



Despite Uncertain Future of New Computer System for Eligibility Determination, HHSC Moves Forward with Plans to Privatize Health and Human Services

The Texas Health and Human Services Commission (HHSC) intends to award a multi-billion dollar contract to a private company to develop and run a new model for delivering health and human services. If a contract is awarded, most of the state's eligibility determination and enrollment functions for Medicaid, CHIP, Food Stamps, and TANF cash assistance would be turned over to a private company. The contract would be one of the largest health and human services contracts in state history. The new model would be dependent on HHSC's new computer benefits system, known as TIERS, operating smoothly. Yet, TIERS is still being developed and tested in a five-office pilot (out of 381 offices), and it is unclear when the system will be fully functional or capable of operating statewide.

What will the contract include?

Under HHSC's proposed model, three centralized call centers and an Internet application would replace the majority of the 381 local offices where clients now apply for benefits, and the number of eligibility staff would be reduced by 57 percent. Volunteers from local nonprofit and faith-based organizations would be called upon to assist clients with the automated application process.

The contract awarded could also include the maintenance and operation of TIERS, Medicaid managed care plan enrollment, and Texas Health Steps (EPSDT services). In its Request for Proposals (released in July 2004) from private companies, HHSC allowed prospective vendors to bid on all of these functions or on individual components.

What is TIERS?

TIERS is a new integrated eligibility determination tool that is intended to replace the multiple old systems (dating back to the 1970s) that workers now use to deliver benefits. It would serve as the foundation for the privatized call center system.

The TIERS project was established by the legislature in 1999 to replace the state's antiquated mainframe system known as SAVERR. A five-office pilot was launched in July 2003, with a phased-in statewide expansion planned for the fall of 2003. After problems arose during the pilot, HHSC made the prudent decision not

to proceed with the statewide rollout and is presently working to resolve the problems.

At this time, TIERS is being used in five local eligibility offices in Austin and San Marcos. The system is currently capable of taking new applications and renewals for "Texas Works" programs—Food Stamps, TANF and family Medicaid—in the pilot offices. In June, workers in these offices began using the system to take new applications for "Long-Term Care" Medicaid, but are still processing Long-Term Care renewals using the old system, SAVERR.¹

The development of TIERS has presented many challenges, none of which are surprising given the size of the database and the complexity of the programs involved. To put it in perspective, after the federal government's Social Security management information system, TIERS may be the largest public database in the country. One key challenge has arisen from the need to run two systems concurrently and convert enormous amounts of data from the old system to the new, which has been expensive.

Training workers to operate the new system and developing the interfaces with other state agencies' computer systems that rely on data from HHSC programs also has been difficult.

¹ Because certain clients whose applications were originally processed in TIERS have moved out of the pilot area, there are now TIERS cases in every region of the state.

HHSC staff are working to fix the problems while preparing the system to support the integrated eligibility model. Expansion of TIERS is on hold until flaws in the application are fixed and the integrated eligibility contract is awarded.

Why is the viability of TIERS so important to the integrated eligibility contract?

The state faces several risks if HHSC awards a contract to develop a new system before TIERS is proven a reliable tool, all of which could be very costly for Texas and harmful to the recipients of health and human services.

Pressure to roll out the new model could force the expansion of TIERS before it is ready. A premature deployment could disrupt services to clients, delay payments to providers, or even lead to general system failure, leading to litigation.

Even if TIERS is ready to support the new system, all of the client data in the old system still have to be converted to TIERS, an enormous and time-consuming task. Until every application is in TIERS, HHSC would have to operate two systems at once—a local office network for clients whose applications are still in SAVERR, and a call center model supported by TIERS, which would be very expensive. If spiraling costs force HHSC to shut down local offices and lay off workers before the new system is fully deployed, services to clients would suffer and the state could be exposed to significant liability.

Colorado recently launched a similar benefits system (built by EDS) despite inadequate testing, clear signs the system wasn't ready, and pleas from local eligibility offices for further testing. The state's haste led to system failures, massive backlogs in application processing, delays in benefits to 100,000 needy residents (with over 300,000 expected to face delays by February 2005), and threats of costly financial penalties from USDA, the federal agency in charge of Food Stamps.

Food banks and other social service agencies in Colorado have stepped in to offer emergency assistance to people whose benefits have been delayed.

A list of articles about the problems plaguing Colorado's new system is on page 3.

What's Next

If a single contract is awarded for the integrated eligibility system, TIERS, health plan enrollment, and Texas Health Steps, it could be the largest health and human services contract in state history. HHSC intends to make a decision about the contract in December, with all aspects of the RFP operational no later than May 1, 2005.

Some of the functions listed in the RFP are already done by private companies under several different contracts. Deloitte has the contract to develop and implement TIERS. ACS has the contract to determine eligibility for and enroll people in CHIP. Maximus is both the Medicaid managed care enrollment broker (managed care plan selection) as well as the contractor for Texas Health Steps.

However, the state has always run the eligibility determination system, and under federal law state civil servants are required to determine eligibility for Food Stamps and Medicaid. If HHSC does turn over the eligibility determination system to a private company, the state must either obtain a waiver of these laws or retain enough state staff for eligibility determinations. Should the federal agencies in charge of these programs determine a waiver is needed after the state has awarded a contract, it could lead to costly and disruptive contract renegotiations.

Texas could avoid these risks by delaying the award of a contract for the new integrated eligibility system until TIERS has proven that it can support the proposed model. An alternative solution is to ensure that the contract stipulates a rational implementation timeline and vendor payment schedule that allows time for full testing and evaluation of TIERS before the new integrated eligibility model is deployed.

The state reserves the right to award a contract for any or all of the areas covered in the RFP. Should HHSC decide not to award a contract for the integrated eligibility piece of the RFP, it can still proceed with awards in the other areas to avoid a disruption in the services provided under the existing contracts.

HHSC's integrated eligibility plan as well as the Request for Proposals from private companies is available on its website at

<http://www.hhs.state.tx.us/consolidation/IE/IE.shtml>

For CPPP's detailed analysis of the HHSC proposal, see <http://www.cppp.org/products/policyanalysis/brf-bizcase4-26-04.pdf>.

Colorado articles:

Computer Glitch Hampers Colorado Welfare System, NPR's Morning Edition, Dec. 8, 2004
<http://www.npr.org/rundowns/segment.php?wfId=4208463>

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Feds issue ultimatum on food-stamp delays, Denver Post, Nov 23, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E53%257E2552448,00.html>

Needy could wait months for welfare benefits, Rocky Mountain News, Nov. 6, 2004
http://www.rockymountainnews.com/drmn/state/article/0,1299,DRMN_21_3347996,00.html

State-aid backlog a concern, Denver Post, Oct. 5, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2445958,00.html>

Benefits system the latest problem for EDS, Denver Post, Oct 4, 2004
<http://www.denverpost.com/Stories/0,1413,36%7E33%7E2442779,00.html#>

Bungled benefits spark generosity, Denver Post, Oct. 3, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2442375,00.html>

Doubt dogged aid system: Years before its launch, benefits program nearly canned, Rocky Mountain News, Oct. 3, 2004
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Benefits system clears Oct. 1 hurdle, Denver Post, Oct. 2, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2440797,00.html>

State: Benefits system is a go, Denver Post, Oct. 1, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2438157,00.html>

"Blame game" in benefits woes, Denver Post, September 30, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2435881,00.html>

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State took "risky" path, Denver Post, September 29, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2433395,00.html>

Judge rejects bid to shelve system, Denver Post, September 29, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2433392,00.html>

Citizens respond to plea for food, Drives launched in wake of Denver mayor's request, Rocky Mountain News, September 29, 2004
http://rockymountainnews.com/drmn/local/article/0,1299,DRMN_15_3216705,00.html

Benefits system to get help, Denver Post, September 28, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2431160,00.html>

Counties vent over state's troubled benefits computer system, Denver Post, September 27, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2430374,00.html>

Flaws in new benefit system create dire needs, Denver Post, September 23, 2004
<http://www.denverpost.com/Stories/0,1413,36%257E61%257E2420211,00.html>

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