



Center for Public Policy Priorities

CPPP Statement on Draft State Auditor's Report

Contact: Lynsey Kluever, 512-320-0222, X112 or kluever@cphp.org

Today's story in the *San Antonio Express-News*, "State savings don't add up," makes public the findings of a draft report by the State Auditor's Office critical of the methodology behind the Health and Human Services Commission's decision last year to outsource its human resource and payroll functions to a private contractor.

(http://www.mysanantonio.com/news/metro/stories/MYSA092905.01B.no_private_savings.16ccf7dc.html)

The auditor's report says the savings from outsourcing are not \$45 million over five years as claimed by HHSC to justify the contract, but only \$1.1 million. The report also determined that HHSC does not have adequate performance measures in place to monitor contractor performance and ensure people's needs are met.

Public money should not just be thrown at private companies to address public problems. The state should hire private companies only when it has a sound reason to believe they can do as good a job for less, and then the state should carefully monitor its private contractors and hold them accountable.

The auditor's report sends a clear message to the Governor and the Texas Legislature that the state lacks a consistent, comprehensive methodology for making decisions about whether to outsource government functions to private companies. The Governor should direct the State Auditor's Office to review immediately all of the cost-benefit analyses since the health and human services consolidation that have resulted in the outsourcing of government functions.

First on the auditor's list should be the \$899 million contract HHSC awarded in June to develop and staff a new system for enrolling people in Food Stamps, Medicaid, TANF, and CHIP—eight times larger than the HR contract. HHSC's cost-benefit analysis for this contract claims to save \$646 million over five years by closing many field offices and using a few privately staffed call centers, eliminating thousands of eligibility workers. When HHSC first released its cost-benefit analysis, CPPP questioned its methodology and many of the assumptions used to justify the savings (<http://www.cphp.org/research.php?aid=44&cid=3&scid=7>).

The biggest flaw, we noted, was HHSC's failure to perform a valid analysis of the number of staff truly needed to run these programs successfully, while ignoring the staffing shortages that have plagued the eligibility system for years. This is the very sort of issue raised by the auditor's report, which notes that "quantifying workloads and staffing demands" is critical to an accurate analysis.

The U.S. Senate last week acknowledged its concern about outsourcing by passing legislation that would prohibit the use of federal funds by states that outsource their Food Stamp Program operations (<http://www.cphp.org/research.php?aid=455&cid=3&scid=7>).

Using private contracts may or may not be a way to cut costs in the short-term, but no amount of savings can justify harm to our most vulnerable citizens.

