



## STATE AUDITOR TO REVIEW SNAP ADMINISTRATION

### CPPP Recommends Comprehensive Review of Staffing Needs, Business Processes, Technology, and Eligibility Policies

Last month, the Texas Health and Human Services Commissioner Tom Suehs asked the Texas State Auditor to review the agency's Supplemental Nutrition Assistance Program (formerly known as the Food Stamp Program) operations and recommend changes to address the persistent and severe backlogs and delays in application processing, among other performance problems. The audit presents a critical opportunity to investigate the root causes of the problems facing our eligibility system and identify solutions. This *Policy Page* outlines the problems, summarizes recent efforts to resolve them, identifies areas for further investigation, and offers potential solutions. We encourage the auditor to look at business processes, technology, eligibility policies, and, most important, staffing. Given that Texas has a combined eligibility determination process for SNAP, Medicaid, and Temporary Assistance for Needy Families (which provides cash assistance and employment services), the problems undermining SNAP performance are also compromising access to health insurance and cash assistance. Therefore, we urge the auditor to expand his review to cover these programs as well.

### Background

For the last four years, the Texas Health and Human Services Commission (HHSC) has struggled and fallen short of federal and state standards to provide accurate and timely service to needy Texans seeking assistance in caring for their families. While the economic downturn exacerbated the problem, the larger cause is chronic underfunding of our public benefits eligibility system and the attempt to privatize public benefits' administration in 2005. At that time, HHSC also launched a new business model that made significant changes to the way clients apply for assistance through the use of call centers, a heavier reliance on technology and remote application options, and new partnerships with nonprofit organizations. Texas substantially reduced its public eligibility determination workforce in preparation for privatization; in addition to these layoffs, a significant number of highly experienced staff resigned.

A four-month pilot of the system in early 2006 revealed technical difficulties, staffing shortages, and inadequate training of private call center staff. Tens of thousands of

needy Texans who rely on SNAP suffered through a frustrating enrollment process, were caught in long backlogs, and were often wrongly denied benefits.

In 2007, Texas canceled the contract. Texas did not save any money in administrative costs and lost one-third of its public eligibility workforce in the process. Efforts to rebuild the eligibility system since 2007 have been stymied by inadequate funding for staff and technology, serious problems in the rollout of a new computer system (TIERS), and a lack of political will. Despite modest increases in staff over the last two years, problems recruiting and retaining qualified staff continue to undermine performance, and delays in application processing, disruptions in benefits, and a high rate of improper denials persist today.

The Center for Public Policy Priorities opposed rapid privatization and advocated a slower approach to modernization that involved adequate testing, reasonable timelines, and sufficient resources. Since the termination of the eligibility and enrollment contract, we have urged the

Texas Legislature to take the necessary steps to improve the performance of our eligibility system and restore SNAP access.

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## Timeline of Events

**1999:** Texas Legislature approves funding for new Texas Integrated Eligibility Redesign System (TIERS) computer system.

**July 2003:** A pilot of TIERS is launched in two counties.

**December 2003:** State officials delay rollout of TIERS due to problems identified during pilot.

**June 2003:** Texas Legislature authorizes the use of privately run call centers as part of massive state budget cuts to health and human services.

**June 29, 2005:** Texas signs contract with Accenture to take over development, administration, and partial staffing of the eligibility and enrollment system.

**January-April, 2006:** New eligibility system is launched in two counties. More than 7,000 SNAP applications are caught in a backlog, and 127,000 children statewide lose Medicaid or CHIP.

**May 2006:** State officials delay further rollout of privatized system indefinitely due to serious technical problems, massive backlogs, and inadequately trained contractor staff. Most application processing and eligibility determination functions are returned to state staff.

**January 2007:** HHSC implements Medicaid family planning waiver (Women's Health Program) and decides to put WHP cases and associated SNAP/Medicaid cases in household into TIERS. As a result, TIERS volume triples over the next year.

**March 2007:** After legislative investigation, Governor cancels contract with Accenture. Texas Legislature increases funding for staff and makes bonuses available to retain staff. Delays in application processing persist.

**May 2008:** FNS approves limited geographic rollout of TIERS, capped at 22 percent of the SNAP caseload.

**January 2009:** HHSC completes conversion of Central Texas to TIERS, but halts further rollout due to staffing shortages, concerns over system capacity, and timeliness problems.

**June 2009:** Texas Legislature approves additional staff, but fails to authorize enough staff to bring workload down to acceptable levels.

**August 2008 – present:** Downturn in the economy and high turnover exacerbates staffing shortages; timeliness plunges, error rates skyrocket.

**August 2009:** Class action lawsuit is filed against HHSC for failure to process SNAP applications within federal timeliness standards.

**September 2009:** FNS sends HHSC an advance warning letter and demands a Corrective Action Plan. LBB approves 250 of the 650 additional staff requested by HHSC.

**December 2009:** HHSC Commissioner requests State Auditor to Review SNAP administration.

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## Recent Developments

The 81st Texas Legislature took certain steps to address this crisis, but failed to provide sufficient staff or resources to significantly improve the system's performance. With the number of requests for assistance growing, HHSC eligibility staff are handling more cases than they can process on a timely basis, despite these staffing increases and the routine use of overtime.

In August 2009, public interest lawyers brought a class action suit against the state regarding delays in processing Food Stamp applications, asserting an implied private right to enforce the law. The state filed a motion to dismiss for failure to state a claim, and in October 2009 the U.S. District Court granted the state's motion. Plaintiffs' attorneys have appealed the decision.

In September 2009, USDA's Food and Nutrition Service (FNS), the federal agency that oversees state SNAP administration, sent an advance warning letter to HHSC demanding a corrective action plan for improving timeliness and reducing error rates. This was the first step in a process that could ultimately lead to a formal warning, as well as an administrative funding sanction or loss of the 50 percent federal match for SNAP administration.<sup>1</sup> In addition to the threat of an administrative sanction, the lack of adequate numbers of trained staff has caused SNAP error rates to soar, which could cost Texas millions in federal sanctions next year.

Congress also has provided additional funding for SNAP administration to all states in recognition of the strain that the surge in demand for food assistance is placing on states. Texas received an additional \$25.7 million for SNAP administration from the federal American Recovery and Reinvestment Act (ARRA), the stimulus package passed in February 2009. The Legislature appropriated these funds to prevent cuts in eligibility staff in the 2010-2011 biennium. Texas is expected to receive another \$27 million more from the fiscal 2010 Defense Appropriations Bill (H.R. 3326), passed in December 2009. These funds are to be available to states within 60 days of enactment and usable through September 30, 2011. Texas should use these extra administrative funds to add more staff, rather than supplant state funding for existing staff.

Texas' budget for fiscal 2010-11 (S.B. 1) funded 9,039 staff per year of the biennium. In addition, a special provision (Rider 61) gave HHSC the authority to request additional staff, up to 9,695 in fiscal 2010 and 9,861 in fiscal 2011, to address workload and caseload growth. In August 2009, HHSC sent a letter to Governor Perry and the Legislative Budget Board (LBB) requesting roughly 650 additional staff. LBB approved 250 additional staff and instructed HHSC to fill 400 unfilled eligibility positions before asking for the remaining 400 FTEs authorized by Rider 61. Since September 2009, HHSC has seen a net gain of 624 eligibility staff and available positions have decreased to 4.7 percent.

It is important to note that even at these higher staffing levels, Texas will employ approximately 1,000 fewer eligibility workers now than it did a decade ago, when caseloads were significantly lower. As a result, staff continue to struggle with heavy workloads, and the delays and high error rates persist.

In addition to authorizing additional staff, the Legislature passed HB 3859, which requires HHSC to conduct a staffing analysis to determine the number of staff—both state employees and contractor staff—needed to expand TIERS; provide timely and accurate services to clients in compliance with state and federal requirements; ensure seamless transition between Medicaid and CHIP; and meet HHSC's other performance standards, benchmarks, and maximum caseload specifications. This staffing analysis provides a critical opportunity to assess the true staffing and technology needs of our eligibility system.

### **Issues and Concerns**

Access to food, medical and cash assistance is vital to low-income Texas families who don't earn enough to make ends meet, particularly during an economic downturn. As unemployment rises, more Texans have turned to the state for help. National health reform will further increase the demand for these services, with roughly one million uninsured Texans expected to gain Medicaid coverage under proposals before Congress. Texas' broken eligibility and enrollment system cannot handle current demand, much less growing caseloads with rising unemployment and health care reform. Clearly, without improvements to our eligibility system, the promise of health care for the poorest Texans, along with services to current SNAP clients, could be seriously undermined. The delay or inappropriate denial or termination of these benefits not only causes great hardship to hundreds of thousands of needy Texans, but also exposes Texas to expensive financial penalties from the federal government and causes the state to forgo federal funds that boost our state and local economies and are critical to our economic recovery.

Texas can improve program access and program integrity by providing additional staff and technology resources,

streamlining its eligibility rules and processes, and creating a culture in which enrolling every eligible Texan in SNAP and Medicaid is the top priority. However, these changes will be costly and won't occur without the full support of the Texas Legislature.

## 1. Staffing shortages are responsible for the worst timeliness and the highest error rates in the nation

HHSC staffing shortages are the primary cause of the problems in our eligibility system, which has the worst timeliness and the highest error rates in the nation.

- **Timeliness:** In November 2009, fewer than two-thirds (57.5 percent) of SNAP applications and only three-quarters of Medicaid applications were processed on time. Federal law requires states to act on a SNAP application within 30 days of submission for SNAP and within 45 days for family Medicaid. Texas has not met the federal standard for SNAP for almost four years, though the delays have grown more severe over the last 12 months due to increased need caused by rising unemployment.
- **Lead times:** Though wait times for SNAP interviews (required of all initial applicants) have decreased somewhat since the hiring of additional staff in September, wait times are longer than 60 days in five of the state's largest offices, and exceed 20 days in 30% of all offices. In general, interviews must be scheduled within 20 days in order for the worker to be able to meet federal timeliness standards.
- **Payment error rates.** In fiscal 2008, the "payment error rate"—the percentage of total benefits issued in error (both under and overpayments)—was 7.1 percent, compared to 5.1 percent for the nation. If error rates remain this high relative to the national average in fiscal 2009, Texas could face potential financial penalties in fiscal 2010. Texas has the highest error rates in the nation. The rate of improper denials in SNAP, known as the negative error rate, also has soared over the last five years, increasing from 2.8% in fiscal 2004 to 21.4% in fiscal 2008. Negative errors

occur when staff do not follow policy in processing applications, which can lead to eligible applicants being denied assistance.

- **Inability to resolve client complaints.** It is important to note that delays and errors in eligibility determination and benefit issuances continue to occur *even though HHSC has filled more than 95 percent of its available positions for eligibility workers*. This indicates the need for additional staff *above* the current authorized levels, and underscores the importance of improving the retention and tenure of staff.
- **Overtime pay and staff morale.** Understaffing not only causes delays for clients, it also costs the state. In fiscal 2009, HHSC expects to spend \$22.2 million on overtime pay, the equivalent of roughly 900 FTEs, approximately 12 percent of the existing workforce. In September 2009 alone, eligibility staff earned more than 227,000 hours in overtime and compensatory time, the equivalent of 1,420 FTEs, or 30 percent of the existing workforce. Staffing shortages also undermine staff morale. The average HHSC caseworker works six-day weeks, accrues 50 hours of overtime a month, and hasn't taken any time off in a year and a half.
- **High staff turnover.** High staff turnover is also undermining HHSC's efforts to meet the increase in demand. It takes an eligibility worker approximately two years to become fully proficient in the complex eligibility policies of SNAP, Medicaid and TANF. Though HHSC has increased eligibility staff by 15 percent over the last two years, caseloads have increased significantly and the tenure of its workforce has declined. In June 2009, 51.6 percent of eligibility workers had less than two years of experience, and 25.9 percent had less than one year of experience. In comparison, in September 2004, 8.4 percent of eligibility workers had less than two years of experience and 4.7 percent had less than one year on the job.

## 2. Problems with TIERS are exacerbating delays in application processing

TIERS was originally intended to improve client access to services by replacing outdated computer systems with a single automated system to determine eligibility for all of HHSC's programs. Yet, since 2003, when the system was first piloted in five local offices in Central Texas, TIERS has been plagued by numerous problems, including a lack of processing power to support a statewide rollout, design flaws that create complexity and slow processing, the use of too many "workarounds" to get around glitches in the system, and ultimately the failure to process applications within federal timeliness standards.

Concerned over the serious delays in the processing of TIERS cases, in May 2008 FNS capped the number of SNAP cases that could be converted to TIERS to 22 percent of the total caseload. However, FNS' cap only applies to cases converted in a geographic rollout, and does not include SNAP cases added under the programmatic conversions described below.

In 2007, Texas implemented a Medicaid family planning waiver, called the Women's Health Program (WHP). Under this waiver, all women seeking family planning services from the state are required to be screened for potential WHP eligibility. HHSC decided to put Women's Health Program applicants into TIERS, as well as to convert any household members receiving SNAP to TIERS—regardless of whether the applicant is deemed eligible for the Women's Health Program. This decision has caused the number of SNAP cases in TIERS to more than triple over the last few years. Texas made this decision without requesting permission from FNS to add these SNAP cases to TIERS, and FNS has since indicated that it would have denied Texas' request had the state sought its permission. (For more information, see CPPP's [Policy Page #335](#).)

Several factors are causing the delays in TIERS-processed SNAP applications. First, it takes more time to process an application in TIERS than in SAVERR (the legacy system). Second, it takes longer to train workers to become proficient in TIERS than in SAVERR. Finally, the volume

of TIERS cases is growing at a faster rate than HHSC can train workers to handle the caseload. The only way to meet federal timeliness standards in TIERS is to focus on a solution that reduces the average time it takes for a worker to process an application in TIERS, and/or to significantly increase eligibility staff. Even with the additional staff approved by LBB, it will take time for HHSC to hire and train enough workers to restore timeliness in application processing. Adding significant numbers of new cases to TIERS before HHSC has stabilized the eligibility workforce is likely to cause continued and increased delays and errors in application processing.

### Goals and Recommendations

We are impressed with HHSC's recent efforts and are confident it will implement reasonable recommendations that are within its authority. HHSC's top priority and overarching goal should be to create a system and a culture that makes it possible to efficiently enroll every eligible Texan in SNAP, Medicaid and TANF. In addition to the steps outlined in HHSC's corrective action plan to FNS, efforts to fix and improve the eligibility system should focus on these objectives:

- **Determine the appropriate number and right mix (local offices, centralized units/call centers, outstationed workers) needed to ensure timeliness and accuracy in application processing and eligibility determinations.** As a first step, the Governor and the Legislative Budget Board should set a deadline for HHSC to meet federal timeliness and accuracy standards and, if this deadline is not met, approve the remainder of the eligibility FTEs authorized by Rider 61. Second, HHSC should complete the staffing analysis required by HB 3859 so that the 82<sup>nd</sup> Legislature has the information it needs to allocate appropriate adequate resources for staff and technology in the next session.
- **Eliminate unnecessary, inefficient, or duplicative requirements that increase staff workload and/or undermine program access.** HHSC should focus on streamlining eligibility policies and processes that have

the potential to reduce staff workload, including: adopting 12-month continuous eligibility for Children on Medicaid; income verification policies that are streamlined but accurate; eliminating finger imaging as a condition of SNAP eligibility; eliminating the SNAP and Medicaid liquid and vehicle asset test, as the vast majority of states have done; and simplifying and eliminating unnecessary steps in the renewal process for SNAP and Medicaid and synching the renewal process across programs. We explore the rationale for these policy changes in the next section.

- **Reduce the number of contacts (including trips to the local office, missing information requests, etc.) with the client needed to determine eligibility** so as to improve timeliness, reduce staff workload, and minimize opportunities for clients to “fall through the cracks.” The best way to accomplish this goal is to ensure that clients are adequately informed of program requirements so they can submit a complete application during the first contact with HHSC.
- **Improve customer services by establishing clear lines of accountability and adequate resources (i.e., phone lines, adequate number of trained staff with the authority/ability to resolve problems) for resolving client complaints in a timely manner.** In addition to completing the upgrade of telephone lines and equipment (i.e., fax machines, scanners) for local offices, centralized units, and regional help lines, HHSC should conduct additional training with call center and regional help line staff, adopt performance standards that measure the outcome of client complaints and monitor these complaints to ensure these standards are consistently met, and assign an adequate number of call center and helpline staff to deal with the volume of client complaints.
- **Fix the problems in TIERS before converting or adding new cases to the system.** As a first step, HHSC should procure an independent study to determine: 1) whether the capacity and design problems with TIERS are surmountable, and if so, the cost and time required

to make any needed changes; and 2) the number and skill level of eligibility staff that will be needed to deliver accurate and timely services once TIERS is rolled out statewide.

- **Develop a user-friendly Web site that allows clients to apply/renew online as well as check the status of their case.** Other states have reduced workload and improved client access by developing online applications and web sites that enable and empower clients to manage their own cases.
- **Ensure an appropriately designed and adequately supported role for community partners that do outreach and application assistance.** The Legislature should increase funding for outreach and application assistance by community-based organizations and improve the training provided to their staff. At the same time, HHSC must ensure that CBOs supplement rather than supplant the role of state eligibility workers.

## **Policy Changes to Reduce Staff Workload and Improve Access**

### **Adopt 12-month eligibility for children on Medicaid**

Current state law requires the families of children on Medicaid to renew their coverage every six months. Switching to a 12-month eligibility period offers numerous benefits to both the state and to children’s health.

#### **The benefits for children’s health**

- Twelve continuous months of eligibility would cut the number of uninsured children by 25 percent, helping to meet the bipartisan goal of insuring the poorest uninsured children first.
- Twelve continuous months of eligibility would promote continuity of care and stable medical homes for children, easing recruitment and retention of doctors and other health care providers for Children’s Medicaid.

- Children who are stably insured are more likely than others to have a regular health care provider, to have preventive care visits, and to receive needed care without delays.<sup>2</sup>

### **The benefits for Texas**

- Texas will get more federal economic recovery funding (increased Medicaid match rate) if 12-month continuous eligibility for Children’s Medicaid is implemented, and the cost to the state will be reduced.
- Twelve continuous months of eligibility for Children’s Medicaid would dramatically cut the workload and costs of our state eligibility workforce, and boost their performance.
- Texas Medicaid can meet federal court lawsuit settlement goals for check-ups, immunizations, and access to care much more easily with 12-month coverage. (The *Frew* lawsuit is a 15-year old federal class action lawsuit over Texas Children’s Medicaid.)
- Keeping children out of the hospital and the emergency room makes good financial sense. Texas and California studies have found that 12-month coverage reduced hospitalizations and the annual cost per child. Analysis by the Texas CHIP HMO run by Texas Children’s Hospital in Houston, found medical costs per child decrease about 25 percent the longer the child has consistent access to a doctor. California Medicaid found similar size reductions when children’s eligibility was extended to 12 months.
- Twelve continuous months of eligibility for Children’s Medicaid would also reduce Medicaid Managed Care health plan administrative costs. Medicaid Managed Care health plan (HEDIS) standards hold HMOs accountable only for children enrolled for at least one year, because it is generally thought that less than a year is not enough time to show improvement. Since plans must only report on children who have been enrolled for a year or more, Medicaid Managed Care cannot reach its potential for improving care until 12-month coverage becomes a reality.

### **Facts about 12-month Medicaid in Texas**

- It is clear that a 12-month enrollment model is the most efficient way to administer a program. Texas has already adopted 12-month coverage for Medicaid newborn coverage, Medicaid maternity coverage, CHIP, the CHIP perinatal program, and the Women’s Health Medicaid Waiver. In addition, HHSC proposed 12-month coverage in the recent SB 10 Medicaid 1115 waiver request.
- Avoiding the short-term costs of providing care to uninsured children is also the reason the Texas Legislature has not taken this step for Children’s Medicaid.
- Official HHSC data indicate that most kids who lose Medicaid at renewal time either remain qualified for Medicaid or move to CHIP.
- HHSC reports that 76 percent of children who lost Medicaid in 2006—more than 3 out of 4—had no other source of insurance after they left Medicaid.<sup>3</sup>
- In 2007, 45 percent of children losing Medicaid coverage came back on the program within the year, suggesting that these were gaps in coverage experienced by eligible kids, and caused by excessive red tape and eligibility system problems.

### **Federal law & other states**

- Congress gave states the 12-month coverage option for children’s Medicaid in 1997 when they created CHIP.
- As of January 2009, 18 states provided 12-month continuous eligibility for all children in Medicaid, and two other states provide it for younger children

### **Eliminate finger imaging in SNAP and TANF**

Texas is among only four states (including Arizona, California, and New York) that currently require a person to submit to electronic finger imaging in order to qualify for SNAP benefits. Finger imaging wastes money,

duplicates less costly and equally effective fraud prevention measures, and undermines HHSC's goal of reducing traffic at local offices and promoting remote application options.

Over the past 12 years, the finger imaging program has cost Texas and USDA more than \$35 million, but has resulted in only 82 fraud investigations, the majority of which were dismissed. In 2008, the \$1.5 million spent on finger imaging yielded only one case of fraud involving \$0 in SNAP benefits. Several studies have found that this technology is not cost-effective in finding fraud or deterring fraud:

- *Texas UT Study:* When Texas initiated its finger imaging pilot in 1997, it commissioned an independent evaluation of the program by the University of Texas at Austin. The evaluation found that finger imaging failed to prevent duplicate participation and criticized the state's method for estimating savings from the program. The study concluded:

“... electronic imaging has failed to produce the expected effects. The [pilot] has not reduced caseloads significantly by detecting or deterring duplicate benefits. Instead, it appears to have induced some temporary exits among Food Stamp recipients for whom the process of getting Food Stamps has become more difficult due to the need to have all adults on a case report to a DHS office for imaging. The [finger imaging pilot] cost the state of Texas \$1.7 million for the first seven months of operation and yielded no savings in benefit payments.” The full report is available [here](#).

- *California:* In 2003, California's auditor found that the system had serious drawbacks, including a high number of administrative errors; low numbers of fraud detection; a potential deterrent effect on immigrant populations; and the red tape involved in going through the fingerprint imaging system. As a result of California's audit, USDA is withholding its share of funding for the state's finger imaging program.

California's Legislative Analyst's Office concluded, “If we had to do it all over again, we wouldn't have finger imaging.”

- *United States Department of Agriculture:* A 1999 report by the USDA on biometric systems nationwide stated that assessing the ability of finger imaging to reduce fraud is difficult because the amount of fraud caused by duplicate participation in welfare programs is unknown.
- *Government Accountability Office (GAO):* A May 2007 report from the GAO stated the following: “Nationwide, four states currently use finger imaging of food stamp applicants to prevent households from applying more than once for benefits. (USDA) FNS (Food and Nutrition Service) officials commented that the agency had not concluded that finger imaging enhances program integrity and that it may have a negative effect on program access by deterring certain households from applying.”

Texas uses more affordable and practical data matching services to deter and catch fraud, including: 1) rigorous automated verification of a household's identity, including an automatic match of the applicant's social security number with the state's computer system to make sure that person is not already receiving benefits and a monthly match with the Social Security Administration to make sure that a person has not applied for SNAP using a fake SSN; 2) verification of residence; income; and other circumstances that affect eligibility and benefit levels; 3) use of data broker sources to verify client information; and 4) optional home visits prior to certifying a household that the state suspects of fraud. Moreover, EBT (implemented statewide in 1995) greatly reduced the incentive for “double-dipping” by eliminating the potential to traffic SNAP benefits.

Finger imaging also limits Texas' ability to make greater use of application processes outside of local offices that may improve program access for working families and others and reduce administrative costs — such as online applications, telephone interviews, and out-stationed

eligibility workers. For example, Texas allows local offices to conduct phone interviews in place of in-person interviews as a means to improve access and reduce workload. Requiring an applicant to come into a local office to be finger imaged undermines the use of phone interviews and other remote application options as a means to improve access to SNAP benefits.

State funds should not be used for expensive, redundant equipment and processes that have no proven payoff and deter poor households from receiving nutrition assistance. These resources would be better spent increasing the share of eligible families who participate in SNAP by investing in technology and other improvements that increase program access, reduce administrative costs, and offer cost-effective and proven solutions to enhancing program integrity.

### **Eliminate the Asset Test**

Under current policy, HHSC places limits on the amount of liquid assets a family can have and qualify for benefits. Vehicles with a fair market value above a certain amount are counted toward a family's asset limit, even if the family has little to no equity in that vehicle. The limits vary by program, creating a complex policy that is difficult and time-consuming. Federal law gives states the flexibility to revise or eliminate asset limits. Asset limits are unnecessary to protect program integrity and are a drain on staff resources; therefore, Texas should eliminate the asset test as a means to reduce staff workload.

The vast majority of low-income people also have extremely limited resources. Only one to three percent of SNAP, Medicaid, and TANF applications are denied each month for excess resources. In contrast, 11 to 39 percent of applications are denied each month for excess income. Because an applicant's income is so important to determine both eligibility and benefit levels accurately, from a business perspective the state would be better served by concentrating its limited staff and resources on finding out about people's income—and getting it right—rather than looking at poor people's resources, which we know to

be extremely limited. Instead, our high payment error rate indicates that staffing shortages are leading to widespread inaccurate eligibility determinations and benefit issuances.

According to CFED, a national nonprofit dedicated to expanding economic opportunity for low-income families and communities, other states have successfully eliminated their asset tests without jeopardizing program integrity or causing large caseload increase.<sup>4</sup> Since 1996, 23 states have eliminated Medicaid asset limits entirely; three states have eliminated TANF asset limits; and 24 states have eliminated SNAP asset limits, with several more planning to do so in late 2009. In addition, three states have substantially increased the asset limits in their Medicaid or TANF programs, and 32 states have excluded several important categories of assets from these limits in one or both programs.

CFED's research on states that have eliminated asset limits finds that the administrative cost savings outweigh any real or potential increases in caseload. For example, when Oklahoma eliminated its Medicaid asset limits, it resulted in administrative cost savings of close to \$1 million. In New Mexico, state officials projected that only 38 more people would enroll in Medicaid per month (with an associated increase of \$23,000 in direct costs to the state, negligible in comparison with a \$5.7 billion annual state budget). In Ohio and Virginia, after eliminating the TANF asset limit, caseloads decreased in the years following the change.

[Click here](#) for a detailed review of asset limits by state.

### **Conclusion**

We believe that it is possible for HHSC to improve the performance of its eligibility system to ensure timely and accurate service to eligible Texans. However, the 2011 Texas Legislature must be willing to fund the necessary staff and technology, streamline eligibility rules and processes, and endorse a culture in which enrolling every eligible Texan in these benefits is the top priority.

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<sup>1</sup> The procedure for imposing an administrative sanction is set out at 7 CFR 276.4.

<sup>2</sup> The National Academies Institute of Medicine, *Health Insurance is a Family Matter*, 2002. National Academy Press: Washington, DC.

<sup>3</sup> Texas External Quality Review Organization, Institute for Child Health Policy, University of Florida, [Survey Report of STAR and CHIP Renewals and Non-Renewals, Texas](#), September 22, 2006

<sup>4</sup> 2009-2010 Assets & Opportunity Scorecard, CFED, September 2009.

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