the University of Washington Department of Family Medicine. asks, "Why do we still worship at the altar of privatization in U.S. health care, especially for the poor and most vulnerable among us?"[68]

Despite problems with other states' privatization experiments, on April 1, 2016, Iowa privatized the management of its almost entire $4.2 billion Medicaid program through three contracts with large for-profit insurance companies.[69] While the program's complete rollout remains to be seen, there already have been numerous complaints, including questions over rejected claims and confusion about coverage in the new private plans.[70] Only four months into the privatization effort, results from a survey that included over 400 Iowa doctors, hospitals, local clinics, and nonprofit health care providers found that the majority of Medicaid providers weren't being paid on time by the insurance companies. For many of these providers, administrative costs had increased under the privatized system. As a result, many providers reported that they were forced to reduce the quantity and quality of services.[71] These problems ultimately hurt Medicaid recipients. As one survey respondent explained, "It has harmed our most vulnerable locally, as they now have little to no options for some services … and sometimes no local options at all."[72]

## Child support enforcement

**Child support collection and enforcement** greatly benefits poor children. Child support programs serve half of all U.S. children in poor families.[73] Child support payments are a large source of income for poor families, representing on average 40% of income for poor custodial families who receive it.[74] In 2008, it was estimated that child support lifted one million people above poverty.[75] Research shows child support reduces child poverty, promotes parental responsibility and involvement, and improves educational outcomes.[76] Many states have experimented with outsourcing aspects of their child support enforcement system. In 2012, 44 states and the District of Columbia had privatized at least one child support enforcement service, with the most frequently privatized service being operation of the disbursement unit, which is responsible for collection and disbursement of payments to custodial parents.[77]

In 2013, Kansas privatized the entirety of its child support system to four contractors, including YoungWilliams PC, which provides child support enforcement services in 23 of the state's 31 judicial districts. The contract is worth $48.2 million over four years.[78] All four contracts are worth $75 million over the four-year period.[79]Interestingly, a former YoungWilliams employee had been appointed Child Support Enforcement Director for the Kansas Department of Children and Families (DCF) before the contracts were executed. She would go on to be the architect of the statewide child support privatization plan.[80]

At the end of 2014, a year into privatization, data showed that while the cost-effectiveness ratio increased, meaning that the state collected more child support money per dollar spent, the program did a worse job collecting child support. The percentage of current support collected decreased, falling to a 14-year low, and the total amount of current child support collected fell about $4 million from 2013 to 2014.[81] The state also failed to collect as much late past due child support, another key measurement area. In other words, custodial parents and their children received less child support overall after privatization. The state lauded the increase of cost-effectiveness, stating that this was their first priority.[82] However, cutting costs hurt families and children who need and rely on child support.

With the focus on cost-effectiveness, one risk with privatization is that contractors will focus on the easiest of collection cases, and more difficult cases that require greater work and expense may be neglected. As Sky Westerlund, executive director of the Kansas Chapter of the National Association of Social Workers (NASW) explains, the privatized system leads contractors to become overly concerned about holding down costs, leading to staff shortages, high turnover rates, and ineffective services.[83] Another concern is that the knowledge that former state case workers had of public assistance services available to poor parents and children and their ability to guide those parents through those programs has been lost with the replacement of state staff with private contractors.[84]

Parents have been unhappy with the performance of contractors and the service and assistance they receive from the private caseworkers. The *Topeka Capital-Journal* interviewed parents who interacted with the privatized system and received consistent complaints about the inability to talk with workers in person and the difficulty of navigating the state's call center system.[85] While the call center aspect of the state's child support system had been outsourced for some time, parents had been able to speak with a state worker in person to sort out difficult issues. That option is no longer available, forcing parents to rely on the call center for their child support questions and needs. Parents complained of never being able to speak to the same person twice about their case, and not being able to get case information.[86]

There has also been significant concern about high turnover rates for caseworkers working for the private contractors. In Douglas County, where KVC Behavioral Healthcare Kansas is the contractor, District Court Judge Peggy Kittel has expressed concern around caseworker turnover, noting that one child in her courtroom had been assigned to seven different case managers in just two years.[87] In an effort to increase its workforce, in 2015, contractors started hiring unlicensed employees, named "family support workers," to do much of the work that licensed social workers previously performed.[88] Rebecca Proctor, executive director of the Kansas Organization of State Employees explains that this outcome of privatization is not a sustainable solution: "The fallout for kids and the families, at least based on the feedback we've received, is you don't necessarily have the most qualified person making the determination about what should happen with that child. And that's truly sad."[89]

Tennessee has experimented with child support privatization in many of its judicial districts, covering over 20 counties. The long-running privatization effort has been plagued with problems, many similar to those that surfaced in Kansas.

One of the longest of these experiments is in Davidson County, where child support has been under the control of a private contractor since 1992. On July 1, 2013, YoungWilliams PC took over the $4 million per year, five-year contract from Maximus, the previous service provider. While some hoped that the change in contractor would fix some of the child support system's problems, many of the problems lie with privatization of the child support system itself.

In the previous two decades, only two private companies have run Davidson County's Child Support Enforcement Office. Maximus held the contract from 1992 to 1997. In 1997, the contract was awarded to the company, Policy Studies Inc. (PSI). PSI ran the service until 2012, when the company was bought up by Maximus, and Maximus inherited the contract. Davidson County Judge Magistrate Scott Rosenberg explains in an interview with *The Scene*, "Honestly, I've been concerned over the years about every company's performance that has come through here." Those within the judicial system have voiced concerns about underperformance, complaining that private contractors fail to keep magistrate dockets full and get cases through the judicial process. Parents complain that contractors aren't doing enough to collect and distribute child support payments in a timely manner.[90] From May 1, 2012, to December 31, 2012, the Tennessee Department of Human Services (DHS) received 36 formal complaints about Maximus after the company took control of Davidson County's child support enforcement. From July 2009 through September 2012, the state received 894 complaints against the company regarding its performance throughout the state.[91]

While Tennessee's cost-effectiveness numbers rank sixth in the nation, cost savings have not come without human cost. In 2009, Tennessee DHS signed a contract with Maximus to take over Shelby County's child support enforcement system. In this privatization, 200 county employees were laid off and replaced with less skilled workers from a temp agency. This loss of institutional knowledge and employees with high-level skills and expertise in the area was devastating. Several years into the contract, custodial parents in Shelby County continue to complain about the length of time the contractor takes to enforce child support payments, placing a financial burden on many families trying to make ends meet.[92]

## Endnotes


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*In the Public Interest would like to thank Jennifer Zelnick, Leigh Dingerson, and Michael McCall-Delgado for their review of this report. We'd also like to thank Terry Lutz for designing this report.*