

Updating and Outsourcing Enrollment in Public Benefits: The Texas Experience

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Center *for* Public Policy Priorities

CPPP's Mission

Since 1985, the Center for Public Policy Priorities has been a nonpartisan, nonprofit research organization committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.

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I. Executive Summary

Four million Texans—mostly children, the elderly, and persons with disabilities—rely on public benefits for health care, food, temporary cash assistance, child care, and other critical services. In 2006, Texas launched a new system for enrolling these vulnerable Texans in public benefits. This new system is named Texas Integrated Eligibility and Enrollment Services (TIEES).

TIEES is an unprecedented and ambitious attempt to modernize the eligibility and enrollment processes for Food Stamps, Medicaid, the Children's Health Insurance Program (CHIP), and Temporary Assistance for Needy Families (TANF).

The restructuring entails significant changes to the way clients apply for services through the use of call centers, a heavier reliance on technology, and new partnerships with nonprofit organizations. Texas is outsourcing the administration of the new system to private companies and substantially reducing the state's eligibility determination workforce.

Since its launch in January 2006, the system has been marked by technical difficulties, staffing shortages, and inadequate training of private call center staff. The state has not saved a penny in administrative costs. The children, elderly, and persons with disabilities who rely on these services have suffered through a frustrating enrollment process, been caught in long backlogs, and often been wrongly denied benefits.

Children's health care has been especially hard hit. The number of children receiving health care through Medicaid and the Children's Health Insurance Program dropped by more than 127,000 (6%) between December 2005, when the new contractor took over, and April 2006. Though enrollment has rebounded somewhat since then, the recovery has been slow.



In May 2006, the state delayed indefinitely the rollout of the new system, restricted the duties of the contractor, and announced plans to retain 1,000 state staff to prevent disruptions in services to clients. At the request of several legislators, the State Comptroller of Public Accounts initiated an audit of the contract.

The Texas experience raises important issues for the entire nation to consider about the advantages and limitations of technology and the merits and risks of outsourcing in social service programs. This paper explores these issues in the context of the changes taking place in Texas. We identify obstacles to modernization, areas for improvement in Texas' approach, and measures to protect client interests and maintain public accountability in the contracting and outsourcing process. Our goal is to help other states address the challenges related to the updating and outsourcing of public benefits administration.

Texas has advanced the changes to its public benefits system with the goal of cutting costs and improving access to services by creating new application options and a simpler enrollment process. A modernized system run by private companies, the state projects, would generate more than \$100 million in savings annually, which could be reinvested in direct services to clients.

In this new system, Texas is closing one-third of its local eligibility offices and adding centralized call centers and an online application. Though clients still have the option to apply at a local benefits office, the ultimate goal of the new system is to encourage most clients to do their business over the phone, via mail or fax, or on the Internet.

The plan contains many elements that client advocates have long supported, such as an online application and fewer office visits. Texas' eligibility system is badly in need of better technology, and the local office model does not accommodate the needs of the increasing number of working families served by these programs. A flexible enrollment process supported by new technology is a logical step toward addressing these challenges, but investing adequate time and resources is critical to ensure success in a project of this magnitude. Unfortunately, Texas has rushed to implement the new system, placing the desire to achieve savings ahead of client interests.

At the core of the new business model is a significant reduction in eligibility workers in a system already struggling with massive understaffing and underfunding. The timeline is aggressive and has allowed little time to test the technology, train staff, and evaluate clients' ability to adapt to the self-service model. Nonprofits are expected to play a vital role

in helping clients navigate the more automated system. Yet, the state did not assess their willingness or capacity to shoulder the new responsibility, and has offered very little compensation or support to community-based organizations wanting to take on this new role.

The state awarded a consortium of private companies, led by Accenture, LLP, a five-year, \$899-million contract to develop and administer the new system. Many question the wisdom of outsourcing the new system. Although private firms have made important contributions in performing discrete tasks in the administration of public benefits, Texas' decision to outsource so much of the operation and management of its public benefits system is unprecedented. No company has ever had so much control over the system for administering the benefits—in particular, the decisions about who receives the benefits.

Because this is a new area in social services outsourcing, there is little evidence to judge whether outsourcing the administration of public benefits can improve services to low-income people while reducing costs. Texas' contract with Accenture does not adequately address how clients' rights and interests will be protected in the new system. Past problems in the oversight of health and human services contracts in Texas also raise the concern that the state does not have sufficient oversight mechanisms in place to monitor and enforce such a large contract.

Some federal officials have responded with alarm to both the substance and the speed of the changes unfolding in Texas. USDA's Food and Nutrition Service tied funding for the project to the state's ability to meet general performance standards, and federal officials in Texas are monitoring the rollout.

Though efforts in Congress and the Texas legislature to block the outsourcing of Texas' eligibility system have so far failed, a growing number of federal and state lawmakers are pressing for more stringent regulatory and congressional oversight of Texas' new system.

Before turning to the detail of this report, we want to say a word about the administrators and staff of the Texas Health and Human Services Commission (HHSC) who have been charged with developing and implementing TIEES. While this report is critical of TIEES, it does not dispute the competence or diligence of HHSC personnel or doubt their commitment to the low-income Texans dependent on these services. HHSC has worked professionally and tirelessly to make TIEES work. The challenges facing TIEES are the result of misguided state policies and inadequate funding—not incompetent or indifferent state administrators. This report focuses on these key policy and funding concerns.

Why This Matters: A Client's Story

“My little family is hurting badly right now” - Travis County, Texas

Hello, my name is Jenna. I applied for TANF on March 13. TAA (the Texas Access Alliance, the state's new eligibility contractor) received all supporting documentation on March 22. They told me they approved (my) TANF benefits on May 4. These benefits have been waiting for “authorization from state” since then. It is now July 4. Since May 4th, my case has been “expedited” twice, there has been one referral, and two complaints (one just filed yesterday, the other filed a month ago). TAA has been excellent and very understanding to my situation. I'm not complaining about their customer service, they truly have been great. However, they aren't able to tell me who these elusive “state” people are that might know what is holding up my case for a few days shy of 4 months. I worry that my paperwork has been lost, or that I'll find out I need to turn in more paperwork resulting in several more months of waiting. I don't know what any of you can do to help, but anything would be appreciated. My little family is hurting badly right now and we very much need this cash assistance. Thank you for your time and patience.

Jenna sent this message to a client advocacy group on July 7, which forwarded her request for help to the state agency. The advocacy group attempted several times to follow up with Jenna to find out if her case was resolved, but has received no response.

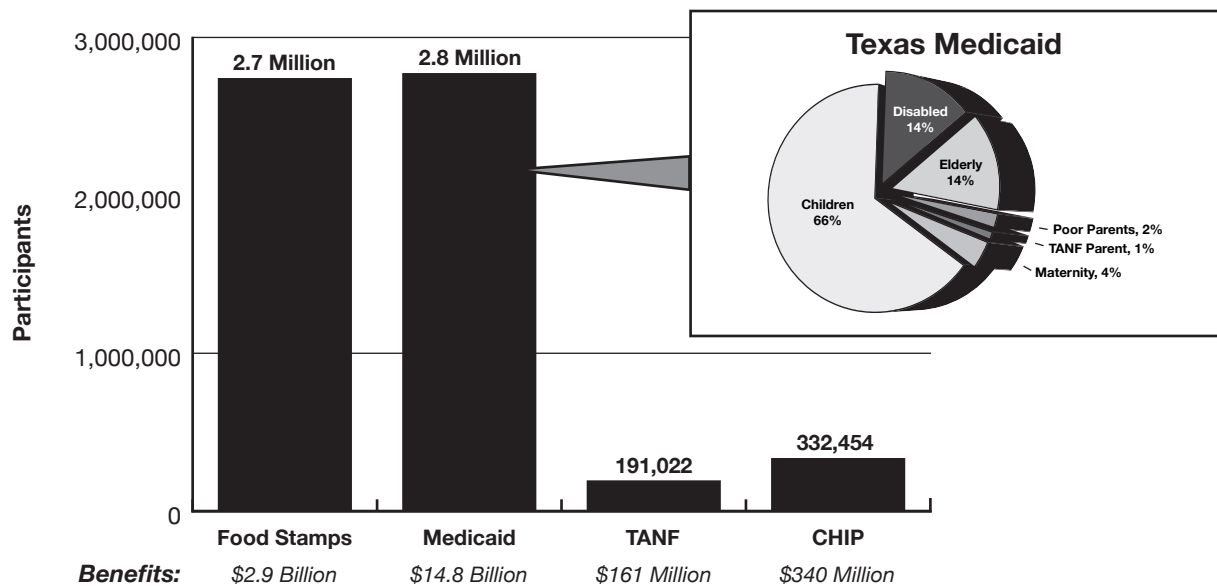
(Note: Names have been changed to maintain confidentiality.)

II. Introduction

AN OVERVIEW OF THE PUBLIC BENEFITS SYSTEM IN TEXAS

Four million Texans rely on the services provided by the public benefits system to support themselves and their families. In fiscal 2006, 2.8 million Texans received health care through the Medicaid program; the vast majority were children, the elderly, or persons with disabilities. The Children's Health Insurance Program (CHIP) covered 332,454 additional low-income children. The Food Stamp Program reached 2.7 million people; two-thirds of them were children or the elderly. The Temporary Assistance for Needy Families (TANF) program provided limited cash assistance, child care, and employment and training services to 191,022 extremely poor children and their parents.

Texas Public Benefits at a Glance, 2006



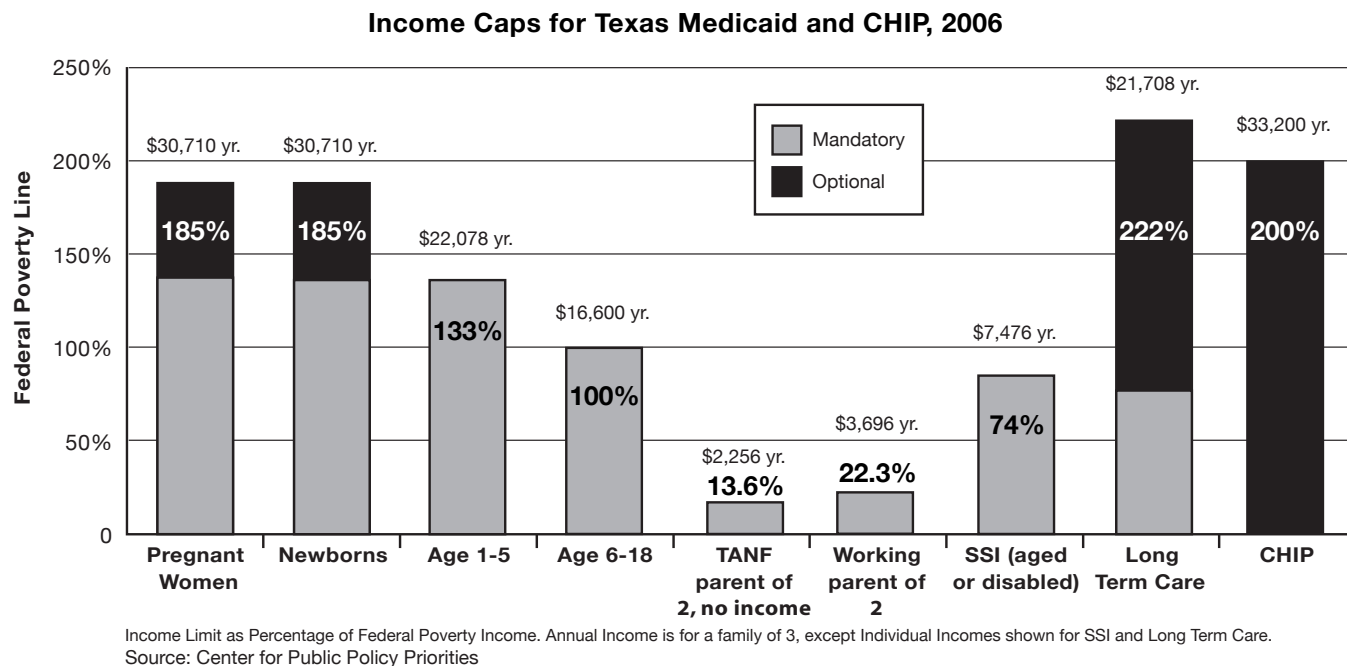
Source: Texas Health and Human Services Commission

Public benefits are critical in Texas, where poverty is more pronounced than in the nation as a whole. One in six Texans—16.4% of the population—lives in poverty, compared to 12.4% nationwide. Child poverty—particularly among young children—is significantly higher in Texas, with almost one in four children (23.6%) living in poverty, compared to 17.8% for the nation. The elderly are also more likely to be poor in Texas: 12.9% of Texans ages 65 or older are poor, compared to 9.7% nationwide. Almost 40% of Texans are low-income, with earnings below 200% of the federal poverty level. Texas has the 5th highest rate of child poverty and the 8th highest rate of elderly living in poverty. Texas also has the highest rate of uninsured people in the nation and the highest rate of “food insecure” households—families who are at risk for hunger.

Texas shares the responsibility and cost of administering public benefits with the federal government. Congress establishes income and resource limits for certain benefits, such as Food Stamps, while states have flexibility in setting the limits for others, such as CHIP and TANF. In Medicaid, there are mandatory eligibility “floors” for each population (i.e., children, parents, the elderly, disabled), and states are required to serve people with income below these thresholds. However, states have considerable flexibility to provide Medicaid to people with income above these limits provided they are willing to shoulder the increased cost. Beyond income limits, other rules affect eligibility for public benefits. These rules can vary extensively by program. In some instances, Congress or the federal government establishes these rules; in others, states make these decisions.

Eligibility for public assistance programs in Texas is very restrictive compared to other states, cash assistance benefits are lower, and health coverage for poor adults is extremely limited. Even though Texas has one of the highest rates of poverty in the nation, it ranks in the bottom ten in providing cash assistance to needy households; fewer than 2% of poor households received TANF in 2005. This is because TANF benefits are only available to families with income below 14% of the poverty level (\$2,324 per year for a family of three in 2006). Fewer than 85,000 non-elderly, non-disabled, non-

pregnant adults received Medicaid in 2006. This is one reason why almost one in three working-age Texans (30% or 4.2 million) goes without health insurance.¹



The limited use of public benefits in Texas is not only the result of restrictive eligibility policies that curb enrollment, it is also the product of a system that fails to reach eligible families. Millions of Texans are actually eligible for these benefits, but do not receive them. In 2003, only 48% of eligible households in Texas received Food Stamps, compared to 56% nationwide.² Texas is tied with five other states for the lowest participation rate in the Food Stamp Program. It is estimated that at least 700,000 children—or half of the uninsured children in Texas—are eligible for public health insurance but not enrolled in either CHIP or Medicaid.³

Many factors contribute to low participation in public benefits programs, including a complicated enrollment process that may deter applicants, lack of awareness or outreach, and the stigma associated with public assistance. Moreover, Texas' general mistrust of government programs and inadequate state revenue limit funding for the benefits, as well as the resources for administering them. Over the last decade, Texas has repeatedly reduced the number of caseworkers to sign up eligible families despite growing caseloads and applications for benefits.

The failure of Texas' public benefits system to reach all those in need not only contributes to the material and emotional hardships faced by low-income Texans, it threatens the economic vitality of the state. Texans without health insurance turn to the emergency room, which shifts the burden and cost of health care to local communities. They may forego preventive or basic care, which increases the risk they will need more expensive care in the future. Hunger and malnutrition exacerbate chronic and acute diseases and speed the onset of degenerative diseases among the elderly, which affects their quality of life and increases the cost to the state of caring for them. Children who are hungry or sick cannot learn, and may fail to reach their full potential; an uneducated workforce compromises our economic competitiveness. These human and economic costs are taking a toll on Texas. Increasing the scope and effectiveness of our public benefits system is a critical component of any effort to enhance the prosperity of Texas.

THE CHALLENGES IN DESIGNING AN EFFECTIVE PUBLIC BENEFITS SYSTEM

For a public benefits system to be effective, states must have an efficient process for determining who is eligible and for enrolling eligible applicants. This system must be accessible by the low-income families, elderly, and persons with disabilities who are served by these programs.

Congress and the federal government prescribe certain standards designed to ensure lawful administration of these benefits. For example, federal Food Stamp and Medicaid law provide that applicants have the right to apply for benefits, to have their applications processed in a timely manner, and to receive benefits within established time frames. In addition, federal civil rights laws (for example, the Americans with Disabilities Act) stipulate standards for serving special

populations (e.g., persons with disabilities or language barriers). The federal government also has a duty to preserve program integrity and prevent fraud, and establishes standards that states must meet in this regard.

Within these parameters, states have substantial latitude in how they choose to administer their public benefit systems, provided these decisions do not systematically prevent eligible persons from accessing benefits in violation of the law. For example, states choose how many eligibility offices to operate, which computer systems to use, and how many staff to assign to the eligibility determination process.

Traditionally, Texans have applied for Medicaid, Food Stamps, and TANF at local eligibility offices staffed by state employees, or through the mail, as is the case for children's health insurance. Applicants must fill out a paper application and provide copies of supporting documentation, such as proof of rent or income. The process generally requires two office visits—one to fill out or drop off the application and another to be interviewed and certified for the benefits. Applicants may also submit their applications and other documentation by mail or via fax. The renewal process is similar, though the face-to-face interview may be waived and less documentation required. Virtually every other state follows a similar model. This is a labor-intensive process that is costly for states to administer and can be burdensome for clients, particularly for working families, who may have to miss work in order to complete the application process.

Eligibility determination for public benefit programs is also complicated, driven by complex federal and state laws designed to target the benefits to those who need them most, keep program error or fraud at a minimum, and ensure prudent stewardship of taxpayer money. The people who qualify for these benefits are not easy to serve: the majority of clients have incomes below the poverty level; many are elderly, have disabilities, or grapple with language barriers. Because each of these programs serves a distinct clientele, the rules governing each program vary considerably, which makes determining eligibility even more difficult. Constant policy changes at the state and federal level also pose challenges both for the state and for clients. Eligibility workers face a constantly moving finishing line in the mastering of program rules, while clients may view the system as unfair or arbitrary.

State legislatures do not always provide the necessary resources to ensure effective administration of the benefits, often because lawmakers are indifferent or opposed to the programs. Most states rely on antiquated computer systems to administer public benefits, because state lawmakers have not invested adequately in the computers, software, and other technology needed to automate and simplify the eligibility determination process. Out-of-date technology can lead to duplication of effort for both caseworkers and clients and unnecessary "red tape." Underfunding also deprives the system of an adequate number of staff—a critical component of a successful public benefits system.

Chronic underfunding exacerbates the existing challenges in the eligibility determination process and makes it harder for workers to administer the benefits and more difficult for clients to access them.

Is Modernization the Solution?

Advances in technology and the growing automation of private sector services, such as banking (and many government services, such as car registration or drivers license renewal), have led Texas and other states to explore ways to modernize their public benefits systems.

Modernization of eligibility determination refers broadly to the updating of eligibility rules and processes to make the system more accessible to clients and cost-effective for states. Also referred to as "re-engineering" or "streamlining," modernization is generally focused on the following areas: 1) new enrollment options—allowing online, phone, or community-based application; 2) program simplification—simplifying the application process or eligibility rules (for example, by lengthening the certification period, reducing documentation requirements, or limiting office visits); 3) program integration—integrating the processes for different programs by combining eligibility rules; and 4) automation of the enrollment process through better use of technology. Modernization can also lead to greater involvement in the enrollment process by nonprofit organizations, which may be called upon to assist applicants in filling out and submitting their applications to the state.

Efforts to modernize the eligibility determination process can be an effective way to improve access to public benefits and reduce the cost to states of administering them. At the same time, modernization raises a number of challenges that states must address when updating their public benefit systems.

In Texas, administrators initiated the modernization process by developing a new computer system, which is intended to serve as the technological foundation for the privatized call center system. Building a new computer system is generally a time-consuming and expensive process. Developing the specifications for the new system alone can take years. The technology must be able to adapt to the constantly changing policy environment and be updated regularly, or risk becoming obsolete. States must be willing to commit significant time and resources to building, testing, and

implementing the system to make sure it processes benefits timely and correctly and can interface with other computer systems. During the testing phase, states must be prepared to run two systems concurrently, which can be costly, and to address the problems that inevitably arise in the process of converting data from the old system to the new. Workers must be trained to use the new system.

If not properly developed and tested before implementation, a new computer system can disrupt the delivery of benefits to clients, as happened recently in Colorado (see sidebar).

Developing a computer system that can support eligibility determination for multiple benefits also requires policy simplification—for example, by establishing a common vehicle resource limit for all programs. These kinds of policy changes also facilitate modernization by reducing workload for staff. Yet, states may resist these policy changes for fear they will boost enrollment or increase fraud,⁴ thereby increasing the cost of providing the benefits.

Though modernization may be an avenue to future cost-savings, Texas initiated the modernization of its eligibility system under pressure to reduce costs immediately. Using modernization as an excuse to facilitate cuts in staff may overwhelm systems that are already struggling from a lack of resources. Efforts to improve access by adding new enrollment features to the eligibility system—as Texas proposes to do through the use of call centers and an online application—can be disastrous if accompanied by a drastic or premature reduction in resources. Without adequate funding, states may have to divert significant resources and staff to develop and implement these new features, which can deprive other areas of the eligibility system of the resources and staff they need and destabilize the entire system. Pressure to achieve savings can also force a premature deployment of the modernized features without adequate testing or attention to contingency planning in case of failure.

Some of the obvious benefits of modernization also come with risks. Most client advocates agree that a more flexible enrollment process has the potential to increase access, particularly for working families. At the same time, less face-to-face assistance from trained workers could create barriers for hard-to-serve populations, including the elderly, the homeless, persons with disabilities, and persons with language barriers. States must be careful to develop a system capable of serving every applicant, providing alternative points of access in the event a person is unable to apply over the phone or via the Internet.

Texas sought to address this challenge by calling on the state's nonprofits to assist clients in navigating the application process. Though partnerships with nonprofit organizations are an important enhancement to the public system, private charities do not have the capacity or resources to compensate for an understaffed state system. Shifting significant responsibility for assisting clients from the state to nonprofit organizations, without adequate training or compensation, may compromise client rights and diminish customer service.

Nonprofit organizations also need to consider how taking on this responsibility affects their mission. Many nonprofit agencies provide critical services that government does not fund or serve individuals who do not qualify for government assistance; they may not want to divert these limited resources to help states administer public benefits. Nonprofit advocacy groups also have a responsibility to press states for the absolute highest level of service in the eligibility system, and joining the service delivery process may compromise their ability to play that advocacy role.

States must consider these challenges when attempting to modernize the administration of their public benefit systems. There is no off-the-shelf business solution that will benefit all clients and comply with the myriad laws governing these programs. States and the federal government must be willing to commit significant resources to tackle the challenges in the current system, and approach change in a careful and thorough manner with the needs of the vulnerable families who rely on public assistance leading the way.

Lessons from Colorado

In 2004, Colorado deployed the Colorado Benefits Management System (CBMS) statewide despite clear signs the system wasn't ready and pleas from county eligibility offices for further testing. Colorado's haste led to system failures, massive backlogs in application processing and delays in benefits to hundreds of thousands of needy residents, improper denial of benefits, and litigation. These problems also exposed Colorado to the threat of costly financial penalties from USDA's Food and Nutrition Service. FNS placed the state on a corrective action plan for its high "negative error rate" (the improper denial of applications from families who are eligible)—which jumped from just 1.9% in 2004 to 13% in 2005. Two years later, while progress has been made in certain CBMS functions, Colorado is still struggling to address major persistent problems, and a lawsuit brought by individuals harmed by the new system to address these failures continues.

DOES OUTSOURCING HINDER OR HELP?

Though modernization of public benefits administration can be accomplished without outsourcing,⁵ states may turn to private companies with the expertise and capital to modernize.

Outsourcing has become a more common approach to delivering health and human services since the enactment of welfare reform in 1996, when Congress gave states the authority to contract with non-government entities for the administration of TANF services. Federal law still requires public employees to make final eligibility decisions in the Food Stamp and Medicaid programs, which limits the extent to which states can outsource the eligibility determination process (see sidebar on p. 11).

Texas currently contracts with private companies for various discrete functions related to the administration of public benefit programs, including designing computer systems, operating employment and training programs, and processing Medicaid claims. However, the state's decision to outsource the modernization of its public benefits system is charting new territory. No company has ever had so much control over the system for administering the benefits—in particular, the decisions about who receives the benefits.

Supporters of Texas' decision to outsource its new system view privatization as the answer to the problems facing the current administration of public benefits, in particular the challenge of serving a growing number of clients with dwindling resources. The state claims that outsourcing will increase efficiency, reduce costs, and improve client services by introducing market forces into the system.

Critics argue that outsourcing will reduce accountability for the use of public funds and increase the potential for fraud, financial conflicts-of-interest, and cost-overruns. They fear that incentives to reduce costs and maximize profit will lead to a general deterioration in the quality of services, particularly for the most expensive and hardest-to-serve clients.

Competing Views on Outsourcing	
<i>Claimed Advantages</i>	<i>Potential Risks</i>
<ul style="list-style-type: none">• Meet demands beyond current government capacity• Reduce costs• Improve service quality• Provide clients with more choice of providers and levels of service• Ideology—less government is better	<ul style="list-style-type: none">• Relinquishes public responsibility for the use of public funds, threatens fiscal accountability• High potential for fraud, conflicts-of-interest and cost-overruns• Any resulting cost savings are directed away from taxpayers and towards the contractor• Reduces public access to information• Increases temptation to reduce quality of services to reduce costs and maximize profit• Ideology—public sector is better

Experience with outsourcing suggests that some functions are most efficiently performed by the government directly; others are best contracted out. In other words, business does some things better than government, but government does some things better than business. The challenge for states is to identify which kinds of activities fall into each category, rather than make decisions about outsourcing based on generic assumptions about competition or ideological preferences.

The overarching question states must ask when deciding whether to outsource administration of their public benefit systems is, do the benefits outweigh the risks?⁶

The most commonly cited reason for outsourcing is that it will increase competition, thereby improving quality and lowering cost. However, competition for the right to administer a program differs from competition to provide the service itself in several ways. These differences may undermine government's ability to reap the benefits of competition.

First, there is no competitive market for eligibility determination for public benefits. States that decide to outsource this function are essentially buying a service that no company currently sells. States would have to recruit companies into the business. These companies would have to make a huge investment to enter the market, including hiring, training, and supervising staff and numerous other steps necessary to establish an eligibility determination system. The start-up costs would be significant. The few companies able to respond to a contract offer would in essence assume monopoly power.

The lack of a competitive market also increases the risk that the contractor will be unable to perform as promised. Because bidders lack the present capacity to offer those services, selecting a contractor will involve a great deal of speculation by the state. If the contract is awarded based on the lowest bid, then bidders may grossly underestimate the cost of providing the services in order to win the contract. At this point, the state faces a difficult decision: pay the contractor more or let services to clients suffer. The disruption, cost, and risk of finding a new contractor or rebuilding its public system may leave the state with little practical choice but to stay with the contractor even if the company has performed poorly or is demanding a higher price.

Moreover, any competition would effectively end upon the signing of a contract. Because of the cost and disruption of awarding a contract and the significant start-up costs involved in transferring responsibilities to the contractor, contracts are likely to run for many years, eliminating any competition for long periods of time.

In effect, the state assumes most of the risk in the inherent uncertainty over the costs of outsourcing eligibility determination: if the contract price proves to be more than is needed to run the eligibility system, the contractor keeps the profits, but if it proves inadequate, the contractor has leverage to ask for more money.

Another significant risk in outsourcing eligibility determination is that it is hard to measure performance, which makes crafting an effective contract a challenge. Research suggests that the key factor in predicting success in outsourcing is whether there is “clear accountability for results, clear criteria for performance, and clear public objectives.”⁷ In this regard, private companies may be well suited for certain functions related to public benefits administration, including straightforward services such as processing payments, data processing, or computer systems design. By contrast, government functions that require the “exercise of judgment to weigh competing priorities”⁸ have proven difficult to outsource successfully.

The steps required to determine eligibility for public benefits range from simple, objective functions to complex, subjective determinations. More objective acts, such as scanning documents or helping a person to fill out an application, are easy to measure and therefore more conducive to outsourcing. More subjective determinations, such as identifying a disability that may prevent an applicant from meeting program requirements, are much harder to measure and therefore less conducive to outsourcing.

Eligibility determination also requires accommodating or balancing many different policies that at least partially conflict—for example, controlling for fraud while encouraging maximum participation by eligible families. Designing a contract that strikes an appropriate balance between the competing priorities of program integrity and program access is extremely difficult.

When deciding whether to outsource, states should consider which steps in the eligibility determination process lend themselves to outsourcing, and how hard it will be to measure performance.

Why Does Federal Law Prohibit Outsourcing of Eligibility Decisions?

The federal government adopted guidelines in 1992 to assure the government does not enter into contracts with private companies that would involve an “unacceptable transfer of official responsibility to government contractors.”⁹ Federal guidelines define “governmental in nature” (GIN) as a function that is “so intimately related to the public interest as to mandate performance by government employees.” These functions include those activities that require either 1) the exercise of discretion in applying government authority, or 2) the making of value judgments in making decisions for the government. For instance, major personnel decisions such as hiring and firing employees are considered governmental in nature. Agency policymaking decisions are considered governmental in nature. And, generally speaking, decisions about whether to grant or withhold government benefits are considered governmental in nature. In other words, a determination that a person should not have access to health care or food should not be made by a private corporation. Conducting a GIN analysis prior to outsourcing is considered a best practice by the federal government and by Texas’ own Council on Competitive Government.

The public benefits system also lacks stability: caseloads are prone to rise and fall unexpectedly due to economic circumstances or policy changes. Designing a contract that can adapt to changes in participation is difficult. If the contract does not increase reimbursement when caseloads go up, then the contractor has an incentive to create barriers to families seeking services in order to maintain its profit margin. On the other hand, if payments are conditioned on the outcome of the eligibility determination, then the contractor has less incentive to focus on program integrity or support programs with the potential to reduce reliance on public assistance, for example through job training.

These risks also reduce the likelihood that the state will achieve significant savings from outsourcing eligibility determination. Any savings are likely to come from reductions in services, such as closing offices, or reducing the number of eligibility workers. Those reductions, however, can be achieved just as easily by the state, without outsourcing, if cutting costs is the primary goal. Outsourcing alone offers no immediate ways of producing significant efficiencies. Though outsourcing certain functions of government may produce savings through a reduction of bureaucratic complexity and procedures, many federal rules governing public benefits cannot be changed simply because states find that they are not efficient. On the other hand, where there is flexibility in the rules to simplify the process, the state can adopt these changes without outsourcing.

Outsourcing also changes the fundamental role of government. Though a state may choose to outsource the eligibility determination process, it remains responsible for ensuring that eligible families receive timely and accurate benefits in accordance with federal law. This creates new responsibilities for the state agency. Where previously the state was required to administer the program, now it is responsible for developing requests for bids, negotiating contracts, monitoring performance, and enforcing compliance. States need to determine whether they have the capacity to play this role and include the costs of contract monitoring and enforcement in their analysis when determining whether outsourcing a particular function is cost-effective.

THE ROLE OF THE FEDERAL GOVERNMENT IN STATE MODERNIZATION AND OUTSOURCING INITIATIVES

Three federal agencies oversee the administration of the public benefits included in the TIEES project. The Centers for Medicare and Medicaid Services (CMS), a division of the U.S. Department of Health and Human Services (DHHS), oversees state Medicaid and CHIP operations, and the federal government provides matching funds to states to pay a portion of the cost of Medicaid and CHIP benefits and of administering the programs. The Food and Nutrition Service (FNS), an agency within the U.S. Department of Agriculture, oversees Food Stamps. The federal government reimburses states for 100% of the cost of the Food Stamp benefits and shares the cost of administering the program. The Administration for Children and Families (ACF), another agency within DHHS, oversees Temporary Assistance for Needy Families, a block grant to states. States are accountable to these federal oversight agencies for their performance in administering public benefits.

At a Glance: Key Federal Involvement
Medicaid and CHIP: The Centers for Medicare and Medicaid Services (CMS), U.S. Department of Health and Human Services <i>Provides matching funds to states to pay part of cost of Medicaid and CHIP benefits and administration.</i>
TANF: The Administration for Children and Families (ACF), U.S. Department of Health and Human Services <i>Funds TANF to states through block grant.</i>
Food Stamps: The Food and Nutrition Service (FNS), the U.S. Department of Agriculture <i>Reimburses states for entire cost of Food Stamp benefits and roughly half of its administrative costs.</i>

CMS and FNS have a significant stake in how states administer their public benefit programs, for two reasons: first, they

have a statutory responsibility to ensure lawful administration of these programs, and second, they are accountable to Congress and taxpayers for prudent stewardship of federal money.

ACF is less invested in how states choose to spend TANF. Because it is a block grant; states have considerable flexibility in how and to whom they deliver TANF services, and ACF has limited authority over these decisions. The same is true of CMS' role in overseeing state CHIP administration.

Beyond these basic distinctions, differences exist in the regulatory structure of the public benefits programs as well as in the policy agendas of the agencies that oversee them. These factors also affect the inclination and authority of the federal agencies to intervene in states' decisions about how to administer the benefits, as the Texas experience has demonstrated.

The present Administration is committed to reducing Medicaid spending, which may make federal Medicaid officials less likely or willing to intervene in state decisions that have the potential to lower costs by reducing enrollment. FNS, on the other hand, is committed to expanding food assistance programs—a goal endorsed by the Administration and supported by both anti-hunger advocates and agricultural interests—and is therefore more likely to scrutinize decisions that could result in the failure to certify eligible families. FNS also maintains a rigorous Quality Control (QC) process and assesses penalties against states that exceed the national tolerance level for error rates; the QC process increases FNS' oversight of state Food Stamp administration.

Federal regulations differ as well. Though both the Food Stamp and Medicaid statutes contain strong client protections, the Medicaid regulations are less prescriptive than the Food Stamp regulations, which contain several clear directives to states related to ensuring program access and protecting client rights. These regulations give FNS more leverage than CMS has over Medicaid when evaluating states' Food Stamp performance.

As soon as Texas announced its plan to modernize its public benefits system and outsource eligibility determination, client advocates¹⁰ began pressing federal regulators to rigorously oversee the decisions being made by the state to ensure the proposed business model would comply with federal law and, specifically, protect client rights and ensure continued access to benefits. In particular, advocates pressed the federal government to look carefully at the impact the proposed changes would have on access for vulnerable populations, including persons with disabilities or language barriers, the elderly, and the homeless.

ACF officials made it clear they had no authority to intervene in Texas' plans. CMS chose not to comment on the state's proposal and did not respond to advocates' attempts to engage the agency. FNS' response stands in stark contrast: though the agency expressed support for Texas' intention to modernize its eligibility system, it voiced serious reservations about the new system's ability to protect client access and program integrity and encouraged the state to proceed with caution.

Though FNS is actively overseeing the Texas project, its influence over the project is limited. As one federal official put it, "when things go wrong, we can tell Texas to fix it, just not how to fix it." At the same time, FNS has insisted on approving the decisions being made in Texas, conditioned funding for the rollout on the system's ability to meet certain federal standards, and is monitoring the performance of the new system. FNS oversight has increased public scrutiny of the project and held Texas accountable for ensuring the new system does not impede access to Food Stamps.

Why This Matters: A Client's Story

Four Applications, Three Months, and Still No Food Stamps - Travis County, Texas

Kelly is a 20-year-old single mom living in a transitional shelter that helps homeless families find work and permanent housing. Kelly relies on Food Stamps and TANF cash assistance to take care of her toddler.

On January 9, Kelly submitted all of the paperwork needed to renew her benefits at her local HHSC eligibility office, only to have them cut off. In February, she submitted a second application at the same office, but still received no Food Stamps or TANF. On March 6, she submitted a third application online via the state's new web site. One week later, she received a blank application in the mail with a request that she fill it out and return it to the Texas Access Alliance (TAA)—the state's new eligibility contractor. Kelly filled out the application and sent it to TAA.

By the end of March, Kelly had still heard nothing and appealed to the case manager at her shelter for help. Her case manager contacted top officials at the state agency. These officials researched Kelly's case and processed her application. In April, Kelly received Food Stamps and TANF – three months after she initially attempted to renew her benefits.

(Note: Names have been changed to maintain confidentiality.)

III. The Road to Modernization and Privatization in Texas

Texas first attempted to outsource the administration of its public benefits system following passage of the state's major welfare reform legislation in 1995. That plan was similar to today's initiative in several ways including its name: the Texas Integrated Enrollment Services (TIES) system. It called for a redesign of the state's public benefits system that involved more integration of the eligibility determination processes used for different state programs, improved automation, and the use of call centers. The primary difference was that TIES involved even greater outsourcing of the workforce, including the potential elimination of the 13,000 state employees then assigned to perform eligibility determinations.

The concerns voiced by public interest organizations, lawmakers, and client advocates were also similar to the questions being raised today. The concerns addressed:

- **The lack of public input.** State officials developed the TIES project without any input from advocates or other stakeholders. If TIES had been undertaken it would have been one of the state's largest privatization efforts, with virtually no public input into the design of the project.
- **The lack of focus on clients.** There was little evidence that the TIES project was being designed to improve services for clients. In fact, some clients would have had to go through more steps to apply for benefits under TIES than under the current system. Further, there was no evidence that clients' rights would be adequately protected under the new system.
- **The focus on savings.** State officials claimed a privatized system would save Texas 25% to 40% in administrative costs. The savings would be achieved by closing eligibility offices and reducing eligibility staff. Many advocates and lawmakers feared that clients' access to services would be greatly reduced to meet these savings targets. In particular, they feared employees would be replaced by telephone response systems or ATM-like kiosks, with little or no human contact for clients.
- **The uncertainty of the financial arrangement with the successful vendor.** Many advocates and lawmakers were concerned that the successful vendor would be allowed to share in program savings if benefit rolls were reduced. In fact, one potential vendor indicated its interest in this. Such an arrangement would have given the successful vendor the incentive to reduce clients' access to services.
- **The loss of accountability.** Many were uncertain how Texas would hold the successful vendor accountable if data about the vendor's work were not publicly available.
- **The lack of any testing of the project.** There were no plans to test the privatization concept in a pilot project before the state's entire eligibility system was replaced.

TIES would have resulted in a seven-year, \$2.8 billion contract, were it not for the Administration's decision in 1997 that prevented Texas from moving forward with its plans. When the Administration rejected Texas' request to approve its Request for Offer (RFO), federal officials cited the federal statute that prohibits outsourcing of Food Stamp eligibility determination. Efforts in Congress to overturn this decision by removing these restrictions in the law failed, and Texas abandoned its plans to privatize the system.¹¹

Even before the Administration's ruling, many Texas legislators had begun to express concerns about outsourcing. In 1997, the legislature passed House Bill (HB) 2777, which significantly reshaped TIES. This legislation created a legislative oversight committee to monitor the project, established greater opportunity for public input, required a cost-benefit analysis to determine whether the project would result in improved access for clients, and gave priority for contracting to the upgrade of computer software and hardware. The legislation also required Texas to obtain the necessary federal approvals before proceeding with any outsourcing of the workforce.

With the Administration's ruling and HB 2777's passage, Texas officials shelved the original RFO and proceeded with a more incremental approach to modernizing its eligibility system. Instead of a contract that would have allowed for full-scale outsourcing, Texas officials signed a \$3.7 million consulting contract with Electronic Data Systems (EDS) to assist the state with the redesign and develop specifications for a new automation system.

In 1999, state administrators presented lawmakers with a revised version of TIES and requested \$131 million to proceed with a 7-year plan to redesign the eligibility determination system. The new proposal would have integrated eligibility determination and enrollment for more than 40 programs administered by three health and human services agencies. As with the initial TIES proposal, the cornerstone of the new system included the creation of 10 call centers across the state,

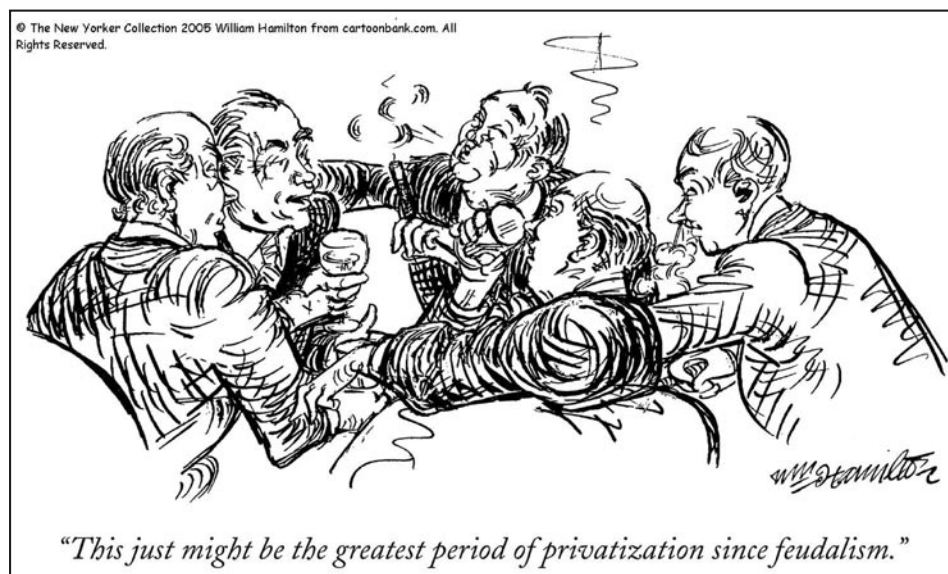
which would replace many local eligibility offices and become the central point of access for clients seeking services. The state proposed to reduce eligibility staff by 25% over the life of the project, but did not attempt to privatize the workforce or the administration of the new system.¹² Though opponents of the original TIES proposal remained concerned about the impact of staff reductions on client access to services, they were more receptive to this new proposal because of its slower approach and potential for improving clients' access to services through policy simplification, better automation, and more funding for technology improvements.

Ultimately, the legislature rejected the proposal because it was deemed too costly, but approved \$54 million in funding to start developing a new computer system to automate and integrate eligibility processing for Medicaid, Food Stamps, and TANF. Texas awarded Deloitte Consulting the contract to develop the new system. Dubbed "TIERS" — the Texas Integrated Eligibility Redesign System — the new project gained an "R" but lost many of the added benefits of the TIES project, such as greater access to multiple services and less time and work to apply for benefits.¹³

Texas estimated that TIERS would ultimately save the state money in two ways. First, TIERS was expected to significantly reduce the amount of time required to process an application, which would decrease the number of caseworkers needed. Second, TIERS was expected to improve the accuracy of eligibility determination and benefit calculations, which would reduce participation by ineligible families as well as overpayments to recipients.¹⁴ A pilot of the new computer system was launched in two counties in July 2003.

One month earlier, the Texas legislature responded to a \$16 billion budget shortfall with sweeping cuts in health and human services and a consolidation of the state agencies that administer most of the public safety net.¹⁵ Nestled among these changes was a mandate to explore the use of privately run call centers to enroll low-income Texans in public benefits as a means to achieve cost-savings.

This time around, the intent to privatize met with less resistance. Changes at the state and federal level had created an environment more conducive to increased outsourcing, beginning with the passage of federal welfare reform in 1996. Congress and the Texas legislature had become more hostile toward both government and government programs and more apt to embrace private sector approaches to tackling public problems.



Timeline

1995

Texas first attempts privatization of eligibility determination as part of state welfare reform.

1997

Federal officials won't approve privatization plans; project is scaled back.

1999

Texas legislature approves funding for a new computer system, but rejects a broader, more costly proposal to redesign the eligibility determination system.

June 2003

Texas legislature authorizes the use of privately run call centers as part of massive state budget cuts to health and human services.

July 2003

A pilot of the new computer system is launched in two counties.

December 2003

State officials delay rollout of new computer system due to problems identified during pilot.

March 2004

State officials release cost-benefit analysis for a state-run system using call centers.

June 2004

State officials release a Request for Proposals to the business community to develop and administer the new system.

September 2004

Four companies submit proposals: Accenture (with Maximus), IBM (with ACS and Deloitte), Bearing Point, and Effective Teleservices, Inc.

February 2005

State officials announce a tentative award to Accenture, LLP.

June 29, 2005

Accenture signs contract with the state.

December 2005

Accenture takes over CHIP from previous contractor.

January 2006

New eligibility system for Food Stamps, Medicaid, and TANF cash assistance is launched in two counties.

May 2006

State officials delay further rollout of privatized system indefinitely due to serious technical problems and inadequately trained contractor staff.

The state's budget crisis also helped clear the path to outsourcing. First, lawmakers were struggling to balance the budget without raising taxes and viewed cuts in infrastructure as a means to avoid even deeper cuts in actual services. Second, the advocates who had voiced concern over privatization a decade before were now absorbed with the critical task of protecting vital services. Third, some client advocacy groups had grown so frustrated with the underfunded state system that they readily embraced the prospect for change, regardless of the risks. This diluted efforts to amend the legislation to include stronger client protections, require pilot testing, and ensure public involvement in the planning process.

The legislation authorized the Texas Health and Human Services Commission (HHSC) to establish up to four call centers to determine eligibility for and enroll people in Food Stamps, Medicaid, CHIP, and TANF.¹⁶ The bill further directed HHSC to contract with up to four vendors to operate the call centers, if cost-effective. HB 2292 included public hearing requirements, customer service and performance standards, and methods for measuring call center performance. The law also required the provision of translation services as mandated by federal law, directed HHSC to maintain a local network of eligibility offices to assist clients who could not access a telephone-based system, and required that the call centers be located in Texas.

The Texas Integrated Eligibility and Enrollment Services project was born.

Why This Matters: A Client's Story

A Mother's Plea - Smith County, Texas

My name is Kimberly. My son, Joel, is 9 years old and was diagnosed with Crohn's Disease in December 2005. Crohn's Disease is a chronic inflammatory bowel disease. He had surgery in March 2006 to remove a diseased section of his large intestine and since that time has been in almost constant pain. Because of the continued pain, he has undergone many tests and procedures to try to remedy it. Along with these tests and procedures, Joel has daily prescription medicine which I have to refill monthly.

Joel's CHIP renewal was effective on September 1. I paid the enrollment fee on time and don't have any monthly fee that I have to pay. I called (my) insurance company on October 2 to find out why my kids haven't received their new CHIP ID cards. They told me that our insurance terminated on September 30 and that I should call TAA (the Texas Access Alliance, the state's new eligibility contractor). Apparently, someone in data entry at TAA made a mistake and listed us as living in Dallas County instead of Smith County. I was told by CHIP that the problem was solved and that I should not have any trouble getting care for my children.

The doctor is currently trying to check Joel's gallbladder to see if that is causing all his pain. We are trying to schedule a test for October 17 at Children's Medical Center in Dallas. After trying to schedule the test, the doctor's office called me to say that we had no insurance. This is 11 days after I spoke to TAA and was told the problem was solved. I called TAA today. They told me that even though this was (their) mistake that they couldn't reinstate coverage until November 1. I explained about my son's situation and they had no answer. The only thing they were willing to do was transfer me around, leave me on hold, and file a complaint for me. They couldn't give me the name or number of anyone to contact to help solve this. In the 11 days since I first spoke to them, Joel has also had an ultrasound done because I believed that the problem with the insurance coverage was settled.

Because TAA couldn't refer me to anyone for help, I contacted my State Representative.

On October 14, her problems still not resolved, Kimberly turned to a client advocacy group for help. It immediately contacted top officials at the state agency, which called TAA. On October 16—the day before Joel's gallbladder test—TAA finally faxed a letter to the Children's Medical Center to let its staff know that TAA had reinstated Joel's health insurance coverage.

IV. The Texas Integrated Eligibility and Enrollment Services Project

THE COST-BENEFIT ANALYSIS FOR STATE-RUN CALL CENTERS

The Texas Health and Human Services Commission responded to the 2003 mandate to explore call centers by attempting first to determine whether state-run call centers would be cost-effective. In March 2004, HHSC published a report that claimed to make the business case for moving most eligibility functions for TANF, Food Stamps, and Medicaid to three call centers.¹⁷ The report proposed to reduce state eligibility staff by 57%, from 7,864 workers to 3,377, and close 217 of its 381 local offices.

The proposal described an integrated eligibility system that would be accessible via multiple channels, including by phone, fax, mail, the Internet, through the assistance of a community-based organization (generally, a provider of social services), or in person at one of the remaining eligibility offices. In addition to the call centers and smaller local office network, the model included an online application for benefits, expansion of the state's 2-1-1 system (an information and referral hotline) to serve as the gateway to the call centers, and a heavy reliance on private community-based organizations (CBOs) to assist clients in navigating the new system. TIERS, the new computer system that was at the time being piloted in two counties, would be the technological backbone of the new system. All information would be scanned into electronic case files, creating a paperless system.¹⁸

Most of the work involved in eligibility determination would take place at the call centers, including application processing, requests for additional information from the client, verification of information, processing information changes submitted by clients, and benefit renewals. All documentation received at the call center would be scanned into the system using Optical Character Recognition (OCR) technology, which would generate information to fill out the TIERS application, theoretically eliminating the need for most data entry. Once an application was processed and complete, the information would be sent to a local office. At this point, every client (with the exception of those exempted from face-to-face interview requirements) would have to travel to the local office, where a staff person would determine eligibility, fingerprint the client (if applicable),¹⁹ and issue benefits to the client. Clients would be able to report changes or recertify for benefits over the phone, by mail, or via the Internet, without an office visit.

The timeline for making these changes was extraordinarily aggressive: the business case allocated 5 months to design and develop the system, and 12 months to roll it out. This period included the time it would take to review proposals from the business community and award a contract if the state deemed it more cost-effective to outsource the system.

The changes were projected to generate a savings of \$389 million in state and federal funds over five years. HHSC estimated that by 2008, it would spend 41% less annually to determine eligibility for benefits than in 2004. The savings would be achieved both through a reduction in force and by replacing a large number of skilled, higher-paid employees with lower-paid clerical staff.

HHSC's business case was for a state-run system using only public employees. However, HHSC indicated in its report that its next step would be to solicit bids from the private sector to determine whether outsourcing would produce even greater savings. The cost-benefit analysis for a state-run system would be used as the basis against which to compare these private bids. Critics of this approach urged the state to first test the call center model using state staff, in order to confirm its assumptions about savings, before moving forward with any plans to outsource the new system.

One of the most significant changes proposed in the new business model was the move from a "case-oriented" system (in which a caseworker is assigned to a client) to a "task-oriented" system (in which workers are assigned to a specific eligibility-related task). The rationale for this "assembly line" approach to the eligibility determination process was two-fold. First, clients would no longer be tied to a particular caseworker or local office. With electronic case files and a central computer system, clients could access information about their case from any worker anywhere in the state regardless of the worker's or the client's location. Second, an assembly line approach theoretically eliminated the need to train each worker thoroughly in all of the policies related to each program. Instead, workers would receive only enough training to be able to perform the task assigned to them, which in turn would reduce the need for skilled staff and therefore lower costs. This hypothesis was based on two assumptions: one, that most clients did not need nor benefit from having a caseworker; and two, that greater automation would make up for the loss of policy-knowledgeable staff.

The move away from a case-based system was reflected in HHSC's approach to determining staffing needs and costs in the new system. In a major change of methodology, instead of providing an estimate of the workload per worker under

the proposed model, HHSC's workload estimates were based on the amount of time it would take to complete a certain task, how many times that task would be performed, and by whom.

The financial model made these calculations for 110 business activities across nine resources. The nine resources were the local offices; call center customer service representatives; application processing staff; document scanning/processing; community resources (CBOs and other state agencies); an Integrated Voice Response (IVR) system; 2-1-1 staff; the Internet; and TIERS. For each of the business activities, the model estimated the average number of minutes required per case (for example, 25 minutes for a face-to-face interview, 45 minutes for an appeals hearing, 10 minutes to process a Food Stamp recertification, 5 minutes to deny an application, etc.) and what percentage of time each "resource" would be expected to perform that activity. For example, it was estimated that 15% of clients would initiate an application over the Internet.

Notably missing from this approach was any explanation from HHSC about how it calculated the time it would take to complete each activity, or why it would take significantly less time for certain tasks than it did to complete that same task in the current system. The model also did not take into account whether current staffing levels were adequate to manage the current workload when projecting future staffing needs. Advocates generally consider this to be the primary flaw in the state's approach.

ANALYSIS OF THE STATE'S PROPOSAL

Though many of the shortcomings in Texas' eligibility system were clearly a direct result of worker shortages, HHSC ignored this problem when making its case for change. The state argued that new technology, smarter business processes, and a self-service approach to the application process would increase access for clients and reduce staff workload, but offered no concrete evidence to support the notion that staff could be cut dramatically while improving services to clients. Instead, HHSC based its calculations about the number and caliber of staff needed in the new system on several untested assumptions, such as the willingness and capacity of nonprofit organizations and their volunteers to assist clients, the reliability and availability of technology, and the ability of clients to apply for benefits without the aid of a caseworker.

Client advocates voiced the concern that the staffing reductions would reduce program access, in particular for vulnerable populations. Critics also raised questions about the limitations of technology, the role of community-based organizations, the aggressive timeline, and the lack of testing and piloting. Even several of the major companies interested in bidding to run the call centers expressed their doubts about the state's plan, in particular its assumptions about the number of staff needed to run the new system. Advocates urged the legislature and HHSC to slow down in their approach and test the proposed changes, including any use of call centers, online tools, or new partnerships before shutting down local offices or reducing staff significantly. These concerns and recommendations went unheeded.²⁰

Specific Concerns and Recommendations

At the core of the state's plan was a significant reduction in the state's eligibility workforce, despite clear evidence that there were not enough staff in the existing system.

RECOMMENDATION

Advocates recommended that HHSC analyze current staffing levels and revise staffing levels in the proposed model as necessary.

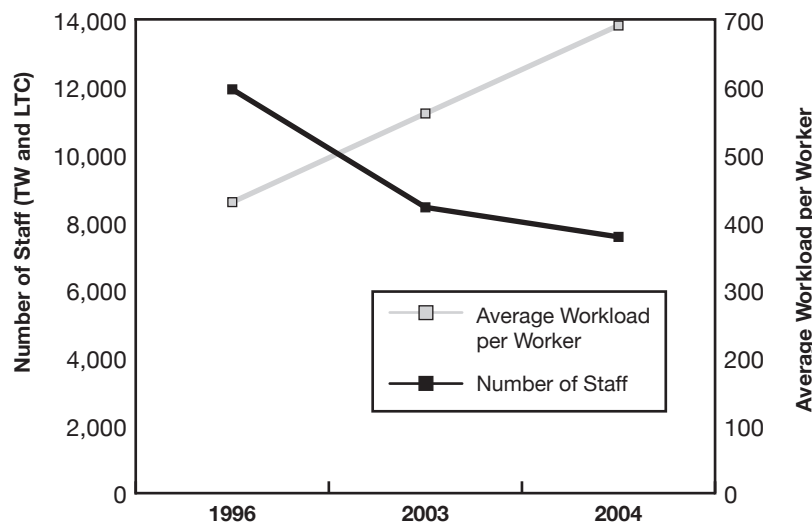
The state ignored the staffing shortages that plagued the current eligibility system and that were responsible for many of the problems the new business model purported to fix. Texas' eligibility system had been underfunded for years. The legislature began cutting eligibility staff in 1995, in conjunction with the passage of legislation that overhauled Texas' welfare system. One year later, Congress passed its welfare reform bill, which replaced the entitlement program Aid to Families with Dependent Children (AFDC) with the TANF block grant.

Though Texas welfare and Food Stamp caseloads declined dramatically following these changes, the number of overall applications for benefits increased and the amount of work required per client (how Texas then measured workload) increased due to welfare reform policies and a substantial increase in the frequency of Food Stamp recertifications and investigations. For example, the average time for an eligibility interview increased from 50 minutes to 90 minutes

between 1996 and 1999, largely due to new requirements in the TANF program and an effort to improve the accuracy of Food Stamp benefit determinations. When caseloads rebounded beginning in 2000 (the result of the poor economy, better outreach, expansions in eligibility, and simpler enrollment procedures),²¹ the staffing shortages grew more acute.

From 1996 to 2004, eligibility staff at local offices were reduced 40% while the caseload per worker jumped 40%, from more than 430 cases per worker to almost 700 per worker. In certain regions of the state, workload increases were even greater. For example, in the Dallas area, which lost 47% of its staff during this time period, the caseload per worker almost tripled. Disruptions in services to clients occurred frequently and customer service suffered, at times leading to lawsuits. Unrealistic workloads also complicated the recruitment and retention of qualified staff. In its budget request to the legislature in 2001 (the session before the call center initiative passed), HHSC reported turnover rates as high as 38% in metro areas. Training and customer service suffered as understaffed offices with inexperienced workers attempted to keep up with an unrelenting demand for services.

**Downsizing of Eligibility Workforce
Increased Workload, 1996-2004**



Source: Texas Health and Human Services Commission

Efforts to ease workload by simplifying program rules were undermined by the ongoing staff reductions. For example, when advocates in Texas pushed for Children’s Medicaid simplification in 2001, the cornerstone of the proposal was the adoption of a six-month continuous eligibility period to replace the monthly renewal process. Advocates strongly opposed pairing these policy changes with any new reductions in eligibility staff, arguing instead that the reforms presented an excellent opportunity to reduce the workload of overburdened staff and improve overall system performance. Despite this advocacy and the agency’s request for a substantial increase in caseworkers to address heavier overall workloads, the legislature seized the policy reforms as an excuse to reduce staff further.

HHSC’s business case acknowledged that workload was heavy in the current system, but blamed the labor-intensive, case-oriented approach to working with clients, the wide-ranging responsibilities of caseworkers, and low staff morale for the heavy workload, rather than addressing the underlying cause—too few workers.

HHSC assumed that fewer staff would be needed under the new business model because it would take less time to perform certain tasks related to the eligibility determination process, such as processing an application or conducting an interview. The state also assumed that clients would require less assistance in completing the application process in the new system, further reducing the number of staff needed. Yet, HHSC did not substantiate these claims with any evidence.

Without an analysis of current staffing needs, and no proof that fewer staff would be needed in the new business model, HHSC’s analysis raised the troubling specter of a system that would be even more understaffed than the existing one.

Assumptions about workload in the new business model were based on industry standards and call center metrics with little relevance to the eligibility determination process.

HHSC pointed to industry standards and data from its 2-1-1 network and the state’s Unemployment Insurance (UI) call centers to justify its assumptions about the number and duration of calls that would be handled by the call centers.

However, the kind of work performed by business call centers—and even by 2-1-1 and the UI call centers—had very little in common with the scope of work required to determine eligibility for public benefits. 2-1-1 is a statewide, telephone-based information and referral system that connects callers to local services in their community. Although 2-1-1 answered calls from a similar client population, it is essentially an information and referral network; operators do not need to ask for extensive information from the caller to make an appropriate referral. Determining eligibility for government programs that have complicated rules and requirements is far more time-consuming. Although Texas' UI call centers were more comparable in terms of the kind of work involved, UI is a much simpler program, and operators only process claims for a single program. Shockingly, HHSC's model expected its customer service representatives to handle a call caseload that was 64% higher than the caseload of a UI call center operator.

The business model relied heavily on TIERS—a poorly performing and unproven system—and other technology that had not been tested.

Texas' assumptions about the ability of technology to reduce workload were also untested. The proposal involved the expansion of TIERS, a new computer system that had performed poorly in a two-county pilot. At the time, TIERS was in a test phase in five of the state's 381 offices, representing less than 5% of the statewide caseload. The TIERS pilot, launched in July 2003, was only expected to last six months before statewide deployment of the system. However, the rollout was delayed when the pilot exposed serious deficiencies in TIERS, including flaws in its design, problems converting data from the old system, and complications in the interfaces with other state computer systems that rely on data from the public benefits programs.

One of the most significant problems—and one that persists today—was TIERS' inability to process applications within the required federal timeliness standards. Further, USDA's Food and Nutrition Service, which monitors TIERS as part of its process for approving technology projects, had repeatedly questioned whether TIERS was a system capable of functioning for the entire state.

RECOMMENDATION

Advocates urged HHSC not to add any new feature to the system until TIERS was fully operational, had been thoroughly tested, and was determined capable of functioning at full scale.

Despite the obvious problems with TIERS, the legislature grew impatient about the delay in the rollout of the computer system and the project's mounting costs and decided to go ahead with the plan to use call centers. Advocates raised the concern that pressure to roll out the call center system would force a premature deployment of TIERS that could disrupt services to clients.

The business model also relied on the use of other technology that had never been tested. In one example, HHSC assumed that Optical Character Recognition (OCR) scanning technology would reduce manual data entry as well as the need for contact between call center agents and clients. However, even a cursory review of industry experience with OCR showed that, in certain cases, the technology is only 25% accurate, with handwritten documents the most difficult to scan correctly.

HHSC did not offer any specific recommendations for policy changes that would reduce workload, support the automation process, or make the application process easier for clients.

Policy changes that eliminate unnecessary steps and requirements in the enrollment process are critical to successful modernization of public benefit systems. Reducing the complexity of the application process and integrating rules across multiple programs maximizes limited resources and facilitates automation of eligibility and enrollment. For example, limiting the amount of documentation a family must provide to support its application for benefits also reduces the contact between eligibility staff and the applicant. Limiting the number of office visits an applicant must make—for example, by eliminating the requirement that Food Stamp applicants be finger imaged—facilitates the move to a telephone-based or online application process.

Despite the importance of policy simplification, HHSC's business model did not recommend any specific policy changes to decrease staff workload and facilitate the automation process. The model did not indicate the extent to which the new application process would be any easier for clients, who would face many of the same requirements in the new system as they did in the current one. Food Stamp clients would still be required to go to a local office to be interviewed and finger imaged. With the proposed office closures, however, they might have to travel farther to get there.

Among the most difficult challenges clients faced historically were the extensive documentation requirements. Yet, at the same time the legislature decided to explore call centers in 2003, ostensibly to improve access and efficiency, lawmakers adopted several policy changes that made the enrollment process more complex for staff and clients. A new policy adopted for Children's Medicaid required caseworkers to verify the information provided about a family's assets prior to issuing or renewing the children's benefits.²² A stricter sanction policy adopted in the TANF program led to a significant rise in the number of sanctions and appeals from families losing their TANF benefits.²³ Both policies increased the workload of eligibility staff.

An inadequate number of policy-knowledgeable staff could increase procedural denials, sanctions, and terminations.

Although HHSC proposed retaining a small number of staff with policy expertise in the remaining local offices,²⁴ it was unclear what percentage of the call center staff would be knowledgeable about policy. Because call center staff would be responsible for the bulk of information gathering, processing, and contact with clients, the potential for error would be highest at the call centers. With too few skilled staff at the call center, and an inadequate number of local office staff to review the applications coming out of the call center, the level of improper eligibility decisions would likely increase. Advocates voiced the concern that the number of procedural denials—clients denied not because they are ineligible, but for failure to complete the application process—would rise sharply in a system run primarily by unskilled staff. Critics raised the specter of a “survival of the fittest system,” wherein only the most highly functioning clients would ever make it to the local office to be certified, and clients with the greatest needs (for example, the elderly, persons with cognitive disabilities, or persons with language barriers) would fall through the cracks before a knowledgeable staff person had the opportunity to review their case.

Expectations about clients' ability to use the Internet, apply for benefits over the phone, or benefit from a self-service model were untested, at best, and unrealistic, at worst; without adequate staff in place, such an approach could alienate clients who need assistance to complete the application process.

The self-service approach to the application process could be beneficial to the majority of clients, many of whom were likely to welcome less interaction with the system. At the same time, many clients rely on this interaction to navigate the eligibility process. The key question—and one that HHSC failed to answer—was how many and what percentage of clients would continue to need in-person assistance to complete the application process. The staffing levels in HHSC's business model optimistically assumed that most clients would enter the new system better prepared and able to submit a complete application without the aid of a caseworker.

RECOMMENDATION

Advocates recommended that HHSC use client demographic data, review research about client populations, and conduct surveys of clients, service providers, advocates, and caseworkers to determine whether and what portion of the people served by these programs could use, or would benefit from the proposed model. Advocates further recommended that HHSC use these data to revise its projections about the allocation of resources, staffing needs, cost-savings projections, and implementation timeline.

Although the model claimed to be “client-centered,” little research was actually done with clients to support HHSC's expectations about clients' ability to access the Internet or navigate a phone-based system without live support.²⁵ Further, Texas ignored the recommendations from researchers in this area as well as the experiences of other states. Indeed, Texas ignored its own experience with clients.

Research on Internet access has consistently found that while Internet access is increasing, people who are poorer, older, less educated, or African American or Latino are still less likely to use computers and the Internet. Given these disparities, researchers at The University of Texas at Austin had recommended that governments providing e-services be aware that these populations might be the least able to use the new services and consider alternative strategies to make services accessible to them.²⁶ They also recommended that if government could not assume that everyone had a computer or Internet access, then providing widespread public access to computers linked to the Internet was critical.

HHSC did not incorporate these recommendations into its business model; instead it assumed that clients without

access to a computer and the Internet at home would be able to go to a local library or school that offered Internet access to the public free of charge. Although some communities in Texas do have libraries and schools that offered these services to the public, HHSC did not survey these agencies to assess their capacity or willingness to open their doors to clients applying for public benefits, or their hours of operation and locations. Without a commitment from local agencies and school campuses to make their computers available to the public, HHSC's claim that 15% of clients would complete an application online in the first year of the new system seemed unrealistic. In contrast, Pennsylvania's online application, which had been in use for three years, received only 3% of total applications for benefits.

Texas also ignored its own mixed track record with alternative application methods and online screening. When Texas adopted a mail-in application and renewal process for children's Medicaid, families responded positively, and enrollment soared. Other innovations did not yield the same results. An automated screening tool had been available to clients since 2001, but received little use. Food Stamp applicants also had had the option to request a phone interview since 2002, yet rarely took advantage of the option. Clients always had the option to mail their applications or required documentation, yet many chose not to, perhaps for fear the information would be lost and they would be penalized.

Without any attempt to assess what made past efforts succeed or fail, HHSC had little basis for understanding what percentage of clients would embrace the self-service model, and how many would continue to need in-person assistance. Although HHSC insisted that any client who wanted or needed an in-person interview would be granted one, the model did not provide any detail about how clients would be informed of this option. Moreover, since the model was so dependent on a minimal level of face-to-face contact between workers and clients, advocates were concerned that clients might be actively discouraged from seeking live help.

The self-service approach could impede the state's ability to gather accurate information from certain clients, which might compromise customer service, client rights, and program integrity.

RECOMMENDATION

Advocates recommended that HHSC evaluate how a self-service approach would affect program integrity and the ability of staff to collect accurate and timely information from clients.

Advocates generally have supported making face-to-face interviews optional for applicants as a means to reduce the burden of the application process, particularly for working families. However, moving the majority of personal interactions between caseworkers and clients to a call center environment could, in certain circumstances, make it more difficult for workers to gather the information they need to process a client's application. In fact, previous efforts to make the face-to-face interview optional for all clients were opposed by the agency and the legislature for fear it would increase the risk of error or fraud. Because of this concern, exemptions were usually granted on a case-by-case basis only or, with certain client populations, never.

Without the aid of a trained worker, clients might be less likely to understand what was being asked of them or, in some cases, more unwilling to provide information over the phone or via the Internet. For example, the switch to call centers could have a significant negative impact on the collection of child support in TANF cases, should applicants be unwilling to provide sensitive information over the phone. A phone application process could also result in persons with disabilities not having that disability detected and being obliged to meet work requirements from which they should be exempt.

The model shifted enormous responsibility to local communities with no assessment of their capacity or willingness to shoulder this responsibility.

The role of nonprofits was one of the most controversial aspects of the state's plan. The state's proposal assumed that community-based organizations (CBOs) would donate one million volunteer hours per year to help Texans navigate the automated system, but made no attempt to assess the capacity or willingness of these groups to shoulder this responsibility, and offered little compensation for their participation. Although nonprofits generally supported the state's vision of a more accessible system—and many organizations embraced the concept of a greater role for nonprofits in that system—they rejected the notion that nonprofits could do more without additional resources. Many community-based organizations expressed the concern that the increased responsibility would force them to divert funds from the delivery of vital services.

Giving volunteers, rather than paid nonprofit staff, such a significant responsibility for assisting clients also worried

advocates. Although volunteers are an extremely valuable resource for nonprofits, they are not a reliable labor force. In addition, the state did not allocate any money to train these volunteers—training that would have to be repeated regularly due to high volunteer turnover. Moreover, the state offered no evidence that these organizations had anywhere near the capacity to cope with the significant number of clients the model assumed would access benefits through CBOs in the future.

RECOMMENDATION

Evaluate the willingness and capacity of community-based organizations to play the support role envisioned for them within the resources allocated to them and formally recruit organizations identified as willing and able to commit their volunteers and resources.

Some nonprofit leaders questioned whether their organizations would face increased liability if they contracted with the state or a private firm to perform government functions related to eligibility determination. Would a church that entered into a contract with the state to accept Food Stamp applications be subject to the same due process requirements as a government agency? If so, would that church face liability if it violated a client's rights to due process? For example, the Food Stamp Act requires states to provide same-day service to applicants seeking assistance. If the initial contact with the program is through a nonprofit organization, then this obligation could fall upon that entity.

Nonprofits also expressed the concern that they could face liability for harm caused to a client if they contracted with the state to help sign up needy families for benefits. (In general, civil rights and tort laws do not grant the same immunities to a private worker carrying out a government function that they do to a government entity.)²⁷

The nonprofit community insisted that the state resolve these issues prior to signing a contract with a private company or otherwise proceeding with implementation of the new system.

The model transformed the current 2-1-1 system from an important—though underfunded—community resource and referral network to the portal through which all phone access to the eligibility system would funnel.

The model's major reliance on the 2-1-1 system was untested and unrealistic. The call volume through 2-1-1 had been around 5 million calls per year, yet the model envisioned nearly 40 million calls per year flowing through this number. Further, the business case ignored certain functional problems with 2-1-1. At the time, the 2-1-1 number was not available from cellular phones and couldn't be dialed from institutions and businesses that barred certain types of outgoing calls, like 4-1-1.²⁸ While the model included some funding for the 2-1-1 system, it was unclear exactly what the funding would be used for or whether it would be adequate. The 2-1-1 centers were neither call centers nor eligibility centers; they prided themselves on high quality interactions with individuals seeking help, often taking as much time as necessary to assist a person in crisis. Advocates raised the concern that this infrastructure would be quickly overwhelmed, which would undermine access to public benefits in the new system and threaten the integrity of the local referral service central to the 2-1-1 mission.

RECOMMENDATION

Advocates recommended that the state conduct a pilot of the new system first, before reducing staff, and then implement the system in phases. They also urged the state to develop specific “go/no-go” criteria for use in determining whether to expand the system.

The implementation timeline was way too aggressive, with inadequate time to test and evaluate the new system, train staff, and educate clients.

The timeline was perhaps the riskiest element of the state's plan. Transforming a system that serves millions of clients and distributes billions of dollars in benefits called for a tested approach and a thoughtful rollout process. Yet, the implementation timeline allowed little time to test, evaluate, or improve the various components of the new system before dismantling the local office network.

The possibility that the new system would be outsourced deepened concerns about program access, client rights, and customer service in the new business model.

HHSC made it clear in its business case analysis for call centers that it would pursue outsourcing as a means to achieve greater savings than possible in a state-run system. Critics of the state's business model generally opposed any large-scale outsourcing of the eligibility determination process for fear it would result in an even greater reduction in trained eligibility workers and further jeopardize client access.

In the event the state did decide to privatize certain aspects of the eligibility determination process, advocates emphasized the importance of retaining enough experienced state workers to ensure accurate eligibility determinations.

Advocates urged HHSC to examine carefully the impact of outsourcing on state employee jobs, client access, state control, program integrity, and liability before issuing a Request for Proposals (RFP). Finally, advocates asked the state to develop and publish the call center performance standards and monitoring measures required by HB 2292 and hold a public hearing on these standards prior to issuing an RFP.

THE REQUEST FOR PROPOSALS FROM THE BUSINESS COMMUNITY

Despite the questions being raised about the credibility of the state's cost-benefit analysis, the state moved forward with its second charge from the legislature—determining whether to outsource the call centers to a private company. HHSC published the draft of a Request for Proposals (RFP) in June 2004 and issued a final RFP the following month. The RFP was much broader in scope than the plan laid out in the state's cost-benefit analysis. It included development of the business model and operation of the call centers, CHIP eligibility services, several major Medicaid contracted services, and maintenance of TIERS.²⁹

The decision to issue the RFP and the way it was structured was troubling for several reasons. First, HHSC had not yet proven that call centers would deliver cost-savings in a state-run system, and therefore had no baseline against which to evaluate private bids. Second, the scope of work in the RFP went far beyond that outlined in the business case analysis, making it difficult for HHSC to conduct a fair and transparent evaluation of whether private bids offered savings in these additional areas. Third, it was not clear from the RFP whether state workers would retain the responsibility for eligibility decisions, as required by federal law. Finally, opponents of the outsourcing proposal argued that turning over so much control to a private contractor was too risky. Such extensive outsourcing could reduce accountability, compromise the state's ability to monitor performance in the new system (which would now be defined by the contract), and expose the state to the risk of expensive litigation and massive financial losses.

Advocates Urge an Alternative Approach

In their comments on the draft RFP, advocates urged the state to withdraw the RFP and proposed an alternative approach. HHSC already had publicly backed off of some of its assumptions about savings, at the same time insisting that the business case still proved that call centers would be cost-effective. To clear up this discrepancy, advocates called upon the state to test its assumptions about cost-savings before outsourcing in order to establish a reliable baseline against which to compare private bids.

Instead of considering the large-scale RFP, advocates recommended several smaller RFPs that would limit outsourcing to clearly identifiable, standardized tasks, such as data processing, scanning, or computer systems design, and enable the state to test its new business model before proceeding with any large-scale outsourcing of the system. HHSC could contract with private vendors for the discrete tools needed to implement these changes, including:

- The development and maintenance of an Internet application;
- Assisting the state in setting up a call center;
- Building nonprofit partnerships by recruiting CBOs to participate in the new system; or
- Conducting outreach about the new methods of accessing assistance.

This approach would allow the state to both test the new approach and control the risk of such major changes to the eligibility system. It would also give the state time to prove TIERS' (the new computer system) functionality in a call center environment before adding additional features to the new system.

Recommendations for Specific Changes to the RFP

Knowing that the state was unlikely to modify its wholesale approach to outsourcing, advocates proposed specific changes to the substance of the RFP as well. These comments are summarized below.³⁰

Access to services by persons with disabilities

Advocates recommended that the RFP be revised to include stronger language and more specific requirements for how the vendor and any subcontractors would 1) provide equal access to benefits for persons with disabilities, including visual, speech, hearing, cognitive, mobility and other impairments in the new eligibility system; and 2) ensure compliance with the Americans with Disabilities Act (ADA); Section 8 of the Rehabilitation Act, Texas Government Code §531.0162; and other applicable laws and requirements that prohibit discrimination against persons with disabilities.

Advocates urged the state to require the bidders to describe in detail how it would meet these requirements, including efforts to monitor its subcontractors to ensure compliance. These comments highlighted the need for change in the following areas:

- Providing meaningful accommodation for persons with disabilities to obtain and retain benefits through every facet of the new system (including call centers, the Internet, local offices, etc.)—for example, by providing copies of its reasonable modification policies, consumer documentation informing individuals of their rights under the ADA, and other materials relevant to ADA compliance;
- Training staff on ADA compliance and specific policies related to certifying persons with disabilities (for example, TANF's disability-related work exemption);
- Conducting outreach to clients with disabilities about the alternative points of access in the application process and assessing compliance with the ADA by tracking requests for and provision of reasonable modifications, grievances filed about disability access issues, and other issues;
- The provision of home visits (including clarifying who is responsible for these visits: state workers or call center agents);
- Providing assistance with the application process to persons with disabilities, including individuals who cannot travel to community-based organizations, libraries, and other sites that would serve as points of access; and
- The screening of applicants for disabilities, health conditions or other barriers that limit the ability to work or comply with other program requirements (such as attending appointments).

What Does It Mean to Outsource Eligibility Determination?

The public benefits eligibility system can be broadly divided into five areas: 1) The application (or renewal) process, which involves reviewing the application and collecting and verifying documentation provided by the applicant; 2) eligibility determination, which involves conducting interviews with applicants (when required) and making decisions about whether the applicant qualifies for benefits; 3) enrollment (i.e., providing the benefit instrument, or helping clients choose health plans); 4) case maintenance, which involves making changes to a client's case (i.e., adjusting benefits when the client's circumstances change, applying sanctions, terminating benefits, etc.); and 5) appeals.

Though federal law permits outsourcing of CHIP and TANF eligibility decisions, it requires states to use public employees to make Food Stamp and Medicaid eligibility decisions. This includes the functions outlined above in steps 2, 4, and 5—conducting interviews with applicants, certifying or denying applicants, deciding benefit levels, imposing sanctions (penalties that result in termination or a reduced benefit), and terminating benefits. This requirement does not extend to the information gathering process leading up to the eligibility decision—for example, helping clients fill out and document their applications, or the enrollment process (steps 1 and 3 above).

The RFP proposed outsourcing most of the functions related to eligibility determination and enrollment, but retaining a smaller cadre of state staff to 1) make final eligibility decisions, including interviewing applicants when required to make the eligibility decision, and 2) assist clients with special needs. Critics argued that this arrangement would compromise the integrity of the eligibility determination process in two ways: first, unskilled, low-wage contract staff would not be able to collect accurate and complete information from applicants; and second, the state would not retain enough skilled state workers to enable them to review client information for accuracy.

Access to services by persons with limited English proficiency

Advocates recommended that the RFP be revised to require bidders to describe in detail how they would comply with federal requirements to ensure access for those with limited English proficiency (LEP).³¹ Advocates urged HHSC to follow federal guidance issued in 2003 relating to providing health and human services to the LEP population.³² This guidance stated that an effective language access plan should include:

- Identification of those who need language assistance;
- Language assistance measures (e.g., types of language services available, including translation of forms into languages other than English, bilingual staff, and provision of interpreters; how clients can obtain these services; how staff respond to LEP callers; how to deal with written documents from LEP persons; and how to ensure competency of interpreters and translator services);
- Training staff on LEP policies and effective communication with LEP individuals and interpreters;
- Notices to LEP persons of services available and how to obtain them; and
- Monitoring and ongoing updating of the plan.

Advocates also recommended that the RFP be revised to require bidders to describe in detail its qualifications for bilingual staff and standards for use of outside interpreters and translators. With respect to monitoring, commenters urged HHSC to specify data collection requirements related to language access that would enable the state to monitor vendor compliance with the language access plan, and require bidders to describe how these data would be collected.

Informing applicants about and granting face-to-face interviews

The RFP was unclear whether vendor staff or state staff would decide which applicants required face-to-face interviews and what the process would be for making this determination. In addition, the RFP did not explain the process for granting a face-to-face interview for an applicant/client who requested one. The RFP also failed to emphasize that a face-to-face interview must be granted should a client request one, as is required under federal Food Stamp regulations. Advocates recommended that the RFP clarify these issues and require vendors to explain how they would implement the procedures related to a face-to-face interview, including the process for informing applicants about their right to a face-to-face interview.

Process for changes to and renewal of benefits

The RFP did not clarify whether vendor or state staff would make decisions regarding changes to a client's benefits, terminations, and sanctions. Advocates recommended that state workers retain this responsibility, as required by federal law, and urged HHSC to clarify this in the RFP. It was also unclear what the process would be for recertification/reviews and what the involvement of state staff would be in these activities. The comments recommended clarification in this area as well.

Recruitment and training of community partners

Though the RFP described the state's and the vendor's responsibilities for recruiting CBOs and training their staff and volunteers, the RFP did not specify a formal contracting process for involving these entities. It also did not require the bidder to explain in its proposal how it would secure the services of CBOs, compensate them, or monitor them for compliance with the laws and regulations governing the application process (for example, the Food Stamp Act's guarantee of same-day service). Advocates made the following recommendations for changes to the CBO recruitment process:

- The process and rules governing subcontracting with these entities should be the same as were outlined in the RFP for other subcontractors;
- The RFP should establish a target number of CBOs and require the vendor to demonstrate how they would ensure that CBOs were recruited from every region of the state;
- The vendor should be required to have contracts in place with these CBOs within 60 days of the signing of the contract; and
- The vendor should be required to submit to HHSC a list of the CBOs with which it subcontracts, and the state should reserve the right to require the vendor to enter into additional subcontracts if the number of CBOs is deemed to be inadequate.

Complaint processing and monitoring, fair hearings

The RFP omitted many details about how the complaint monitoring process would work, including how the vendor and the state would communicate with each other the complaints each received. Advocates suggested that the RFP be revised to include clearer channels for complaint resolution and require bidders to explain how they would publicize to clients, service providers, and other agencies the process for lodging a complaint. The RFP was also murky about the division of responsibility between the vendor and the state regarding fair hearings. Commenters urged clarification in this area and the inclusion of more precise directives about the legal standards for properly informing clients of their rights to a fair hearing.

Inappropriate references to personal responsibility and self-sufficiency

The RFP stated broadly that the vendor's solution must "promote client/applicant personal responsibility and self-sufficiency" and asked the vendor to develop marketing materials that promote "personal responsibility and self-sufficiency." Advocates pointed out that this language was not appropriate for elderly clients and clients with disabilities (who are either not subject to personal responsibility requirements or not able to be "self-sufficient") and recommended that the RFP be amended to reflect this distinction.

THE FEDERAL RESPONSE TO THE RFP

Texas' plan to turn over significant responsibility for the application process to a private contractor created a potential violation of the federal Medicaid and Food Stamp statutes that require public employees to make eligibility decisions. Though Texas maintained that state staff would retain that responsibility, much of the work involved in deciding who is or is not eligible for benefits requires helping the client to prepare the application and gather verification—functions that would clearly rest with the contractor under the state's proposal.

Given the potential conflict with federal law, advocates asked the federal regulators to intervene by requiring HHSC to submit a request for a waiver of the statutes prohibiting the outsourcing of Food Stamp and Medicaid decisions before proceeding with a contract. A group of national policy organizations, state lawmakers, and members of Congress³³ joined Texas advocates in the effort to convince FNS and CMS that waivers were necessary. Though advocates anticipated that federal officials would probably approve a waiver request from Texas, approval would have likely been granted in the form of a demonstration project—which would have forced a sub-state pilot and formal evaluation of the new system before statewide rollout.³⁴ This would have required Texas to proceed more cautiously and test its new business model before dismantling the existing system.

Both FNS and CMS rejected the argument that Texas' approach required a waiver and gave the state their tentative approval to move forward with the RFP. Though FNS chose to agree with the state's interpretation that state staff would retain the responsibility for eligibility decisions, throughout the fall of 2004, FNS repeatedly asked Texas to clarify in the RFP the division of responsibility between state and contractor staff to confirm that interviews, eligibility decisions, and fair hearings would be conducted by public employees.

FNS expressed other concerns with the RFP as well. FNS' primary substantive concerns addressed the performance and capacity of TIERS (once rolled out statewide), whether HHSC would retain a sufficient number of state staff to ensure accurate eligibility decisions, and the aggressive timeline for implementing the new system. FNS also insisted that the RFP and the final contract include a contingency plan, in the case the vendor failed to perform under the contract, and a transition plan to mitigate risk during the transition to the new system. Finally, FNS emphasized that Texas should follow the proper protocol by submitting advance planning documents in a timely fashion as a condition of receiving FNS' approval of the final contract.³⁵

THE DECISION TO OUTSOURCE

Though HHSC made some substantive changes to the RFP, it kept the scope and structure of the proposal intact. In September 2004, four teams of bidders submitted proposals: 1) Accenture, LLP, in partnership with Maximus; 2) IBM, in partnership with Affiliated Computer Systems (ACS) and Deloitte Consulting; 3) Bearing Point, and 4) Effective Teleservices, Inc.

The proposal review and contract negotiations process lasted nine months, during which time access to information about the contractors' proposals was restricted in order to protect the integrity of the contracting process and prevent

one bidder from gaining undue advantage over another. This greatly limited advocates' ability to have input into the decisions being made by the state, and effectively shut down all public debate on the changes being considered to Texas' public benefits system until a contract was awarded.

In February 2005—one month into the Texas legislative session—HHSC announced its intent to enter into final negotiations with Accenture. At this point, FNS reiterated its serious reservations about the state's plans and warned Texas again not to sign a final contract until it had a chance to review and approve it. FNS officials emphasized that Texas would not be eligible for any federal reimbursement of administrative costs incurred prior to its approval of the contract. CMS and ACF followed FNS' lead and informed the state that it would need to obtain their approval in order to be eligible for federal reimbursement of their share of the project's costs.

During the 2005 legislative session, HHSC remained committed to its initial estimates about the magnitude of savings possible from the new business model, and the legislature passed a budget that assumed significant reductions in the eligibility workforce in fiscal 2006 and 2007. Several lawmakers introduced legislation to require more thorough testing of TIERS (the new computer system) and an intensive pilot of the new business model before statewide rollout of the system. The legislative leadership rejected these calls for more testing, for fear a slower timeline would delay the promised savings.

Despite the admonition of federal officials not to sign a contract before receiving their approval, HHSC entered into an \$899 million, five-year contract with Accenture in June 2005. On signing the contract HHSC announced it would save \$646 million over five years when compared to the cost of running the current system (i.e., maintaining the local office model and making no changes to the eligibility and enrollment process). HHSC also claimed its analysis proved that outsourcing would save 9% more (\$210 million) over five years than had the state chosen to operate the new system with public employees. The only evidence provided to support this claim was a one-page chart that compared the annual cost of a state-run system to an outsourced one, but included none of the methodology used to reach these conclusions. Because so little information was provided about the state's analysis, it is unclear whether the cost comparison included a thorough assessment of the costs related to outsourcing, such as the increased cost to the state of monitoring or enforcing the contract, or the cost of a contingency plan in the event the private system failed.

In November 2005, the U.S. Senate adopted an amendment to the 2006 agricultural appropriations bill that would have prohibited states from using federal funds if they privatized more than 10% of their Food Stamp Program operations. Under this amendment, a state that privatized the Food Stamp Program would no longer be eligible for any federal reimbursement of its administrative costs.³⁶ When the agricultural appropriations bill moved to the U.S. House of Representatives, the Subcommittee on Agricultural Appropriations of the House Appropriations Committee removed the amendment from the bill. Had it passed, the amendment would have forced Texas to abandon its outsourcing plans or significantly scale back its contract with Accenture. Moving forward without federal reimbursement of its Food Stamp administrative costs was not an option, given that the loss of federal funds would have eliminated all of the savings promised in the contract. When the agricultural appropriations bill passed in November 2005, it did include a requirement that FNS submit quarterly reports to Congress on the rollout of Texas' new system.

Why This Matters: A Client's Story

Hungry and Waiting - Travis County, Texas

Bella, a domestic violence survivor, attempted to renew her Food Stamps on February 13 at her local HHSC eligibility office. The next month, she received a notice that her benefits would be cut off in April, so she submitted a second application via mail to the Texas Access Alliance (TAA, the state's new eligibility contractor) on March 21. Her benefits were cut off the next month.

Bella called TAA on April 11 and again on May 1 for an update on her application and was told both times that her case was being "escalated," but they had no idea how long she would have to wait before she would receive her Food Stamps.

Bella asked her housing caseworker at a local domestic violence agency for help. Bella's caseworker called top officials at the state agency, who pulled the case from the private contractor and expedited the processing of her application. On May 18, more than three months after her first attempt to renew her benefits, Bella's Food Stamp benefits were approved.

(Note: Names have been changed to maintain confidentiality.)

V. Inside the New Eligibility System

This section describes how the new system is supposed to work once it is rolled out statewide, based on the original terms of the contract and information provided by the state in January 2006.

Note: Serious problems have emerged during the first phase in the rollout of the new system that may result in significant changes to the business model, technology requirements, and staffing levels. HHSC has already temporarily scaled back the work of the contractor and returned certain functions to state employees while it investigates these problems. These changes are discussed in greater detail in the next section.

KEY PLAYERS IN THE TIEES CONTRACT

HHSC's contract with Accenture includes development, operation, and partial staffing of all of the state's eligibility and enrollment systems for Medicaid, CHIP, Food Stamps, and TANF cash assistance. Certain services covered by the new contract were already outsourced. Accenture has taken over from previous contractors the responsibility for: 1) CHIP eligibility and enrollment (a contract previously held by ACS), 2) several major Medicaid contracted services (previously administered by Maximus),³⁷ and 3) maintenance of TIERS (the new computer system developed and previously maintained by Deloitte Consulting).

Accenture heads a team of companies known as the Texas Access Alliance (TAA). Accenture's primary subcontractor is Maximus. Accenture also subcontracts with 15 other companies for a variety of services, including personnel services, help desk outsourcing, facilities infrastructure and support, document processing, and public relations and marketing.

TAA is responsible for:

- Developing and/or maintaining the technology that will support the new system (including the call centers, online application, and TIERS);
- Staffing the call centers;
- Serving as the Medicaid managed care "enrollment broker" that helps people choose their health plans; and
- Informing Children's Medicaid clients and their families about routine preventive care and immunizations (Texas Health Steps or "EPSDT").

The state will continue to be responsible for:

- Overall management, monitoring, and oversight of the new system (including enforcing the terms of the contract with Accenture),
- Staffing the local HHSC eligibility offices and providing teams of state staff to perform various functions in the call centers, and
- Policy and rulemaking.

The business model that TAA is charged with implementing in the contract is similar to the one developed by HHSC in its original cost-benefit analysis, with a few key changes:

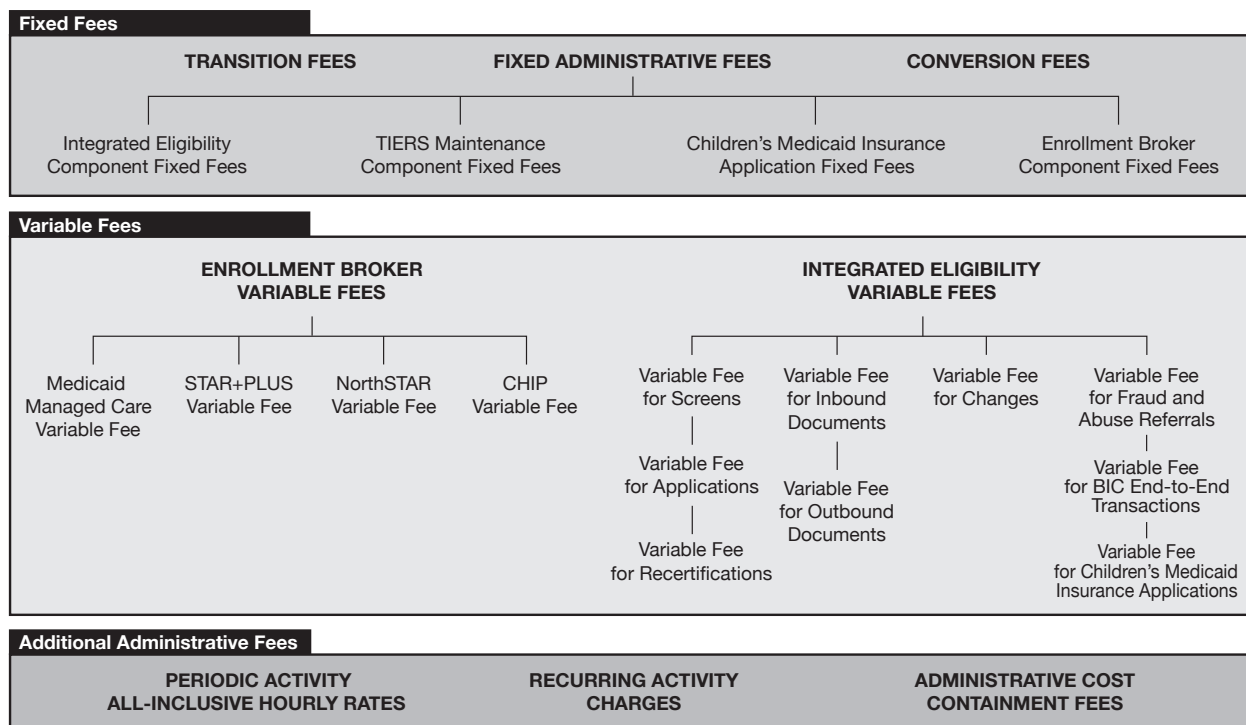
- Staffing levels are significantly higher;
- A new computer system, called "Max-e3" is serving as the temporary "front-end" to TIERS until the contractor makes the modifications necessary for TIERS to support the workflow in a call center environment (this is discussed in greater detail below); and
- The role of nonprofits was significantly reduced.

CONTRACT OVERVIEW³⁸

Cost Structure

The contract's cost structure is based on fixed and variable costs for each component of the contract. The fixed fees include transition fees, fixed administrative fees, and conversion fees. The variable fees are based on specific case actions. For example, the integrated eligibility component of the contract stipulates a variable fee for screens, applications, recertifications, inbound mail, etc. The contract also includes additional administrative fees, including periodic activity charges (based on all-inclusive hourly rates), recurring activity charges and administrative cost containment fees.

**Contract Cost Structure:
Integrated Eligibility and Enrollment Fees**



Source: Texas Health and Human Services Commission

Payments are not tied to eligibility determination outcomes, nor are they conditioned on the volume of denials. Instead, the vendor is paid according to the volume of work done for each type of transaction. This payment structure mitigates the concern that the contract includes direct incentives to reduce caseloads.

The payment structure also is intended to prevent payment to the contractor for work not performed. However, the fee structure may lead to the contractor being paid more when the volume of work increases due to problems caused by the contractor, such as technical failures or poor training of staff. For example, during the first phase of the rollout, documentation submitted by clients trying to renew their benefits was frequently lost or could not be located within the system, which increased both outbound and inbound mail between clients and TAA. (HHSC is investigating the possibility that Accenture was overpaid as part of an ongoing review of the problems that emerged during the first phase of the rollout.)

Performance Requirements and Vendor Accountability

Vendor performance is measured and monitored on the basis of:

- State and federal laws;
- Key performance requirements; and
- Remedies, including liquidated damages, consequential damages, and pass-through of federal penalties.

The key performance requirements include standards and measures related to timeliness, accuracy, customer service,

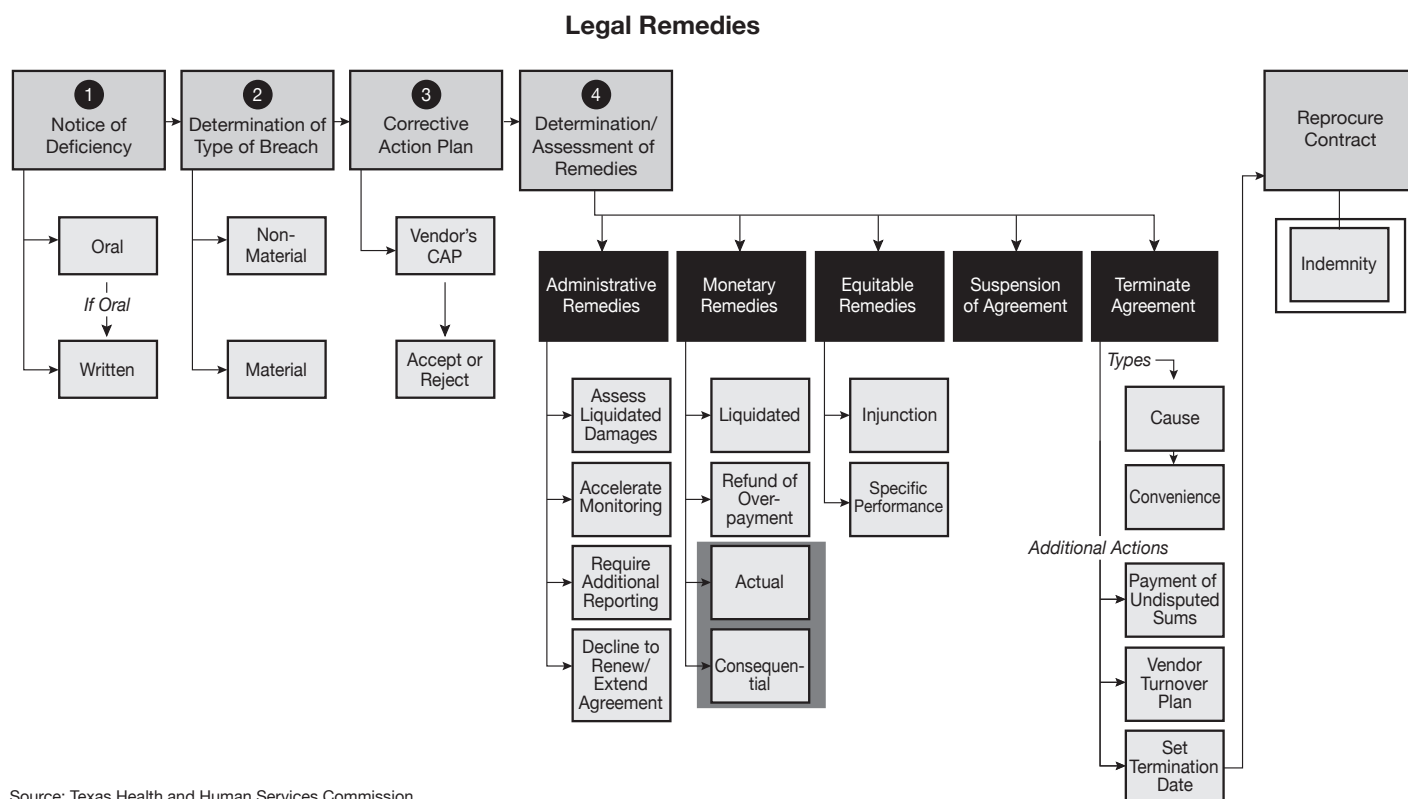
complaint handling, general operations, systems maintenance, and deliverables required by the contract. Each of the key performance requirements is tied to a specific amount of liquidated damages for failure to meet that requirement. The contract also includes an “earn-back” structure, whereby the contractor is entitled to receive credit for exceeding the performance threshold in any given area. The contractor may then apply these earn-backs as credit toward reducing any liquidated damages it is assessed for failure to meet a key performance requirement.

Remedies and Penalties for Non-Compliance

The contract includes the following remedies and penalties for non-compliance:

- Non-Financial Remedies (including a “vendor cure opportunity” for specific non-material breaches and a “corrective action plan” option);
- Administrative Remedies (including liquidated damages, accelerated monitoring of the vendor, more detailed programmatic or financial reports from the vendor, non-renewal or extension of the contract, and termination of the contract in accordance with the terms and conditions);
- Financial Remedies (the contract authorizes HHSC to pursue financial remedies for vendor non-performance, including actual damages and liquidated damages);
- Equitable Remedies (including injunctive relief; and/or specific performance of the obligations of the Agreement);
- Suspension of Agreement;
- Termination;
- Rights of Set-off;³⁹
- Reduction of fees as unallowable expenses; and
- Indemnities.

The chart illustrates the process for enforcing these legal remedies. The contractor is also liable for sanctions imposed by federal agencies.



Source: Texas Health and Human Services Commission

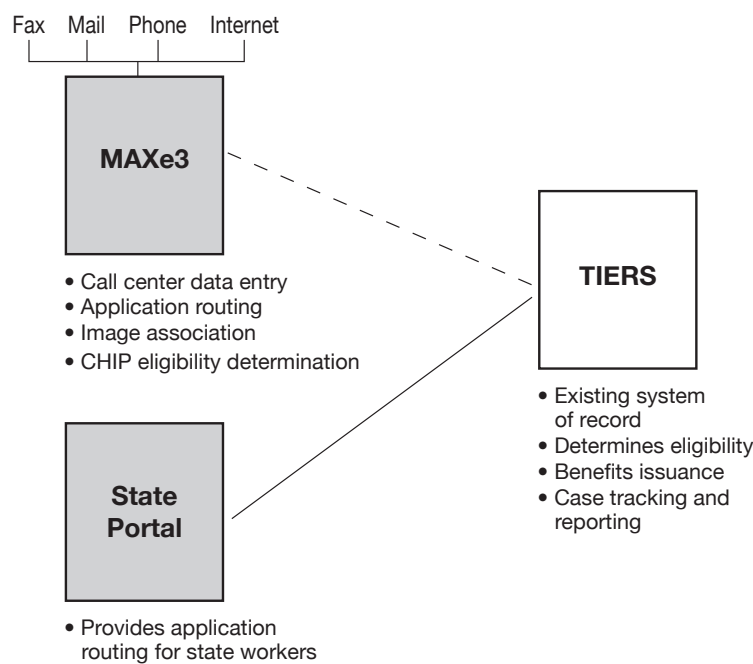
TECHNOLOGY REQUIREMENTS AND MODIFICATIONS

TIERS will be the technological backbone of the new eligibility system. However, because TIERS was not built for use in a call center environment, extensive modifications must be made to TIERS to enable it to support the new workflows and business processes.

In the meantime, Accenture proposed an interim solution in the contract to use software developed by Maximus, called “Max-e3.” Max-e3 was added to TIERS to do three things:

- Support high speed data entry at the call centers through an automatic transfer of information into TIERS,
- Support the integrated eligibility workflow, and
- Capture documents in an electronic case file.

TIERS and MAXe3 Functions and Interface



Soon after the launch of the new system in January 2006, it became apparent that the data entry component was not working, and that the integration of Max-e3 with TIERS would require more development and testing and be more complex than anticipated. The problems with the data entry component led to delays in application processing, which contributed to a significant backlog in applications (more detail on this backlog is provided in the next section).

In addition to the problems with the data entry component, HHSC has identified some problems with application routing in the new system that have contributed to inefficiency in the application process and long processing times. These problems are significant, given the heavy reliance on technology in the new system and the extent to which automation is expected to reduce workload.

Initially, HHSC and Accenture claimed that the problems with the Max-e3 data entry component could be fixed. Since then, HHSC has decided that the modifications to TIERS must be completed prior to expansion of the new system beyond the first phase of the rollout.

Max-e3 is also being used for the CHIP application process and database, which has not yet been integrated into TIERS.⁴⁰ The contract stipulates that the CHIP database be converted to TIERS by the end of the rollout of the system statewide. Until then, families seeking children’s health insurance only will continue to use a separate application and won’t be able to submit an application online.

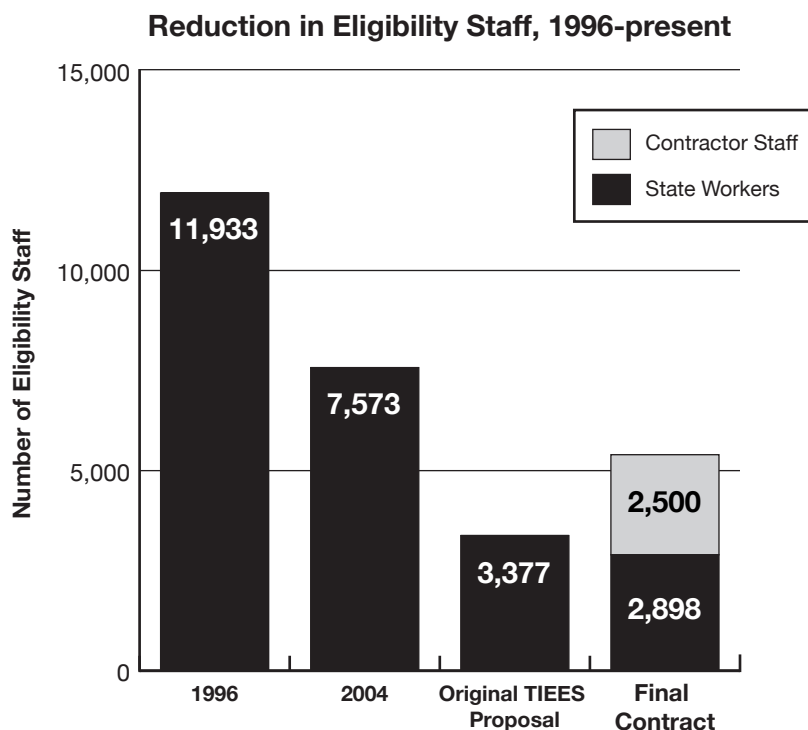
Note: Since 2002, when Texas simplified the application process for children’s Medicaid, families seeking only children’s health insurance have been able to apply for benefits using a simple, joint application for CHIP and children’s Medicaid. Child health advocates strongly support continuing to allow families to choose the shorter, simpler children’s health insurance application, rather than requiring them to fill out the longer multi-benefit application that is now available online.

STAFFING REDUCTIONS AND OFFICE CLOSURES

Upon statewide rollout, 5,398 staff—including public and private employees—will be assigned to the eligibility determination and enrollment process (this does not include state or private contractor staff responsible for other functions within the system—for example, policy development, training, or contract management). A projected breakdown of these staff follows:

- 2,500 TAA (contractor) staff at the call centers (46% of total staff);
- 1,800 state staff in 164 full-time and 44 “satellite” offices (to conduct face-to-face interviews and make eligibility decisions);
- 298 state staff in the call centers (for quality assurance purposes, appeals, and to make eligibility decisions when a face-to-face interview is not required);
- 200 state staff in traveling units (these units will be deployed as needed to assist in the rollout and make home visits to clients who can’t travel to a local office or have trouble accessing the new system); and
- 600 out-stationed workers in hospitals/clinics (as in the current system).

The total number of workers HHSC anticipates needing in the new system is 59% higher than in its original plan for a state-run system, which proposed keeping 3,377 state eligibility workers and not using contract staff. However, the reduction in force still represents a 29% reduction in staff since 2004, when the overhaul of the new system was first announced, and a 55% reduction in the eligibility workforce over 1996 levels, when caseloads and workloads in these programs were significantly lower. Looking only at the number of state workers assigned to the new system—the only staff who will have in-depth policy knowledge—there will be 62% fewer staff than in 2004, and 76% less than in 1996.



Source: Texas Health and Human Services Commission

Eventually, the state plans to close 99 offices. HHSC will keep 164 full-time offices and 44 satellite offices open. It is not yet clear what days and hours the satellite offices will be open, or how their schedules will be determined.

THE ROLE OF NONPROFITS

The final contract removed all formal involvement by nonprofits in the new system along with the requirement that the vendor recruit and train community partners. The decision to eliminate nonprofit organizations as a formal enrollment channel in the contract contributed to the increase in state and contractor staff discussed above.

Since the expansion of the new system was put on hold in May 2006, the state has announced two initiatives to involve the nonprofit community in the eligibility system. These initiatives are not part of the state's contract with Accenture.

In July 2006, HHSC released a Request for Proposals (RFP) from community-based organizations to conduct outreach and provide application assistance to individuals applying for Food Stamps, Medicaid, CHIP, and TANF. HHSC is providing \$10.5 million in funding for this initiative over the next three years. Though the decision to fund this effort signals a commitment from the state to involve and compensate nonprofit organizations, many of the likely bidders expressed concern that the funding is inadequate for the scope of the work outlined in the RFP. The same amount used to be spent on outreach and application assistance for CHIP and children's Medicaid alone, which have a much simpler enrollment process. The application processes for Food Stamps, TANF, and Long-Term Care Medicaid are far more complicated, which makes outreach for these programs more challenging and, therefore, in need of additional resources.

In September 2006, HHSC awarded a \$475,000 grant to the Texas Food Bank Network to recruit volunteers to conduct outreach for Food Stamps and other benefits with their emergency food clients. The funding will be used to hire "community outreach liaisons" at nine large food banks. The outreach liaisons will enlist volunteers from the community to direct families to appropriate programs, explain the program requirements, and help people complete the application process.

In addition to funding this outreach, HHSC continues to encourage nonprofit and community-based organizations that work with low-income Texans to volunteer their assistance in helping clients apply for benefits in the new system. Examples given by HHSC of ways local organizations can be involved include providing:

- An application pick-up or drop-off point;
- A telephone to call 2-1-1;
- A printer to print an application summary from the Internet;
- Access to a fax machine to fax an application and other required documents;
- Access to a computer to apply for assistance online; or
- General assistance in explaining the application process.

HHSC is offering training on the new system to organizations that request it.

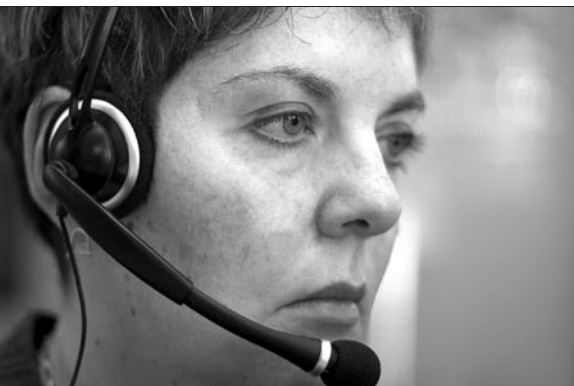
THE TIEES APPLICATION AND ENROLLMENT PROCESS

Call Centers

Four call centers have opened, each with different functions.⁴¹ The main call center takes incoming calls for all programs and is also the home of the "Document Processing Center" (DPC), the central mail facility where all applications and documentation are scanned into the new system. Another call center takes CHIP calls and helps Medicaid clients enroll in a managed care program, performs data entry, assembles and researches cases (such as following up with clients for missing information), and does eligibility reviews. The third call center takes incoming calls for all programs except CHIP, performs data entry, assembles cases, and does eligibility reviews. The fourth call center helps Medicaid clients enroll in managed care. The division of labor among the four call centers is expected to change over time as the new system is rolled out across the state.

The contract stipulates that TAA staff at these call centers will:

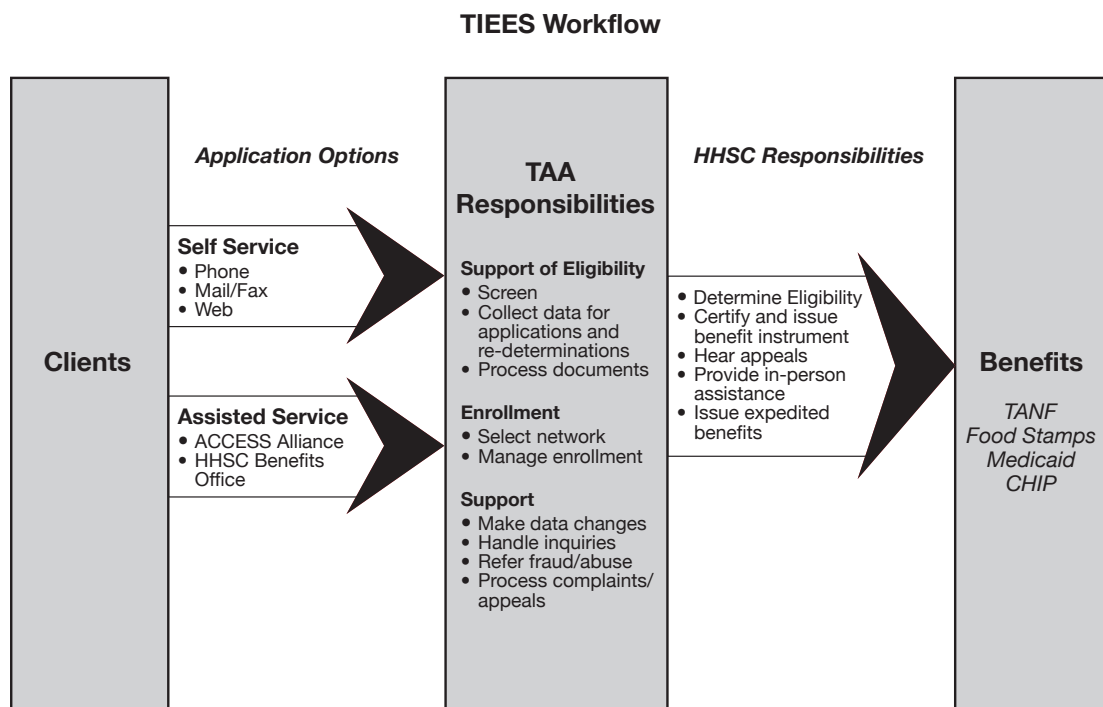
- Screen applicants for expedited Food Stamps;



- Screen for eligibility for other benefits;
- Screen for a disability or history of domestic violence that might exempt the applicant from TANF or Food Stamp work requirements;
- Help people fill out an application;
- Collect the verification needed to complete an application, including contacting the applicant for missing information and scheduling face-to-face interviews, if required;
- Provide information to callers about the status of their application or benefits; and
- Send renewal packets to clients and assemble the information needed to complete the renewal process (the majority of renewals will be done via mail in the new system, with the exception of Food Stamps, which still requires a phone or in-person interview).

Clients may also use the call centers to report changes that affect their benefits, and an automated voice response (AVR) system is available to provide general program information as well as answer questions about the status of a person's benefits or application.

Since TAA staff cannot determine eligibility for benefits, state eligibility staff are co-located at the call center to make final eligibility decisions for applicants who aren't required to have a face-to-face interview. State staff also process appeals, supervise the work of TAA staff, handle complicated cases that TAA staff are unable to process, and are responsible for quality assurance.



Source: Texas Health and Human Services Commission

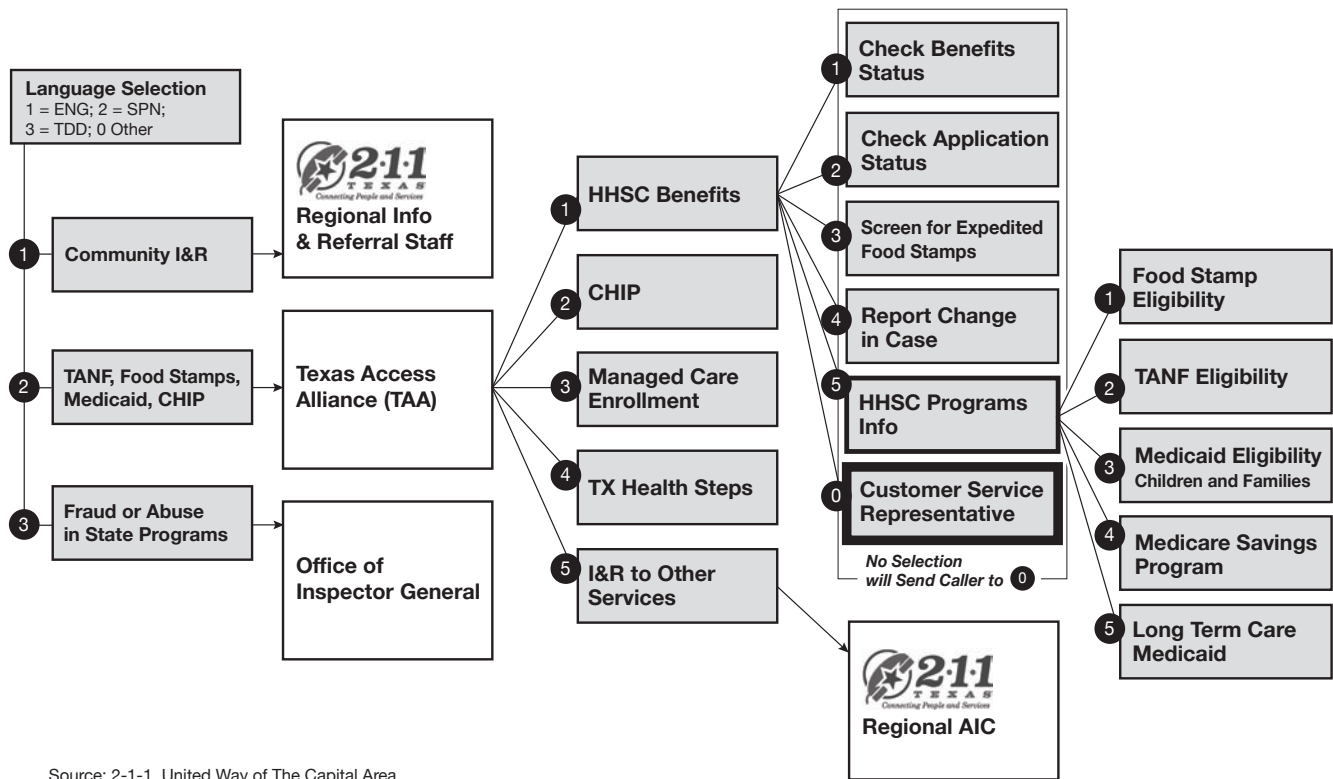
The Role of 2-1-1

Applicants and clients access the call centers by dialing 2-1-1. 2-1-1 callers reach an automated system that gives them one of two choices:

- 1) If seeking information about and/or referral to local services in the community, they are connected to local 2-1-1 staff, or
- 2) If wanting to apply for public benefits (Food Stamps, Medicaid/CHIP, TANF), they are automatically directed to the call centers.

2-1-1 staff are expected to refer callers who reach them back to the call centers if they ask about public benefits, but the contract does not require them to play any further role in helping people apply for benefits.

2-1-1 New Caller Experience



Online Portal: www.yourtexasbenefits.com

Applicants can fill out and submit an application for Food Stamps, Medicaid, and TANF benefits on this web site. Applicants can also use the web site to screen for benefits, check the status of an application or review their benefits, and get information about other government programs and services. Clients are not able to report changes online (e.g., address change/birth of child, etc.). Clients who apply online are still required to submit via mail or fax all required documentation supporting their application (i.e., physical signature, proof of U.S. citizenship, verification of housing costs, etc.) in order for their application to be approved.

Local Eligibility Offices

People will still be able to apply for benefits at a local HHSC office, though there will be fewer offices once the rollout of the new system is complete. Regardless of how a person chooses to apply, all applications are processed by TAA. When a person walks into a local office to apply, the applicant is directed to a “self-service center” and encouraged to apply by calling 2-1-1 from a phone located in the office, or online from a computer in the office. Clients who request a paper application are given one and directed to a fax machine in the local office to submit the application, or given a stamped, addressed envelope to mail the application to TAA. Staff are required to assist applicants in using the self-service center, if requested.

Mail/Fax

Applicants in the new system may continue to apply for benefits by mailing or faxing their application to TAA.

Significant Issues in the Application Process

Establishing the Filing Date

Federal law requires applications for Medicaid and Food Stamps to be processed within specific timeframes. Most programs require a “signed” application in order to begin processing a request for benefits. Receipt of a signed application establishes the “**filing date**,” which is important for several reasons:

- It marks the date back to which benefits are prorated once an application is approved;
- It starts the clock on the amount of time a state worker has to approve (or deny) a person's application, which is 30 days for Food Stamps and 45 days for Medicaid and TANF; and
- Therefore, any delay in the filing date could delay when benefits are approved and, for Food Stamps and TANF, how much benefits a family will receive in the first month once its application is approved.

In the new system, a signature will still be required to establish the filing date. However, the definition of signature has been broadened. In most cases, the state will accept electronic or "e-signatures"—signatures obtained online or over the phone—for the purposes of establishing the filing date and beginning the eligibility determination process (with the exception of Food Stamps, discussed below). People who submit an application online or over the phone will still be required to provide a physical signature via fax, mail, or in person for their application to be approved. This means that no application can be approved 100% by phone or online.

If a person chooses to mail an application from the local office, rather than faxing it or applying via 2-1-1 or online, the processing of the application won't begin until it is received by TAA, which will delay the filing date.

Food Stamp applicants will not be able to apply over the phone

Applicants for Food Stamps will not be able to initiate an application over the phone. This is because the federal Food Stamp Act permits e-signatures that are obtained online, but does not consider a phone call to be an e-signature. (There are no such restrictions in federal TANF or Medicaid law.) FNS has given the state the option to request a waiver of this law, and has agreed to approve such a request immediately. As of the publication of this report, HHSC had not yet applied for the waiver. Until the state does obtain the necessary waiver, the call centers will not accept applications for Food Stamps over the phone. Instead, they will direct Food Stamp applicants to apply online, via mail/fax, or at a local office. This could cause a delay in the Food Stamp filing date for families who don't have access to the Internet and can't get to a local office. A delay in the filing date will also mean fewer benefits for these families in the first month.

FEDERAL MONITORING OF THE CONTRACT

FNS has developed a list of criteria it will use to judge the overall functionality and capacity of the system and ensure that basic program standards are maintained.⁴² FNS is monitoring the system's performance in three areas:

- System Functionality (telecommunications at the call center, automated support for the certification process);
- Customer Service (knowledge of private contractor staff at call center, ability to assist clients); and
- Application timeliness.

When it approved the contract in November 2005, FNS authorized only enough funding to implement the first phase of the rollout, which at the time was expected to last four months. Federal officials stated that they would authorize more funding to expand the system to other areas of the state on an incremental basis, once Texas demonstrated that the system was capable of maintaining access to Food Stamps, ensuring program integrity, and functioning in a statewide environment.⁴³ FNS also hired a technical consultant, Booz Allen Hamilton, to monitor system readiness and evaluate any potential risks.

Face-to-Face Interviews and Finger Imaging:

Most new Food Stamp and TANF applicants will still be required to have a face-to-face interview with a state worker and be electronically finger imaged, which must occur in a local office. Finger imaging in the Food Stamp and TANF programs are Texas policies; finger imaging is not required by federal law. (There is no finger imaging requirement in the Medicaid program. However, HHSC is currently testing a finger imaging system for Medicaid recipients that could eventually be implemented statewide.) Texas law does provide for exemptions from the face-to-face interview for the elderly, persons with disabilities, and people who cannot get to a local office. These applicants are also exempt from the requirement that they be finger imaged. If a face-to-face interview is required, TAA schedules the interview and informs the local office. TAA also sends a notice to the client with the interview time and location.

FNS' monitoring plans could be strengthened and improved in two areas. First, the plan does not pay adequate attention to the challenges that greater reliance on technology presents for vulnerable populations. Advocates pressed FNS to expand its monitoring plan to include these populations and recommended specific measures to evaluate access by persons with disabilities, the elderly, the homeless, domestic violence victims, and persons with limited English proficiency. FNS, however, did not incorporate these elements into its monitoring plan.⁴⁴

Second, the plan does not look closely enough at “procedural denials”—when someone’s application is denied before the state is able to determine eligibility (for example, when an applicant misses the interview appointment or fails to provide the information needed to support the application). Collecting data on procedural denials would help FNS identify any particular patterns, such as where the breakdown occurs or who is most likely not to make it through the system. This kind of information is critical for a complete and accurate assessment of the new system.

Why This Matters: A Client’s Story

High Stakes - Harris County, Texas

Devante is a 13-year-old boy with advanced kidney cancer whose family was relying on Medicaid to pay for his treatment. Devante’s mom, Tamika, renewed her son’s Medicaid in February, two months before the April 30 deadline to be sure there would be no break in his coverage which would interrupt his treatment.

Devante’s renewal forms sat unprocessed for 6 weeks before HHSC eligibility staff determined that the family made too much money for Medicaid and instead qualified for CHIP. HHSC then forwarded Devante’s renewal to the Texas Access Alliance (TAA, the state’s new eligibility contractor). TAA processes all CHIP applications, including those of children previously on Medicaid who are transferred to CHIP.

Devante’s mom called TAA to track down her son’s CHIP application, only to find it had been lost in the system. Repeated calls and multiple faxes got her nowhere. The deadline passed, and Devante lost his health insurance coverage.

“I did everything I possibly could,” Tamika said. “I would literally get off the phone in tears, crying because they (TAA) frustrated me so much.”

Texas Children’s Hospital continued to treat Devante, but his health was deteriorating, and the treatment wasn’t working. His cancer was getting worse.

In July, Tamika contacted the University of Texas M.D. Anderson Cancer Center, which offered a promising alternative treatment but couldn’t admit the boy without insurance.

At the end of her rope, Tamika sent a letter to her State Representative in August asking for help. He intervened with top officials at the state agency, which got the private contractor to reinstate Devante’s health insurance at the end of August. Two days later, Devante was admitted to M.D. Anderson, whose doctors have given Tamika the hope that her son’s cancer can be cured.

(Devante’s story appeared in the Houston Chronicle on October 16, 2006. The article is posted at <http://www.chron.com/disp/story.mpl/front/4261398.html>.)

VI. Initial Results from the Rollout

SUMMARY

In December 2005, the Texas Access Alliance assumed responsibility for statewide CHIP operations. One month later, Texas launched the new eligibility system in two counties (Travis and Hays) served by five eligibility offices. Less than 5% of the state's public benefits caseload resides in these counties. HHSC chose these counties as the first phase in the rollout because TIERS was already being used in these offices, and all client data had already been converted to the new computer system. In addition to applicants and clients living in these counties, the new system also serves any client whose case was initially processed in the TIERS system, regardless of where the client currently resides.

Anticipating the problems likely to occur during the transition, advocates asked HHSC and FNS to assign specific staff to assist clients having difficulties with the new system. Both agencies readily obliged, and the contact information for these staff and instructions for reporting problems was widely disseminated to local service providers and advocates across the state.⁴⁵

Problems in the pilot area surfaced immediately. Clients reported difficulty reaching the call center, lost applications, conflicting and late notices from TAA, and delays in receiving their benefits. Though advocates had not anticipated any problems with CHIP, which had always been operated through a privately run call center, the transition to the new contractor for CHIP was also troubled; families applying for CHIP statewide reported many of the same problems affecting applicants for other benefits in the pilot area.

Problems with CHIP operations also affected children's Medicaid recipients statewide, since the two programs are linked via a joint application process. As a result, many new applications for children's Medicaid statewide (not just in the two-county pilot area) are also processed by TAA.⁴⁶

Four months after the pilot began, HHSC postponed further rollout of the system indefinitely and restricted the duties of the contractor. Though TAA's responsibilities for CHIP did not change as a result of the delay in the rollout, HHSC has announced specific changes designed to improve the CHIP enrollment process as well.

Though referred to as a "pilot" (a term we use in this report as well), the launch of the system in these two counties was originally intended as just the first phase in a year-long rollout. No time was built into the roll-out schedule to evaluate the results from the first phase or make improvements before expanding the system to a new area of the state. In other words, it is not a true pilot.

HHSC now faces a tough situation, where it is difficult to go back but impossible to push forward. Though serious problems have prevented further expansion of the system beyond these two counties, the eligibility system in the rest of the state is struggling from the loss of staff and is on the verge of collapse. Without a significant commitment of additional funding from the legislature (which meets next in January 2007), it is unlikely that HHSC will be able to keep the current system afloat and invest the necessary resources to make the new system work.

This section discusses these challenges and the response from HHSC and FNS.

SPECIFIC PROBLEMS IN THE PILOT AREA

Since the pilot was launched, the new system has been marked by technical difficulties, staffing shortages, and inadequate training of private call center staff. These problems have delayed services to clients, caused others to lose their benefits, and frustrated both clients and staff. A summary of these problems follows:

- **High call abandonment rates and long wait times.** Weekly status reports from the contractor in the first three months of the pilot showed consistently high call abandonment rates and long wait times at the call centers. In March 2006, more than 50% of calls were abandoned, and the average wait time was 20 minutes. TAA attributes these problems to the call volume being much higher than anticipated. One reason for this is that 2-1-1 is a statewide number, but TAA had only provided enough customer service representatives to answer calls from a two-county area. In addition, state eligibility workers may have been incorrectly referring applicants from outside of the pilot area to 2-1-1 to apply for benefits. The contractor has made significant improvement in this area: in July, the call abandonment was below 6%, and the average wait time had fallen to less than 20 seconds.

- Confusion with the call center phone tree.** Local 2-1-1 staff report that many callers had difficulty with the 2-1-1 phone tree (see diagram on p. 36). Following the launch of the new system, calls to the local 2-1-1 information and referral line increased by 30%, which 2-1-1 staff say was anticipated due to the greater exposure 2-1-1 was expected to receive as a result of the new call centers. However, three-quarters of these calls came not from persons seeking referrals to local services, but from callers who wanted to be directed to the TAA call center to apply for public benefits, but chose the wrong option in the phone tree. Spanish-speaking callers were more than twice as likely to experience confusion navigating the phone tree as English speakers. 2-1-1 staff note that improvement has been made in this area over the last few months: their overall call volume has gone down, and fewer callers appear to be getting lost in the phone tree.
- Technical problems.** The problem with the data entry component of the Max-e3 computer system increased application processing times and the risk for error, since data cannot be transferred between systems and instead must be entered manually. In response to this problem, TAA hired several hundred data entry staff to manually enter information into TIERS. Because high-speed data entry is critical for the system to be able to support statewide case volumes, until this issue is resolved, or TIERS is ready to support the call center functions, the system cannot be expanded beyond the pilot area.
- Insufficient training of private call center staff.** Poor training of TAA staff led to errors, delays, and an inability to resolve clients' problems. This caused frustration among state workers, whose workload increased as a result of having to correct errors made by the contractor's staff. In one highly publicized snafu, contractor staff gave out the wrong fax number to applicants, which led to more than 100 applications being faxed to a warehouse in Seattle, Washington.



Used with permission.

- Delays in application processing and improper denials.** The staffing shortages, training deficiencies, and technical problems caused a backlog of thousands of applications in the pilot area, which delayed the approval of benefits for some clients and improperly terminated benefits for others. As of May 19, almost 7,000 Food Stamp applications in the pilot area were delayed (identified by FNS as pending over 30 days). Timeliness in application processing is below federal standards for all programs.

Timeliness—All Programs (September 2006)		
	Region 7 (pilot area)	State
Food Stamp applications	78%	80%
Food Stamp renewals	91%	91%
Medicaid applications	54%	84%
Medicaid renewals	98%	100%
TANF applications	78%	83%
TANF renewals	97%	98%
Note: Federal standard is 95%		

Source: Texas Health and Human Services Commission

- **Declines in child health enrollment.** More than 127,000 children statewide lost their health insurance between December 2005, when the new contractor took over, and April 2006 (recent improvement has reversed this decline by one-third). Children enrolled in Medicaid, which had grown steadily since 2000, dropped by more than 99,000 between December 2005 and April 2006; the decline in the two pilot counties was more than twice as high as the statewide decline. CHIP enrollment dropped by over 31,000 from December 2005 to September 2006, when enrollment hit an all-time low. Though the contractor contributed to the statewide decline in children's Medicaid, state staffing shortages played a significant role in the decline as well.
- **Adult Medicaid decline.** The number of adults on Medicaid declined by 10% in the pilot counties from December 2005 to August 2006, even though this caseload grew by almost 2% statewide over the same period.

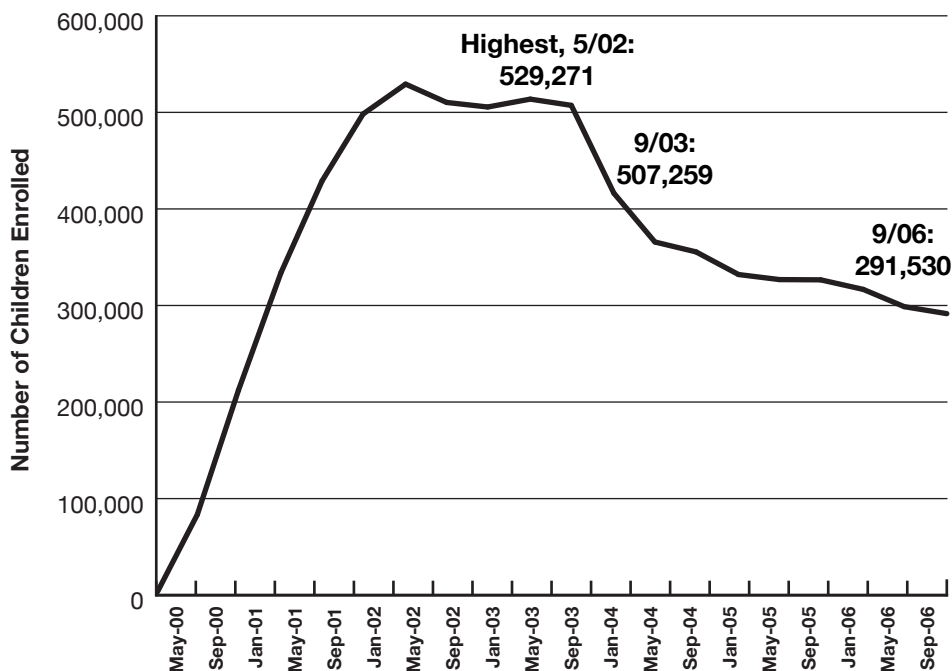
Adult Medicaid Enrollment Trends				
	Dec '05	Aug '06	Dec '05 to Aug '06	Change
Travis	25,044	24,640	-404	-1.6%
Hays	2,684	2,470	-214	-8.0%
Texas	877,326	892,196	14,870	1.7%

Source: Texas Health and Human Services Commission

PROBLEMS WITH CHIP OPERATIONS AND THE IMPACT ON CHILDREN'S MEDICAID

When the new contractor took over, serious problems with processing CHIP applications and renewals soon became apparent: CHIP renewal rates plummeted from 80% (the fiscal year average in 2005) to under 55%. With new enrollment falling and disenrollment high, the CHIP caseload fell 9.7% between December 2005 and September 2006. Though CHIP enrollment had fallen every month since September 2003, the legislature in 2005 approved policies intended to reverse that decline.

Texas CHIP Enrollment (May 2000-September 2006)

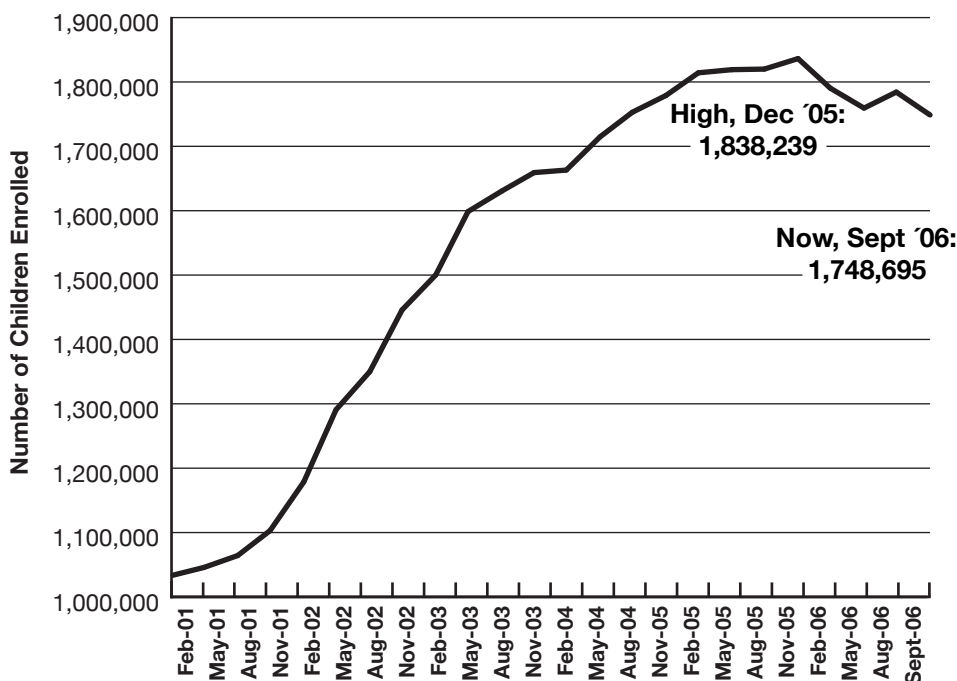


Source: Texas Health and Human Services Commission

The same problems that affected the pilot of the new eligibility system for Food Stamps, Medicaid, and TANF—including multiple computer system issues, training deficits, flawed processes, and staffing shortfalls—were partially responsible for the CHIP decline. Parents report submitting their renewals on time, only to have their children’s benefits cut off; being asked for irrelevant information to support their applications; and repeatedly being asked to pay enrollment fees already remitted to the contractor.

Stricter enrollment policies also contributed to the CHIP decline. At the same time the new contractor took over the program, HHSC implemented new enrollment fees, required families to submit additional documentation when renewing their child’s benefits, and instituted third party “data broker” checks by staff to verify the documentation provided by

Texas Child Medicaid Enrollment (February 2001-September 2006)



Source: Texas Health and Human Services Commission

families. HHSC failed to inform parents or outreach providers in advance about the new requirements, which increased the confusion. The contractor's technical problems and insufficient training also prevented staff from implementing the new policies accurately. Though some argue that the CHIP decline resulted solely from the new enrollment policies, similar requirements had been implemented in children's Medicaid several years earlier without this level of disruption in benefits.

The CHIP contractor has a major impact on children's Medicaid enrollment, because it: 1) processes many new Medicaid applications and 2) is responsible for moving children from CHIP to Medicaid every month. Thus, the same problems that disrupted CHIP enrollment and renewals also disrupted those flows into children's Medicaid. Before the new contractor took over, children's Medicaid had grown steadily since 2000, with few interruptions. Between December 2005 and April 2006, children's Medicaid enrollment declined 4.6% statewide. The decline in the pilot counties was more than double the statewide decline.

IMPACT ON THE FOOD STAMP PROGRAM

The backlog of Food Stamp applications during the pilot, the overall poor timeliness rates across the state, and increasing error rates all indicate that access to Food Stamps has decreased. Though the influx of Hurricane Katrina evacuees into Texas last Fall makes it difficult to analyze recent trends in Food Stamp enrollment, caseloads have fallen slightly over the past year after five years of steady growth.

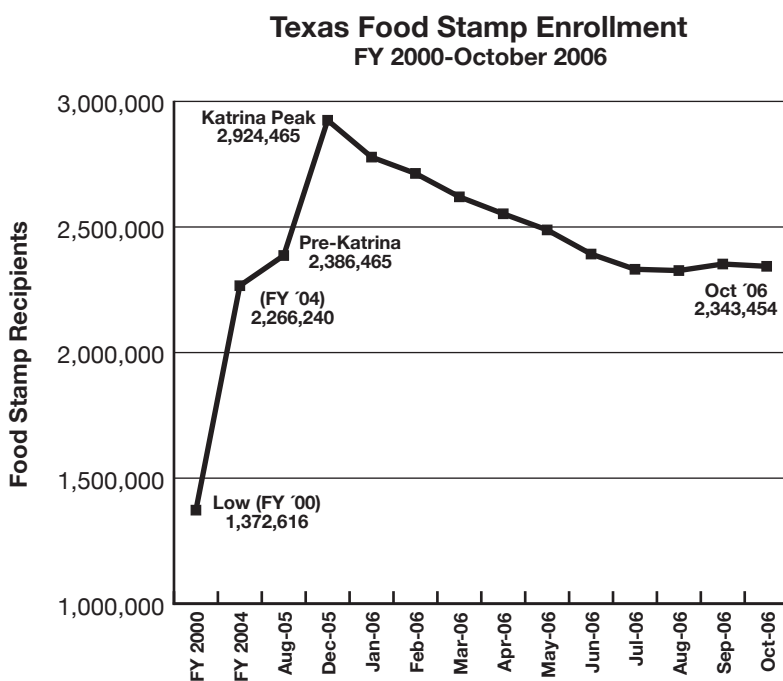
Some of the problems with Food Stamp access are attributable to barriers in the new eligibility system and the poor performance of the contractor; others are the result of statewide staffing shortages. These issues are discussed in greater detail below.

Food Stamp Enrollment

Texas has experienced enormous growth in its Food Stamp Program since 2000. From fiscal 2000 to August 2005, caseloads grew 74%, from 1.4 million recipients to 2.4 million.

In September 2005, more than 400,000 residents of Louisiana fled to Texas to escape the flooding and devastation caused by Hurricane Katrina. Texas delivered disaster Food Stamp benefits to more than 135,000 evacuee households, causing Food Stamp enrollment to soar. In December 2005, when enrollment peaked, Food Stamp caseloads were 23% higher than before the storm. In contrast, Food Stamp enrollment increased only 5% in the 12 months before Hurricane Katrina.

One year after Hurricane Katrina hit, Food Stamp caseloads had fallen to slightly below pre-storm levels. In October 2006, enrollment was 2% lower than in August 2005. Though HHSC estimates that 241,000 evacuees still reside in



Source: Texas Health and Human Services Commission

Texas, the state has not yet been able to determine how many Katrina evacuees are still receiving Food Stamp benefits in Texas. Without this information, it is difficult to determine to what extent the evacuee population continues to affect Food Stamp caseloads, or what is causing the recent downward trend in enrollment.

Relatively few Katrina evacuees settled in Travis or Hays Counties (the two counties in the pilot area). However, the impromptu system Texas designed to rapidly process disaster Food Stamp benefits recorded large numbers of evacuees as living in Travis County even though they resided in another county. This makes it difficult to analyze Food Stamp enrollment trends in Travis County over the last 12 months, because there is no reliable baseline with which to compare current caseloads. Enrollment in Hays County declined by less than 1% since the launch of the pilot in January 2006, however the caseload in Hays County is too small to identify any real trend.

Food Stamp Timeliness

Federal law requires that 95% of Food Stamp applications and renewals be processed within 30 days of their filing date (Texas law requires expedited applications to be processed within 24 hours). The statewide timeliness rate for initial Food Stamp applications was 80% in September 2006, and 91% for renewal applications. Application timeliness rates have fallen below federal standards in almost every region of the state. Four of the six largest metropolitan areas (including Houston, Dallas, Fort Worth, and Austin) have timeliness rates below the statewide average. Though most regions are doing better than average in processing renewal applications on time, the Austin region (which includes the pilot area) and the Houston region also have renewal timeliness rates below the statewide average.

Timeliness – Food Stamps		
Region	Percentage of Applications Processed Timely	Percentage of Renewals Processed Timely
1	93.5%	96.6%
2	89.3%	93.5%
3 Dallas*	72.1%	91.5%
4	94.9%	96.4%
5 Southeast Texas*	78.3%	91.6%
6 Houston*	66.3%	77.2%
7 Austin* (Pilot)	78.3%	90.7%
8	96.6%	98.5%
9	94.5%	95.3%
10	94.0%	97.6%
11	91.7%	96.8%
00	90.8%	91.5%
State	80.4%	91.4%

Source: Texas Health and Human Services Commission

* Shading indicates region is below statewide average. Federal Standard is 95%.

Food Stamp Error Rates

Food Stamp error rates also have risen over the past year, another indication of problems in Texas' eligibility system (the error rate is the ratio of benefits issued in error to total amount of benefits issued). States face potential fiscal sanctions from FNS if their error rate is 105% of the national average error rate for two consecutive years. (A state is not considered to be above the threshold unless there is a 95% statistical certainty that the state's error rate is truly above

the threshold.)⁴⁷

In fiscal 2005, Texas' error rate was 5.03%, below the national average of 5.84%. Texas ranked 18th among the states, and had the second-lowest error rate when compared to the eight states with the largest Food Stamp caseloads (Texas has the largest Food Stamp Program in the country). Since 1999, Texas has received performance bonuses from the federal government for its success in achieving a low error rate.

Texas Food Stamp Error Rates Increase in Federal Fiscal 2006	
Oct '05	4.47%
Oct '05—Nov '05	4.57%
Oct '05—Dec '05	5.67%
Oct '05—Jan '06	5.96%
Oct '05—Feb '06	6.77%
Oct '05—Mar '06	6.95%
Oct '05—Apr '06	6.86%

Source: Health and Human Services Commission

By May 2006, Texas' cumulative error rate (for fiscal 2006) had climbed to 6.82%—more than 105% of the national average of 5.75%. Texas now ranks 40th in the nation and has the fourth-highest error rate among the “Big 8” states. If Texas' error rate exceeds the national average by a similar margin in fiscal 2007, the state could face the threat of fiscal sanctions.

Food Stamp Error Rates in the Big Eight States in FFY '05 and '06				
State	FY '05 Error Rates	Rank in '05 (Lowest to highest)	FY '06 YTD Cumulative Error Rates (through May '06)	Rank in '06 (Lowest to highest)
Pennsylvania	4.51%	1	2.96%	1
Texas	5.03%	2	6.82%	5
Illinois	5.75%	3	6.20%	4
California	6.38%	4	6.06%	3
Florida	7.19%	5	9.38%	8
New York	7.23%	6	5.23%	2
Michigan	7.34%	7	7.07%	7
Ohio	8.65%	8	7.01%	6
United States	5.84%		5.75%	

Source: U.S.D.A.'s Food and Nutrition Service. FY '06 data are preliminary.

Given that less than 5% of the Food Stamp caseload is in the pilot area, the rise in error rates statewide cannot be attributed solely to the poor performance of the contractor. It is also not possible to determine whether error rates have increased more in the pilot area than in other areas of the state, since no error rate data are available by region for fiscal 2006.

The increase in error rates is likely the result of very low staffing levels in the new eligibility system and problems with TIERS, the new computer system. An analysis of regional error rates in fiscal 2005 reveals that two regions had error rates well above the statewide average. Region 6—the Houston-Beaumont region, which has the greatest number of

Food Stamp recipients—had the highest error rate in the state at 7.5%. This supports the argument that state staffing shortages in the new eligibility system are driving the recent increase in error rates. In Region 7, which includes the pilot area, the error rate was 7%. This suggests that TIERS, which has been in use in the pilot area since 2003, is having difficulty processing Food Stamp benefits correctly.

THE STATE'S RESPONSE

In April 2006, HHSC announced that the agency would delay the rollout of the new system in order to make technical and operational improvements and would review the system's readiness again in 30 days. HHSC cited the need for "better training for customer service representatives in the call centers, a process to more quickly resolve complicated cases, better reporting tools to track cases and workload, and improved data collection." In legislative hearings, HHSC officials acknowledged many problems with the transition and contractor, including serious state staffing deficits.⁴⁸

HHSC also launched a \$3 million marketing and public information campaign for CHIP and children's Medicaid. While these efforts produced a temporary improvement in call abandonment rates and hold times in April 2006, problematic application and renewal trends and client complaints showed little, if any improvement. On reaching the deadline for determining CHIP enrollment for May 2006, HHSC faced terminating a record number of nearly 50,000 children in a single month, for a renewal rate of only 23.5%. The agency elected instead to continue coverage of 27,768 children for an additional month while their families were given more time to provide missing information or to submit payments.

In May 2006, state officials decided to suspend the rollout of the new system indefinitely. HHSC announced new procedures for processing applications in the pilot area in order to address the problems in the new system as well as the steps it would take to fix the problems.⁴⁹ HHSC also announced it would retain 1,000 of the 1,900 state eligibility workers it had planned to lay off and postpone the remaining layoffs for 12 months. This decision did not increase the number of state staff working in the system; it simply reduced and postponed the planned reduction in staff. Given the serious staffing shortages plaguing offices all over the state, it is likely that services to clients will continue to deteriorate outside of the pilot area unless more eligibility workers are added to the system.

Revised procedures and steps taken by HHSC include:

- Having state eligibility workers in the call center oversee private "customer service" staff to ensure they give out correct information;
- Returning most processing of pilot area Medicaid and Food Stamp cases from contractor staff to state workers;
- New policy training of customer service staff;
- A new "escalation" process for directing complex policy questions from contractor staff to state workers; and
- New training for private workers on how to use the contractor's and the state's computer systems.

HHSC's announcement also detailed changes to the contractor's CHIP/children's Medicaid operations, including extending timelines for collection of missing information and enrollment fees, allowing third-party verification of income, and accepting some missing information via telephone (rather than extended postal exchanges that cause children to lose coverage through missed deadlines). HHSC staff, the HHSC Office of Inspector General, and independent evaluators will also examine various aspects of the

Results of the Audit

The State Comptroller of Public Accounts released an audit of the state's contract with Accenture in October 2006. The audit alleges serious flaws in the design of the contract and criticizes HHSC for its failure to monitor and enforce the contract. It also faults the state for moving too quickly to implement the new system without adequate testing or contingency planning, which resulted in the loss of critical numbers of state staff and jeopardized services to low-income Texans. The audit recommends that Texas fire Accenture, appoint a special "turnaround" team to take over the responsibility for implementing the new system, and establish a Contract Management Office with authority over future outsourcing and IT projects. It must be noted that at the time the Comptroller released the audit, she was running for Governor against the incumbent whose administration sought outsourcing and awarded the contract to Accenture. Nonetheless, the audit must be considered on its merits. The audit is on line at http://www.window.state.tx.us/comptrol/letters/accenture/accenture_letter.pdf.

contractor's performance and processes. The state pledged to more carefully oversee contractor correspondence with families, and to seek stakeholder input in improving those communications.

The state also took steps to involve the nonprofit community in its efforts to address the challenges in the eligibility

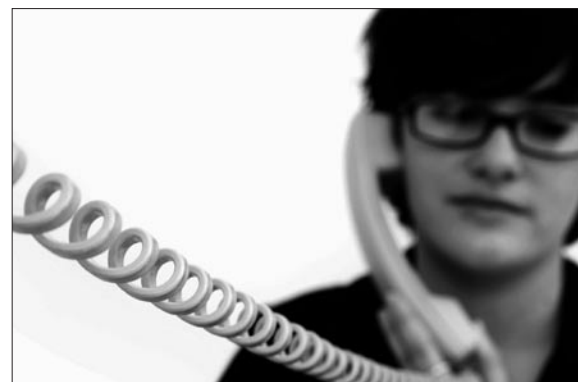
system. In September 2006, HHSC awarded \$475,000 to food banks to coordinate efforts by their volunteers to help people apply for benefits. In October 2006, the state awarded \$10.5 million in grants to community-based organizations to provide application assistance to persons seeking public benefits.

Shortly after the decision by HHSC to postpone the rollout, several lawmakers asked the state comptroller to audit the contractor. That audit was released in October 2006. HHSC is also considering sanctioning the contractor for non-performance.

FNS RESPONSE

FNS conducted a formal program access review in March 2006 that identified similar concerns to those identified by HHSC and advocates monitoring the rollout on the ground.⁵⁰ The results of this review are summarized below:

- Timeliness in application processing was below federal standards (Food Stamp timeliness was 80% at the time of the review—the federal tolerance level is 95%);
- The contractor's front-end computer system could not interface with TIERS (adding to backlogs);
- A high call abandonment rate (39%) and long hold times (20 minutes, on average) at the call center were impeding same-day service to Food Stamp applicants;
- A lack of correct policy knowledge by contractor staff was leading to 1) incomplete application packets being forwarded to state (40% of the cases sampled were returned to the vendor because they were incomplete), 2) bad information being given to clients, and 3) frustration among clients and state staff; and
- The complaint process was insufficient and did not adequately document the problems reported by clients.



FNS' independent project monitor, Booz Allen Hamilton, uncovered similar problems in its review of the system. Its February 2006 report identified the following fundamental risks:

- Inadequate readiness testing of computer functions could lead to substandard software being introduced into production;
- The rollout timeline was too fast to allow for identification and resolution of all problems;
- Staffing levels were inadequate to support the new system both during and upon statewide rollout;
- There was no contingency plan in the event that the rollout was delayed (for example, the state had no plan to address the premature loss of state staff to attrition); and
- The pilot phase was too short to be a true test of the system's statewide performance (attributed largely to the fact that TIERS was not a variable in the pilot area, having already been tested there for almost three years).

FNS' project monitor recommended that the state create an independent review team to provide input on "go/no-go" decisions (whether to move forward) and extend the timeline for rolling out the system beyond the pilot area.⁵¹

HHSC had already decided to postpone the rollout before FNS shared the results of its review. This meant that FNS was spared the decision whether to approve more funding to expand the system to other areas of the state. In May 2006, FNS asked Texas for two corrective action plans, one to address the backlog in the pilot area, and the second to describe how the state intends to come into substantial compliance with Food Stamp laws and regulations moving forward.

NEXT STEPS

Despite the challenges and the delay in implementing the privatized system, most state officials remain committed to the new business model. At the same time, the project's critics have grown even more skeptical about the wisdom of outsourcing and the ability of a private contractor to deliver high quality services at a lower cost to the state.

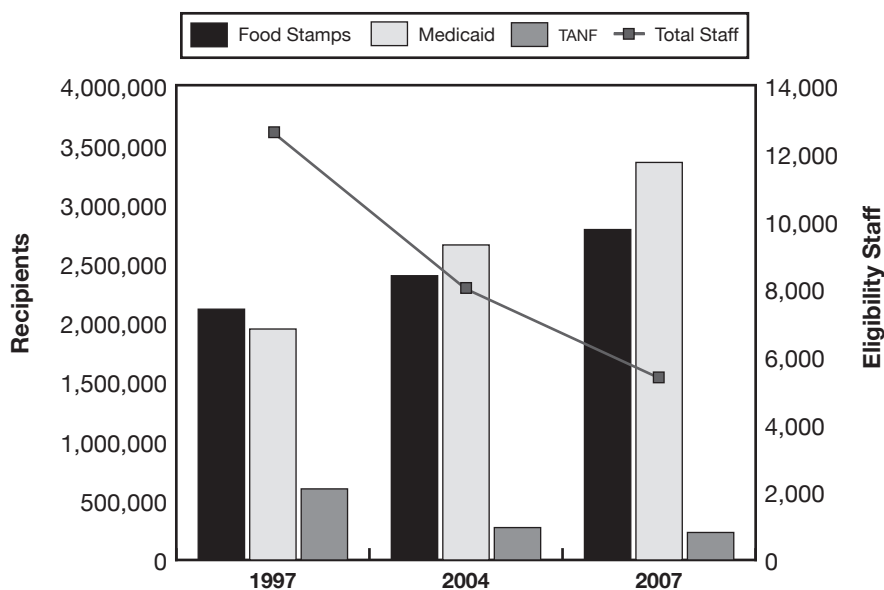
Since the state delayed the rollout in May 2006, there has been improvement in some areas but deterioration in others. Call abandonment rates and hold times have dropped significantly, and the contractor has made progress in reducing the backlog in applications that amassed during the pilot. At the same time, timeliness in application processing is getting worse. Though timeliness has fallen all across the state, the delays in the pilot area are the most severe.

It is too early to tell whether efforts to fix the problems in the processing of CHIP and children's Medicaid applications have been successful. Though the CHIP caseload has grown since September 2006 (when enrollment hit an all-time low), from 291,530 to 300,685 recipients, it remains well below December 2005 enrollment, when 322,898 children were enrolled in CHIP. Despite this recent growth, an HHSC survey released in October found that 9 out of 10 children dropped from CHIP provided the missing information requested by the contractor to process their applications, but lost coverage anyway.

Children's Medicaid has experienced some recovery since April 2006, with caseload growth in the pilot counties increasing by a much larger margin from June to August 2006 than it did statewide. As with CHIP, however, the children's Medicaid statewide caseload has fallen significantly since the new contractor took over, with 89,000 fewer children enrolled in September 2006 than in December 2005.

While HHSC and its contractor tackle the challenges facing the new eligibility system, state staffing shortages are growing more acute. Though HHSC has added some staff in certain areas of the state, caseworkers continue to resign from their jobs due to uncertainty about layoffs, heavy workloads, and low morale. In its legislative appropriations request for fiscal 2008-2009, HHSC proposes a substantial increase in its budget in order to 1) maintain present staffing levels through 2008, and 2) make fewer reductions in staff in 2009 than it originally expected to make in conjunction with the new eligibility system.⁵² Should the legislature not approve its request, HHSC will be forced to make deep reductions in staff regardless of whether the new eligibility system is ready to be expanded.

Staff and Caseload Changes, 1997-2007



Source: Texas Health and Human Services Commission. The number of staff in 2007 is based on HHSC estimate at the time the TIEES contract was awarded and includes both state and contract staff.

HHSC is considering modifying the contract with Accenture to respond to the problems uncovered during the rollout, but has not provided any detail regarding these changes. Nor has the agency committed to a new rollout schedule. At this point, no one knows how long it will take the state and the contractor to resolve the problems in the new system to a point where they are able to move forward. In the meantime, a significant commitment of additional resources and staff will be needed to stop the widespread delays in benefits that are occurring across the state and ensure that Texans receive timely and accurate benefits moving forward.

Why This Matters: A Client's Story

Lost in the Shuffle - Travis County, Texas

Alma applied for Food Stamps on December 29 at her local HHSC eligibility office. She had been on Food Stamps in the past and previously been finger imaged (a one-time requirement).

The local office scheduled a face-to-face interview with Alma on January 20, the same day that the state's new call centers opened for business. Alma showed up on time for her 8:45 a.m. appointment and waited until 10:00 a.m., when a worker told her the office had "forgotten" her appointment. The worker showed her to a phone and told her to call the Texas Access Alliance (TAA, the state's new eligibility contractor) to be interviewed. She was interviewed over the phone and told to fax her application to TAA, which she did from the local office. The TAA worker told her that her benefits would be approved within 24 hours.

Two days later she had not received her Food Stamps and contacted the local office, which told her to call TAA.

Over the next several weeks, Alma called TAA repeatedly, but no one could tell her why her Food Stamp application was still pending.

On February 28, TAA told her she needed another interview, because TAA had recorded her as a "no show" on January 20, the same day that the local office forgot her first interview appointment and that she was interviewed over the phone by TAA.

Alma complied, took off work to be interviewed again on March 1 at the local office, and gave the worker all of the information she was asked for to support her application. The worker told her to wait a few days and then to call TAA. When she called TAA a few days later, a worker told her they had all of the information needed and that her benefits would be processed shortly.

On March 15, still without Food Stamps, Alma called TAA again only to learn that she needed to be finger imaged and submit a copy of her lease agreement. Even though she had been previously finger imaged, she went back to the local office, was finger imaged, and faxed a copy of her lease agreement to TAA.

Alma continued to wait, calling every few days. Each time she called, TAA told her to wait a few more days. On April 5, TAA told her that her benefits had been approved, but when she tried to use her Food Stamp debit card it had a zero balance.

On April 6 Alma attended a meeting sponsored by the nonprofit organization that helped her find housing. Alma's caseworker had asked a local advocacy group to come speak to her clients about their troubles accessing Food Stamps. When the advocacy group heard Alma's story, it contacted top officials at the state agency, who pulled Alma's application from a backlog of cases awaiting approval at the call center. Alma received her Food Stamps the following day.

(Note: Names have been changed to maintain confidentiality.)

VII. Recommendations

POLICYMAKERS AND ADMINISTRATORS

- **When modernizing the administration of public benefits systems, considerable planning is necessary.** Planning takes time and should involve advocates, front-line eligibility staff, nonprofit providers who understand the needs and challenges faced by low-income families, and other stakeholders with relevant expertise.
- **Policymakers need to take into account the scope of the proposed modernization, set realistic timelines, and provide adequate funding.** Major changes will take a substantial amount of time and the investment of additional resources to ensure success. A hasty or underfunded approach can lead to significant problems with program access, integrity, and cost and can undermine public confidence in new initiatives.
- **When deciding whether to outsource functions related to the eligibility determination and enrollment process, states should weigh the potential benefits against the inherent risks.** To determine whether outsourcing will save money, states should employ a proven cost methodology⁵³ and have an independent entity either conduct or review the cost comparison. As part of this process, states should conduct a “Governmental in Nature” (GIN) analysis to determine which functions should continue to be done by public employees.
- **Outsourcing should be done first on a small scale followed by a full evaluation.** Such an approach will enable states to test their assumptions about the advantages of outsourcing, while mitigating the inherent risks. Proceeding slowly and on a limited scale will protect states, prevent undue harm to clients, and allow states to negotiate future contracts from a more informed vantage point.
- **Testing and training are critical.** Before implementing a new computer system, or adopting a new business model that radically changes the way clients access public benefits, states should thoroughly test these new approaches and their impact on clients and local communities. States must train staff thoroughly on how to use the new system before it is deployed. Outreach to clients and local communities is also very important to avoid confusion during the transition to the new system.
- **Adding new features to an already overburdened system may further overwhelm the system, instead of solving existing problems.** Before downsizing their workforces in conjunction with the development of new business models, states should analyze whether current staffing levels are adequate and use this information to project future resource demands and staffing needs.
- **Vulnerable populations may have difficulties navigating a more automated enrollment process.** When testing or piloting a new approach to applying for public benefits, special attention must be paid to vulnerable populations who may struggle with a remote application process. This testing should be designed to address what distinguishes the successful applicant from the unsuccessful applicant, so that states can take steps to ensure access by all applicants.

FEDERAL AGENCIES

- **Thorough testing and evaluation of new business models that involve major changes in technology or how clients access services should be required as a condition of approving and funding states’ modernization and outsourcing initiatives.** Such testing should be designed to evaluate whether the proposed changes will adversely impact program access and program integrity. Special attention should be paid to vulnerable populations.
- **Federal regulators should employ independent experts to evaluate state modernization efforts.** An independent evaluator is critical to depoliticizing and validating the internal monitoring done by federal agencies or the state itself. Booz Allen Hamilton’s evaluation of the Texas initiative enhanced FNS’ monitoring process by providing a credible and independent analysis of the risks and challenges facing the new system.
- **Federal regulators should identify best practices and provide guidance to states regarding the advantages and challenges of modernization.** Though no state has attempted to modernize on the scale that Texas has, numerous states are engaged in some form of modernization of their eligibility determination systems. Federal agencies should study these efforts in order to identify best practices and potential pitfalls so that other states can learn from these experiences.

CLIENT ADVOCATES

- **Get involved early during the planning phase.** This is the time when recommendations and concerns are likely to have the most impact. Exerting influence is harder once the decision to modernize or outsource has been made, especially if the proposed change is dictated by the need to cut costs or is accompanied by budget cuts.
- **Form a strong coalition that includes client advocates, nonprofit providers, other stakeholders, and union organizations.** Advocates concerned about the impact of modernization or outsourcing must present a united and diverse front in order to influence the decisions being made.
- **Education—especially with lawmakers, the public, and the media—is key to ensure that modernization and outsourcing efforts receive adequate public scrutiny.** Most people, including lawmakers, know very little about the public benefits system—how it works, whom it serves, and the challenges of designing an effective system. Advocates can play a critical role in educating the public about these issues, in particular the importance of providing adequate funding and resources for the eligibility determination system.
- **Even if the current system is failing, advocates should not unequivocally embrace change.** Advocates need to ask whether the proposed change is appropriate and sufficient to tackle the problems it purports to fix. If modernization is initiated as a means to save money, advocates must consider whether it will help or hinder their goals of preserving or increasing access to public benefits.
- **Outsourcing presents many new challenges to advocates.** Advocates will need to develop new areas of expertise in order to be effective and make a difference in the lives of low-income people in a privatized system. The National Center for Law and Economic Justice, formerly the Welfare Law Center, has developed guidance for advocates to help them analyze and address issues related to the privatization of public assistance programs. This guidance identifies areas for advocacy and strategies to make the contracting process more responsive and accountable to clients and public concerns. (See <http://www.nclej.org/files/privatization.pdf>).

THE NONPROFIT COMMUNITY

- **Nonprofits are uniquely poised to exert a positive influence on state modernization efforts.** Nonprofit organizations, particularly those that receive funding from the state, may not want to question state modernization efforts for fear that it will harm their relationships with state administrators. This is a reasonable concern. At the same time, the nonprofit community has the ability to shape state modernization efforts in a way that will improve outcomes for low-income families. In the long run, modernization is too important for nonprofit organizations not to take an active part in the planning and development process, both because so they have so much to offer and so much at stake.
- **Nonprofits need to consider whether they have the desire or the capacity to assume additional responsibility in helping people apply for public benefits.** These groups should get involved early in the planning process, determine how much it will cost them to play the role being asked of them, and demand adequate compensation for their efforts.
- **Nonprofits should explore how greater involvement in their state's eligibility system potentially affects their mission.** Helping more of its clients access public benefits may alleviate some of the strain on a nonprofit's resources. At the same time, it may force nonprofits to divert resources from other areas that are critical to their mission. Nonprofit advocacy groups also need to consider whether joining the service delivery process compromises their ability to press states for the highest level of service.



VIII. Conclusion

Texas is breaking new ground with this initiative. No other state has attempted modernization on such a large scale or turned over so much responsibility for eligibility determination to a private contractor.

Call centers, online application, better technology, and community partnerships all have the potential to improve the eligibility determination process and may reduce costs in the long-run. However, as the Texas experience has shown, success requires adequate investment, careful planning, and proper oversight.

States should not view outsourcing as a panacea to the problems facing the administration of their public benefits systems. Many of the arguments that justify outsourcing of public services in other areas aren't applicable to the eligibility determination process. Moreover, the risks—both to the state and the needy families served by the public benefits system—are far greater. Although private firms have made important contributions in performing discrete tasks for the public benefits system, it is very difficult to design contracts that will give contractors incentives to improve service to low-income families while protecting program integrity. Hurried or indiscriminate outsourcing can lead to significant problems with program access, integrity, and cost.

This does not mean that competition has no role in program administration. To achieve the potential benefits of outsourcing, however, the state will need to clearly specify the role and responsibility of the contractor (and subcontractors), determine appropriate costs, and be able to develop clear and measurable performance criteria. Contracting problems are inevitable. States should begin on a limited scale, followed by an intense evaluation, before relinquishing significant control over their eligibility systems to a private company. States must also prepare for the dramatic change outsourcing will have on their roles and responsibilities, and be able and willing to commit the additional resources needed to ensure effective contract monitoring and enforcement.



Advocates seeking to improve the administration of public benefits in their states must be prepared for the challenges that modernization and outsourcing bring. They need to consider whether modernization, if undertaken primarily as a means to save money, will help or hinder their goals of program simplification and greater access. Outsourcing, in particular, changes the role of advocates. Advocates may have to divert significant resources and develop new areas of expertise in order to respond effectively and continue to make a difference in the lives of low-income people in a

privatized system. Advocates need to stay abreast of the plans unfolding in their states and get involved early in the planning process.

The nonprofit community has a lot at stake as well. Its role will change as the state shifts more responsibility to the client; nonprofit organizations need to consider how this shift affects their mission and resources. They also need to explore whether contracting with the state to take over portions of the application process poses any liability for them. Finally, contracting will alter their relationship with the state and potentially impede their ability to advocate on behalf of their clients.

Given the demographics and influence of Texas, the actions Texas takes today will play a large role, for good or bad, in the decisions other states make about their public benefits systems. Already, a handful of other states are exploring similar measures to revamp the administration of their eligibility systems. It is our hope that by documenting the Texas experience, we can influence positively the efforts of states to improve those systems.

Why This Matters

In this report we have shared the stories of 6 families who have struggled to obtain benefits in Texas' new eligibility system. Once each case finally worked its way to them, state officials moved swiftly to fix the errors and process the family's benefits. However, the state does not have the capacity to intervene in every family's application when things go wrong. The families we profile in this report were among the fortunate; many others weren't so lucky, going months without the food, health care, or other assistance they need to support their families.

Of the hundreds of complaints reported to us since Texas launched its new system, almost all of them came through the aid of a nonprofit agency whose mission involves protecting poor and otherwise vulnerable Texans. Though these agencies do their best to reach all those who need their assistance, many of the low-income Texans who need public benefits are not fortunate enough to be able to rely on the help of a nonprofit agency when seeking public benefits. These are the families falling through the cracks in Texas.

Texas needs an eligibility system capable of serving the more than 4 million low-income Texans who rely on public benefits to meet their basic needs and enrolling the millions more who are eligible but unserved. It may take years for Texas to fix the problems in its new eligibility system. The state may decide to return to a publicly run system or make substantial alterations in how it is outsourcing, but either approach requires a significant commitment of time and money. In the meantime, Texas must allocate the resources necessary to keep its eligibility system afloat. Letting sick children go without appropriate medical care, or the elderly suffer from malnourishment, is neither a humane nor a legal option.

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CPPP RESEARCH

All our research is available at www.cppp.org.

Capitol Forum on Integrated Eligibility 'Call Center' Initiative (October 26, 2004).

Comments to the Health and Human Services Commission on the Draft Integrated Eligibility and Enrollment Services Request For Proposal (June 18, 2004).

Despite Uncertain Future of New Computer System for Eligibility Determination, HHSC Moves Forward with Plans to Privatize Health and Human Services. (December 10, 2004).

Further DHS Staff Cuts Unjustifiable. (February 9, 2001).

HHSC Awards Call Center Contract. (July 7, 2005).

Integrated Eligibility/Call Center Update. (February 7, 2006).

Rocky Road for Children's Health Care (June 13, 2006).

Privatization of Health and Human Services Eligibility Determination (September 1, 1997).

Staffing and Training Challenges in the Integrated Enrollment and Eligibility System (IE&E). (July 26, 2006).

State Moves Forward with Plan to Use Call Centers to Enroll People in Key Social Services. (April 26, 2004).

Texas Health Care: What Has Happened and What Work Remains. (June 19, 2006).

Texas Poverty 101 (September 1, 2006).

TIES Progress Report (May 4, 1999).

What's Happening with TANF Caseloads: Strict Rules Force Thousands of Kids Off the Rolls. (March 9, 2005).

ENDNOTES

¹ For an overview of poverty in Texas and the eligibility limits for public benefits, see “Poverty 101,” CPPP, September 2006. (<http://www.cppp.org/research.php?aid=96>)

² “Reaching Those In Need: Food Stamp Participation Rates in the States in 2003,” Office of Analysis, Nutrition and Evaluation, Food and Nutrition Service, U.S. Department of Agriculture, November 2005. (<http://www.fns.usda.gov/oane/MENU/published/FSP/Files/Participation/Reaching2003.Pdf>)

³ “Texas Health Care: What Has Happened and What Work Remains,” CPPP, June 19, 2006. (<http://www.cppp.org/research.php?aid=535>)

⁴ Though fraud is an appropriate concern, national research and states’ experience have shown that when government wants to encourage robust participation in public benefit programs by legitimately eligible families, it can and does succeed without increasing fraud.

⁵ Outsourcing involves the transfer of specific responsibilities or functions related to the development, management, operation, maintenance, or delivery of a government service to the contractor, with the government agency retaining a central role in program oversight. The non-government entity can include a private company, nonprofit group, community-based or faith-based organization, or charitable agency. Health and human services outsourcing typically involves contracting with a non-government entity to either provide direct services to clients or perform functions related to the service delivery process.

⁶ Our analysis of outsourcing is based on the following research: “Privatization of Public Social Services, A Background Paper,” Demetra Smith Nightingale and Nancy M. Pindus, The Urban Institute, October 15, 1997 (<http://www.urban.org/publications/407023.html>); “Outsourcing the Delivery of Human Services,” by Evelyn Bandoh, The Welfare Information Network Issue Notes, October 2003 (<http://www.financeproject.org/Publications/outourcinghumanservicesIN.htm>); “Policy Considerations Related to Privatization in the Food Stamp Program,” by David Super, Center on Budget and Policy Priorities, October 28, 2004 (<http://www.cbpp.org/10-28-04fa.pdf>); and “Uncharted Terrain: The Intersection of Privatization and Welfare,” by Henry Freedman, Mary R. Mannix, Marc Cohan, and Rebecca Scharf, *Clearinghouse Review*, January 2002 (<http://www.nclej.org/contents/wlc01-2002.pdf>).

⁷ In “Privatizing the Delivery of Social Welfare Service,” Marc Bendick observes that the “more complex, undefinable, long-range, and ‘subjective’ services characteristic of the social welfare field” (such as training ex-offenders, drug addicts, mentally ill, least employable welfare recipients) are less conducive to outsourcing, because of the “limited ability of privatized systems to tackle the most difficult cases or to pursue the most complex objectives” (pp. 15-16).

⁸ In “Policy Considerations Related to Privatization in the Food Stamp Program,” David Super cites airport security and emergency management as two prime examples of government functions that are difficult to privatize because they are highly discretionary (p. 15).

⁹ Office of Federal Procurement Policy (OFPP) Policy Letter 92-1, “Inherently Governmental Functions,” September 23, 1992. (<http://www.dla.mil/j-3/a-76/A-76SupplementaryHandbookApp5.html>)

¹⁰ The organizations and individuals that have expressed concern about the impact of TIEES on clients include nonprofit advocacy organizations, public policy researchers, social service providers, and union organizations representing state employees.

¹¹ “Privatization of Health and Human Services Eligibility Determination,” CPPP, September 1, 1997. (<http://www.cppp.org/files/3/pp56.pdf>)

¹² “TIES Progress Report,” CPPP, May 4, 1999. (<http://www.cppp.org/files/3/pp85.pdf>)

¹³ TIERS is an Internet-based system designed to integrate the application process for multiple health and human services programs. TIERS will replace several outdated systems, including the 25-year-old system known as “SAVERR” (System of Application, Verification, Eligibility, Referral and Reporting) that workers now use to process applications for Medicaid, Food Stamps, and TANF.

¹⁴ Seven years have passed since the project was approved, and TIERS has not yet produced any savings. This is in part because system problems have prevented statewide implementation of TIERS. The failure to produce savings also stems from the failure of TIERS to reduce application processing times. Though HHSC says TIERS is improving in this area, state workers say the system is no quicker or more efficient than the old one.

¹⁵ See CPPP’s “Budget Gap Closer to \$16 Billion,” January 14, 2003 (<http://www.cppp.org/research.php?aid=112&cid=6>); and “HB 2292: Read It and Weep,” July 1, 2003, (<http://www.cppp.org/research.php?aid=35&cid=3&scid=7>) for our analysis of Texas’ response to the 2003 budget crisis.

¹⁶ The legislation also authorized using call centers to administer Supplemental Security Income (SSI) benefits, to the extent permitted by federal law.

¹⁷ Though CHIP was ultimately part of the final contract, it was not included in the state’s analysis, because the program was already operated by a private contractor and was not part of the state-run eligibility determination system.

¹⁸ “Integrated Eligibility Determination, Phase II: Business Case Analysis,” Texas Health and Human Services Commission, March 2004. (http://www.hhs.state.tx.us/consolidation/IE/BC_FinalReport.pdf)

¹⁹ Texas policy requires Food Stamp and TANF applicants to be fingerprinted through an electronic finger imaging system before they can be certified for benefits. This is a state policy decision, not a federal law requirement. See CPPP’s “Testimony on Finger Imaging for Food Stamps,” March 31, 2003. (<http://www.cppp.org/research.php?aid=338&cid=3&scid=5>)

²⁰ “State Moves Forward with Plan to Use Call Centers to Enroll People in Key Social Services,” CPPP, April 26, 2004. (<http://www.cppp.org/files/3/pob%20business%20case%204-26-04.pdf>)

²¹ Texas adopted a higher vehicle and liquid asset resource limit in the Food Stamp Program in 2001. In 2002, Congress restored Food Stamp benefits for certain legal immigrants and simplified the enrollment process. Though eligibility for Medicaid was not expanded, Texas implemented a simplified enrollment process for children in 2002 that greatly increased enrollment.

²² Two years later, in December 2005, the same month the state’s new eligibility contractor was scheduled to take over, the agency implemented similar requirements in CHIP, which complicated the transition for both staff and clients.

²³ “What’s Happening with TANF Caseloads: Strict Rules Force Thousands of Kids Off the Rolls,” CPPP, March 9, 2005. (<http://www.cppp.org/research.php?aid=104&cid=3&scid=12>)

²⁴ The business case proposed assigning approximately 800 workers, fewer than one-quarter of total staff in the new system, to the local offices.

²⁵ Accenture did conduct a survey of HHSC clients in the fall of 2004. The response from clients to a more flexible application process was overwhelmingly positive. Among the findings of the survey, more than four-fifths of clients said they wanted to be able to track their application by phone or Internet, apply outside of normal work hours, and apply in private “without others around.” (See “A survey of Texas benefits recipients,” Hill Research Consultants, October 7, 2004.) However, neither Accenture nor HHSC ever actually tested the new application options with clients to assess their ability to adapt to the new business model.

²⁶ The University of Texas at Austin, “E-Government Services and Computer and Internet Use in Texas, A Report from the Telecommunications and Information Policy Institute,” June, 2000. The national research is fairly consistent in its findings that households with lower incomes and less education have significantly lower computer use; see, for example, U.S. Department of Commerce, “A Nation Online: How Americans Are Expanding Their Use of the Internet,” February 2002.

²⁷ “Capitol Forum on Integrated Eligibility ‘Call Center’ Initiative,” CPPP, October 26, 2004. (<http://www.cppp.org/files/3/POP%20CBO%20Forum%20220.pdf>)

²⁸ These specific problems problem related to 2-1-1 access have since been resolved.

²⁹ The final RFP, “Request for Proposals on Integrated Eligibility and Enrollment Services, RFP # 529-04-334,” is available at http://www.hhsc.state.tx.us/contract/52904334/rfp_home.html.

³⁰ For more information, see CPPP’s comments on the draft RFP at <http://www.cppp.org/research.php?aid=60&cid=3&scid=7>. The National Center for Law and Economic Justice (formerly the Welfare Law Center) provided technical assistance in drafting these comments.

³¹ Title VI of the Civil Rights Act, the Food Stamp Act [7 USC 2020 (c), (e)], and Food Stamp regulations [7 CFR 272.4 (b) and 272.5] all prescribe requirements for serving clients with language barriers.

³² Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, U.S. Department of Health and Human Services, Office of Civil Rights, August 4, 2003. (<http://www.hhs.gov/ocr/lep/revisedlep.html>)

³³ The National Center for Law and Economic Justice, 11 members of Texas’ Congressional delegation, Iowa Senator Tom Harkin (the ranking member of the Senate Agriculture Committee), and Connecticut Congresswoman Rosa DeLauro (the ranking member of the House Appropriations Subcommittee on Agricultural Appropriations) joined Texas advocacy groups in pushing FNS and CMS to require waivers.

³⁴ A copy of this correspondence is available on CPPP’s web site at <http://www.cppp.org/research.php?aid=455&cid=3&scid=7>.

³⁵ FNS’ comments on the RFP addressed several technical issues as well, such as the pricing mechanisms in the contract, which we do not address in this paper. CPPP obtained copies of all correspondence between Texas and the federal agencies related to the RFP and contract award and can provide copies of these documents upon request.

³⁶ The text of the amendment, offered by Senator Tom Harkin, ranking member of the Senate Agriculture Committee, read: “None of the funds made available in this Act may be used...for reimbursement of administrative costs under section 16(a) of the Food Stamp Act of 1977 (7 U.S.C. 2025(a)) to a State agency for which more than 10 percent of the costs (other than costs for issuance of benefits or nutrition education) are obtained under contract.” (See http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_bills&docid=f:h2744pp.txt.pdf, p. 161.)

³⁷ The contracts with Maximus included: 1) outreach and informing related to Medicaid EPSDT programs, and 2) Medicaid managed care “enrollment broker” functions.

³⁸ Integrated Eligibility And Enrollment Services Agreement Between The Health And Human Services Commission And Accenture LLP, HHSC Contract # 529-04-0000334, June 29, 2004.

³⁹ A “right of set off” is an agreement defining each party’s rights should one party default on its obligation under a contract. HHSC’s agreement with Accenture entitles HHSC to recoup any undisputed amount that it determines it should be reimbursed by the vendor by deducting this amount from payments owed to the vendor (see IEES Agreement, p. 120).

⁴⁰ The software used by the previous CHIP contractor, ACS, was proprietary and was therefore not available for use by the new contractor.

⁴¹ The call centers are located in Midland, Austin, San Antonio, and Athens.

⁴² “TIERS/IEES Performance Elements for FNS Incremental Funding Decision,” Food and Nutrition Service, U.S. Department of Agriculture, January 12, 2005; and “FNS Monitoring of TIERS/IEES: Proposed Food Stamp Data Reporting Requirements,” Food and Nutrition Service, U.S. Department of Agriculture, March 10, 2006.

⁴³ CMS and ACF agreed to fund the rollout on a similar basis.

⁴⁴ These letters are posted on CPPP’s web site at <http://www.cppp.org/research.php?aid=567&cid=3&scid=7>.

⁴⁵ See CPPP’s web site at <http://www.cppp.org/research.php?aid=501> for more about this reporting system.

⁴⁶ “Rocky Road for Children’s Health Care,” CPPP, June 13, 2006. (<http://www.cppp.org/research.php?aid=534>)

⁴⁷ “Implementing New Changes to the Food Stamp Program: A Provision by Provision Analysis of the Farm Bill”, Stacy Dean & Dorothy Rosenbaum, Center on Budget and Policy Priorities, August 2002, p. 77. (<http://www.cbpp.org/8-27-02fa.pdf>)

⁴⁸ See http://www.hhsc.state.tx.us/news/presentations/IEE_HAC041706.pps for the state’s presentation.

⁴⁹ “HHSC Reviews Policies, Contractor Performance,” Texas Health and Human Services Commission, May 2006 (available on CPPP’s website at <http://www.cppp.org/research.php?aid=516&cid=3&scid=7>).

⁵⁰ “TIERS/IEES Performance Elements,” Food and Nutrition Service, U.S. Department of Agriculture, April 5, 2006.

⁵¹ “Texas TIERS/IEES Implementation Analysis,” Prepared by Booz Allen Hamilton. Food and Nutrition Service, U.S. Department of Agriculture, February 24, 2006.

⁵² Legislative Appropriations Request, Fiscal Years 2008-2009, Texas Health and Human Services Commission. (<http://www.hhsc.state.tx.us/LAR-2008-2009/index.html>)

⁵³ The Texas Council on Competitive Government (CCG) has developed a cost methodology designed to assist state agencies in performing “cost analysis”—“a method to develop meaningful cost information that is useful for decision-making.” Using cost analysis, the state’s cost to perform a service can be compared to the cost of alternative service providers to determine the most appropriate and cost-effective means of providing that service. (CCG’s methodology is available online at <http://www.ccg.state.tx.us/CostMethodology2004.doc>)

Principal Author

Celia Hagert, *Senior Policy Analyst*

Editorial Support

Anne Dunkelberg, *Associate Director*

Shar Habibi, *Public Policy Intern*

Lynsey Kluever, *Communications Director*

F. Scott McCown, *Executive Director*



Center *for* Public Policy Priorities

900 Lydia Street
Austin, Texas 78702
512-320-0222
www.cppp.org

