

A Brief Account of Welfare Privatization and Modernization in Indiana: The Statistical Case Against the DFR Modernization Project

January 2009

In 2008, the Select Joint Commission on Medicaid Oversight (SJCMO) of the Indiana General Assembly held a series of hearings regarding the privatization and modernization of Medicaid, the Supplemental Nutrition Assistance Program (SNAP, a.k.a. food stamps), and Temporary Assistance for Needy Families Program (TANF). These programs fall under the general administration of the Indiana Family and Social Services Administration (ISSA) and its Division of Family Resources (DFR). Collectively and commonly these programs are identified by the public as welfare services. Officially, the state calls the privatization and modernization of these programs the DFR Modernization Project.

In December 2006, Indiana Governor Mitch Daniels signed a ten year contract with an alliance of corporations led by IBM to take over the administration of the aforementioned services that were previously the legal responsibility of DFR and ISSA. In March 2007 the privatization of DFR services, including services through the agency's county offices, occurred. **Privatization** consisted of the statewide transfer of nearly two thirds of all DFR caseworkers and support staff to the IBM business coalition.

From the end of October 2008 through the spring of 2009 the modernization process was implemented in 59 counties that represented 43 percent of the state's population. **Modernization** consisted of clients being forced to use computers and telephones to do their Medicaid, food stamps and TANF eligibility procedures, and to do their annual re-determination process for the same services. Since the DFR service population is indigent many do not have telephones and computers. Many also have disabilities that make it difficult to impossible to use computers and telephones.

Soon after the privatization and modernization process was started complaints from clients, their families, providers, local charities, non-profit social service agencies, township trustees and others began to soar. Complaints were filed with federal agencies, DFR, the Governor's office, state legislators, and local organizations. The complaints were the most intense in the modernized counties. The bulk of the complaints came from persons, including families, who were qualified for Medicaid and food stamps. The client complaints centered on the arbitrary denial of needed medical care and food stamps.

Huge public meetings were held in Anderson, Muncie, Terre Haute and Bloomington as the complaints began to soar. Nearly 1,000 people, most of whom were DFR clients, attended those four locally organized meetings. In order to better gauge public sentiment, SJCMO Chairman William Crawford decided to hold a field hearing in Kokomo, one of cities hit hardest by the changes in the DFR system. Held at Indiana University at

Kokomo, the SJCMO hearing of July 31, 2008 attracted an estimated audience of 250 people. It was an angry crowd that frequently shouted defiance at FSSA officials and DFR's private contractors.

The Generations Project was present at the hearing. Several volunteers for the Project had been assisting clients for many months in getting their Medicaid, SNAP and TANF services restored. One of those volunteers, Glenn Cardwell of Terre Haute, testified at the Kokomo hearing. Mr. Cardwell had retired from DFR in early 2007 after 42 years as a county and statewide welfare administrator. Mr. Cardwell's testimony put on paper the statistical evidence that the privatized and modernized system was failing. His testimony follows below.

**A Report to the Select Joint Commission on Medicaid Oversight
July 31, 2008**

**Data on Indiana's Welfare Services and System
Before and After Privatization**

- 1. The original 12 pilot counties are losing out on some \$13.23 million in Food Stamps per year because of a reduction of 11.5% in recipients (from 67,370 recipients to 59,617) from May, 2007 to May, 2008 (FSSA statistical reports). The remaining 80 counties experienced a 4.44% growth in Food Stamps utilization during the same period. The 12 pilot counties including Delaware (Muncie), Madison (Anderson), Howard (Kokomo), and Grant (Marion) have been adversely affected by reductions in manufacturing jobs. Delaware County had the highest unemployment rate in Indiana at 5.77% in March 2008. If the current policies are not changed, the rest of the state will follow the pilot experience and lose out on some \$114.5 million per year of 100% federal dollars. If this policy were to go unchecked for 10 years, it would cost the state \$1.14 billion in lost Food Stamp revenue. Prior to modernization Indiana was already ranked as one of the states getting back the least return in federal dollars paid. How will privatization affect this statistic?**
- 2. Of the thirteen Indiana counties that dropped in total Medicaid enrollment from January to May, 2008, 11 were in the original pilot area. The pilot counties dropped from 86,574 to 82,874 participants, or a reduction of 4.27%. The remaining counties rose from 735,703 to 755,623 participants, a 2.7% increase. The reduction in the pilot counties reflects the high number of client complaints received at public meetings in Anderson on April 22 and Muncie on May 13th of this year.**
- 3. The 12 pilot counties are also experiencing a drop in TANF enrollment of 25.85% (down from 11,600 participants to 8,601) from May, 2007 to May, 2008. The remaining 80 counties experienced an increase in enrollment of 2.13% (from 100,526 to 102,673 participants.) The total loss in benefits to the poor in the 12 pilot counties is estimated at \$3 million per year. If the same policies are to be implemented across the state, the total loss to clients will be some \$26 million per year of \$260 million over 10 years.**
- 4. The total number of cases denied for "Failure to Cooperate in Establishing Eligibility," "Failure to Cooperate in Verifying Income," and "Failure to Complete a Personal Interview" for Food Stamps, Medicaid, and TANF was 7,162 in May, 2006, 8,036 in May, 2007 and 17,919 in May, 2008. The number is reflective of the large volume of complaints now coming in first from the original 12 pilot counties, and now the next, much larger group of fully privatized counties. The welfare caseloads went up some 5% during this same period statewide. In other words rather than solving issues, privatization appears to be producing "blames the client" results.**
- 5. It is interesting to note that Indiana had received incentive payments averaging some \$12 million per year for fiscal years 2002, 2003 and 2004 from the U.S.D.A. Food and Nutrition Service for lowering, and keeping "the**

payment error rate" below the national average. One of the primary reasons given for "modernization" was a "case error rate" for Food Stamps in 2006 of 12%. A "case error" is anything that may be wrong or missing in a file but does not affect the payment amount. Incentive payments and penalties are based solely on "payment error rates." Indiana did not receive an incentive payment for Food Stamp administration for the past fiscal year.

6. Many of the clients affected by privatization are children, single mothers, elderly, blind, disabled, unemployed and underemployed people who -- because of serious illnesses, loss of employment or abandonment by their spouse -- are forced to seek financial help. Many are in nursing homes, are in too ill of health or have young children with disabling conditions that make it impossible or extremely difficult to wait on the telephone for long periods of time. Public testimony in Anderson, Muncie, Bloomington and Terre Haute, and private interviews with clients throughout the state, confirm that people are being forced to suffer long waits in order to obtain services through the new system.
7. Most welfare applicants cannot afford a computer and many are from a generation unfamiliar with any type of keyboard. Several clients report they use only a cell phone with a minimum number of minutes to conserve money and cannot afford to stay on hold for long periods of time to a call center.
8. Several mental health workers have report problems with their clients (who may be schizophrenic or have other serious mental health issues) being asked to participate in telephone interviews. Prior to modernization they were able to accompany the client to a face-to-face interview in a local office.
9. Food banks, churches, community centers, township trustees, family members and friends from the pilot counties report being overwhelmed with clients who are having problems navigating the new system or being dropped from Food Stamps and Medicaid.
10. Child welfare staff in the vast majority of counties simply walked to an adjoining desk or floor to take care of eligibility for families they served to receive additional benefits prior to modernization. Since the system was privatized, these staff members have to work through the call centers and are experiencing the same problems as the families do with wait times.
11. Prior to modernization, social workers and others in hospitals, nursing homes, neighborhood centers, mental health agencies, and other counseling services worked long and often stressful hours. Employees of food banks, churches, libraries, community centers, and trustees offices also worked long hours for limited pay. Without any additional compensation, these employees are now expected to help out the IBM/ACS coalition, which has a \$1.16 billion agreement over ten years to complete eligibility studies. When these community agency staff must take time to help complete welfare eligibility studies, they lose time to address social services and other critical needs.
12. Prior to modernization FSSA had the benefit of knowing the failure of a call center/computer eligibility system in Texas and still implemented basically the same type of system in Indiana. Since FSSA knew how the system would

- work ahead of time the problems families are experiencing appear to be a part of the plan.
13. Prior to modernization "clocking time" on the state computer system had long wasted valuable caseworker time. The ICES system (which FSSA reported to be totally outdated) is still the base computer system used to determine welfare eligibility in Indiana today. That system has been upgraded to eliminate the problem so the "clocking time" issue no longer exists.
 14. Prior to modernization, Indiana operated public assistance programs at the lowest administrative cost among all of the 50 states.
 15. Prior to modernization limited casework services were provided by county caseworkers. The complications of modernization and increasing caseloads have essentially eliminated casework services in county offices.
 16. Prior to modernization the lack of needed social services was a serious problem. This problem has been addressed only for child welfare services. While local agencies can determine that families need intensive and seamless child welfare and other services, they cannot easily navigate the new system to gain the support and assistance needed. Many clients are in dire need for advocates to help them with basic survival.

Respectfully submitted,
Glenn Cardwell