



NEWS RELEASE

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NEW REPORT ON TEXAS' TROUBLED OUTSOURCING EXPERIMENT TELLS CAUTIONARY TALE FOR SISTER STATES

Austin, TX—A report released today on Texas' experiment with outsourcing enrollment in key health and human services tells a cautionary tale about the state's attempt to modernize the system that determines eligibility for health care, food, and cash assistance benefits. Over four million low-income Texans rely on these services to meet their basic needs. (The report is available at <http://www.cppp.org/research.php?aid=582>).

Outsourcing was supposed to save the state hundreds of millions of dollars and improve services to clients. Most of the savings would come through closures of state eligibility offices where applicants now sign up for services and reductions in state eligibility staff, who would be replaced by operators at privately run call centers.

So far, Texas' gamble hasn't paid off. 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. In May 2006, the state delayed further rollout of the system indefinitely and asked state staff to take over.

Critical state staffing shortages have exacerbated problems. The state rolled out the new system prematurely, losing thousands of tenured eligibility staff in the process.

"The problem isn't modernization or outsourcing," said Celia Hagert, Senior Policy Analyst at the Center for Public Policy Priorities and the report's author. "The problem is that the system is understaffed and underfunded. Texas moved too fast to do too much, with too little money. Services to clients are suffering as a result."

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 company. Other states may follow suit.

Indiana is on the verge of awarding a contract to outsource eligibility determination, and many other states are wrestling with ways to improve services and lower costs in their eligibility systems.

The report recommends that states:

- Allow for considerable planning, training, and testing;
- Set realistic timelines and provide adequate funding; and
- Weigh the potential benefits of outsourcing against the inherent risks.

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