



BRIEF ANALYSIS

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***e*-Welfare Reform**

by **Christy G. Black**

Texas is blazing a new trail in welfare reform that will improve access to more than 50 different programs, while reducing administrative costs. The state is using modern technology and private contractors to create a “one-stop” application process for Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, the State Children’s Health Insurance Program (SCHIP), Long-Term Care and other programs. Texas’ new system provides a model for privatizing the administration of social services in other states. Furthermore, it could be the first step toward contracting with the private sector to deliver all social services — as the Texas Workforce Commission (TWC) has successfully done with workforce development programs.

Texas’ new system will allow clients to enroll in multiple programs with one application they can complete by telephone, fax, mail, the Internet or in person. Their eligibility for benefits will be determined quickly, and they can track their status through an automated phone system. Customer service operators will be available during extended hours to assist them.

Other states have established call centers or provide online applications for certain programs, but Texas is the first state to adopt such a comprehensive reform. After several years of successful pilot projects, the new system will be gradually implemented statewide this year. The Texas Health and Human Services Commission (HHSC) determined that contracting out data management, application processing and other administrative tasks will save \$646 million over the next five years.

Internet Appeal. As of 2004, 24 states offered online applications for social services, and seven of these, including Texas, offered online applications specifically

for Medicaid and/or SCHIP. Other states have already realized benefits from Internet use:

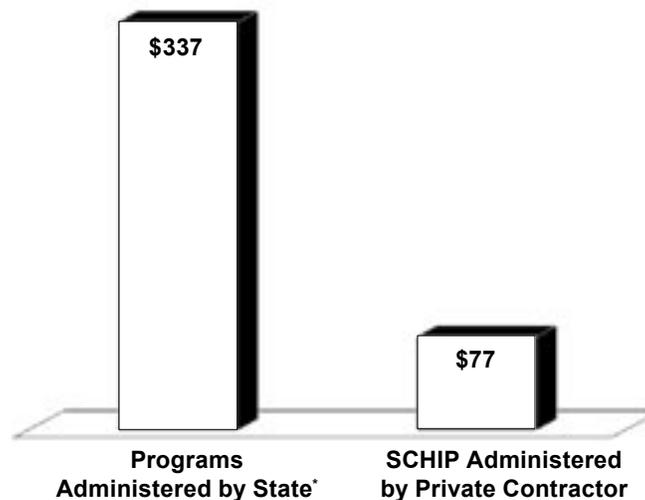
- In Pennsylvania, 45 percent to 55 percent of applications are received outside of traditional business hours via a Web-based program called COMPASS; a similar system in Idaho receives most applications on Sunday.
- In Georgia, 23 percent of applicants said they would not have applied for benefits at all if they had not had the option to apply online.
- California’s online applications for SCHIP are processed 20 percent faster than paper applications.

Compared to paper applications, which require data to be entered into databases at a later time, online applica-

tions are more complete and have fewer errors, according to the National Academy for State Health Policy. Furthermore, HHSC says they could also result in fewer common processing errors, such as misplaced paperwork or illegible handwriting. California, for example, saw a 40 percent reduction in errors for online applications compared to paper applications.

Texans are ready to use the Internet. An HHSC client survey found 31 percent have Internet access in their homes, and 34 percent have access through another source, such as a library or a friend. Schools and community-based organizations are also excellent Internet resources.

Eligibility Determination in California (average cost per person)



* Average per program cost for Medi-Cal, CalWORKs and Food Stamp program.

Source: California Performance Review.

Integrated System Built on Modern Technology.

The backbone of the new statewide system is the Texas Integrated Eligibility Redesign System, called TIERS. TIERS replaces multiple, outdated computer systems with a single, Web-based system that shares data across agencies and programs.

The extensive data available through TIERS includes birth certificates, credit information, the number of school-aged children in households, and information regarding any previous sanctions for welfare fraud or

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child support arrearages. TIERS connects directly to the Social Security Administration (the first in the nation), allowing caseworkers to verify information immediately. In its final form, TIERS will link to 24 government agencies, which will enhance data collection, save time and reduce fraud.

Friendly for All Users. TIERS will be user-friendly for both employees and clients. It will lead state workers through a process that applies rules consistently statewide and requires entering information only once. Real-time access to data will help staff resolve problems faster and reduce delays in delivering benefits.

The current system requires people to apply in person at a state office. The integrated system will offer clients new communication channels, multiple points of access and a single application for all services. This will significantly reduce the time and effort they spend on the application process — time that could be better spent at work and getting back on their feet. According to HHSC estimates:

- If 30 percent of applicants reduce lost time from a minimum wage job by 2 hours each year, they would save about \$12 million annually — not including transportation or day care costs.
- At a cost of \$3 per trip, clients can save an additional \$4.5 million each year if half of them avoid one extra trip a year.

Public-Private Partnership. To improve customer service, TIERS will utilize four call centers, accessed by dialing 2-1-1 toll-free from anywhere in Texas. HHSC determined it is more cost effective to outsource the call centers to a private contractor. State workers will continue to determine eligibility and distribute benefits for certain programs, like Food Stamps. However, on the front end, private-sector employees will receive and process applications and perform other administrative tasks.

Texas has already had great success with contractor call centers on a smaller scale. Three call centers for Children's Medicaid were set up as pilot projects. According to the Texas Comptroller, they increased efficiency and improved customer service:

- In Houston, the number of applications processed per full-time employee almost tripled while the number of completed reviews more than doubled during a three-month period.
- Statewide implementation is expected to reduce processing costs from \$188 per application to less than \$20 each.

HHSC had success with another contracted-out call center for SCHIP. In the first two years, the center received more than 3 million phone calls and one million applications, at a cost of \$17 to \$21 per completed application.

Once Texas' new system is fully implemented, HHSC estimates it will reduce office visits by more than 80 percent and reduce clerical work by about 45 percent. Importantly, these outsourced call centers free state workers from burdensome paperwork, giving them more time to focus on clients.

Healthy Families in California. Applications for Healthy Families, California's SCHIP, are processed by an administrative contractor using a state-owned system. This and similar systems in other states have realized significant savings:

- Eligibility processes cost an average of \$77 per person for Healthy Families, compared to an average of \$337 per person for Medi-Cal, CalWORKs and Food Stamps. [See the Figure.]
- Statewide integration using a contractor would reduce the average costs for administering the three programs to \$111 per recipient, according to the California Performance Review, saving the state \$4 billion over five years.
- Pennsylvania uses an online system and spends an average of \$68 per person; Florida estimates using a contractor will reduce their costs 15 to 25 percent.

The Next Step. Texas can realize significant gains through technology and public/private partnerships; now other states should follow suit. In the future, Texas should expand its privatization efforts by creating a true "one-stop" system for social services. The Texas Workforce Commission has set an excellent example by successfully creating workforce development centers that provide job placement, training, education and child care. The centers are governed by local boards of directors who oversee private-sector providers selected through a competitive bidding process. The one-stop system creates a centralized point for intake, case management, service delivery and reporting. Once the technology and front-end, administrative side of the new system are up and running, HHSC should follow the Workforce Commission's lead and integrate social services delivery.

Christy G. Black is an editor/analyst with the National Center for Policy Analysis.

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