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Undoing the damage

Texas Health and Human Services acknowledges the shortcomings of its privatization plan

Houston Chronicle
Dec 24, 2006
Editorial Staff

When state officials negotiated a contract with private vendors to screen applicants for social service program eligibility, they made an expensive blunder. The privatization scheme caused thousands of recipients to be dropped from the rolls and did not produce the expected savings to taxpayers.

After repeatedly defending the \$899 million deal with Accenture against criticism by legislators, Texas Comptroller Carole Keeton Strayhorn and child advocates, Health and Human Services Commissioner Albert Hawkins admitted the obvious. "We didn't draw the line between vendor work and state work in the right place," he said. "As we rebalance the roles between the state and the vendor, we will be drawing that line in a different place."

Accenture leads a consortium hired by the state to handle eligibility screening for Medicaid, food stamps, Children's Health Insurance and other state-managed assistance programs. Private workers at call centers were to replace state employees, but problems created application backlogs. Applicants complained that their documents were mishandled or lost. The Houston Chronicle documented one case in which dozens of applications, including confidential documents, were faxed in error to a Seattle storage warehouse.

Hawkins says his agency is slashing the Accenture contract by \$356 million and the pact will be ended in 2008, two years earlier than previously planned. After previously telling state workers they would be laid off, HHS will now convert 900 temporary positions to full time. The state will also charge the contractor \$30 million through service credits and payment discounts to recover the costs of rehiring state workers to process backlogged applications.

Unfortunately, Accenture will now handle eligibility screening for the Children's Health Insurance Program, which previously was conducted by a subcontractor, Maximus. Children's Defense Fund Texas Executive Director Barbara Best expressed concern that a privatization process that ended coverage for many children of low-income Texas families will still be handling CHIP applications.

The lesson of the Accenture debacle is that some state services, particularly those that provide a social safety net for the most vulnerable of Texans, should not be contracted out to companies more interested in amassing profits than serving needy citizens. The next time Commissioner Hawkins draws a line between public and private responsibilities, let's hope primary consideration is given for the people who depend on his agency for their health and welfare.

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State cuts social services contract

Accenture deal to be reduced by \$356 million, end 2 years early over
backlogs, errors

Houston Chronicle

Dec 22, 2006

By JANET ELLIOTT and LISA SANDBERG

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AUSTIN — Texas is drastically cutting a private contract for social services because of backlogs and errors in processing applications, state officials said Thursday.

The \$899 million contract with Accenture to operate call centers to determine benefits eligibility will be reduced by \$356 million and ended in 2008, two years early, said Health and Human Services Commissioner Albert Hawkins.

Under the restructured contract, the Bermuda-based company will be largely relegated to data entry, leaving judgments about whether Texans qualify for food stamps, Medicaid and other welfare programs to state workers.

"We didn't draw the line between vendor work and state work in the right place," Hawkins said. "As we rebalance the roles between the state and the vendor, we will be drawing that line in a different place."

For example, if a client applying for benefits fails to list an asset such as

a car, and a check of public data indicates a car is registered to the family, the situation will be investigated by state employees, not Accenture workers.

Additionally, a planned expansion of Accenture-run call centers from two Central Texas counties to other areas of the state will not occur, Hawkins said.

The state will charge Accenture \$30 million through service credits and payment discounts to recover costs incurred by the state, which has had to hire extra workers to process applications.

OVERHAUL

State social services changes include:

- Reduction of the privatization contract by \$356 million, from \$899 million to \$543 million.
- State recovers \$30 million in service credits and discounts.
- 900 temporary workers become permanent state employees.
- Contract staffers relegated largely to data entry, leaving state employees to make decisions on eligibility.
- Contract ends in 2008, two years early.

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Accenture will retain more control over processing applications for the Children's Health Insurance Program, but all appeals of its decisions will be handled by state employees. Currently, clients denied benefits must first appeal to Accenture before going to the state.

Privatization criticized

Critics of privatization seized on the announced changes as evidence that the state's experiment had failed.

"They should have never (embarked on privatization) in the first place," said Rep. Garnet Coleman, D-Houston. "I'm glad they woke up from whatever episode they were having."

He said privatization "never saved a dime. It only paid the people who didn't need to be paid, and the people it cost were the children and their families who tried to enroll (in services)."

No one should interpret the contract changes as a failure of privatization, said Accenture spokesman Jim McAvoy. "Some of the technology and business processes we tried to apply did not succeed. ... This is why you do a pilot to determine whether new structures will work."

The announcement was received as good news for state workers and groups that work with low-income Texans. Hawkins said 900 temporary positions in eligibility offices will be converted to full-time to stabilize the state work force.

"We're glad to see that HHSC is acknowledging that its call-center experiment didn't work," said Mike Gross, Texas State Employees Union vice president.

Gross said the commission should restore staffing levels at its local benefits offices to levels that existed before the contract was signed in June 2005.

"This is a very important first step in fixing those processing problems that have caused thousands of eligible children to lose health coverage for CHIP and Medicaid," said Barbara Best, Texas executive director of the Children's Defense Fund.

But Best said she is concerned that Accenture is still going to be responsible for processing CHIP applications. Hawkins said that Accenture will take over responsibilities from one of its subcontractors, Maximus, and that he expects improvements.

Also, Accenture will add barcodes to client letters and forms to improve tracking of client correspondence. A number of families have said they sent in forms that were never recorded by Accenture.

Earlier this year, the Houston Chronicle reported that dozens of documents from Texas containing highly confidential financial and health information began arriving via fax to a Seattle warehouse.

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The documents were apparently meant for an Accenture call center, but the wrong fax number had been supplied.

Comparing skills

Scott McCown, executive director of the Center for Public Policy Priorities, an Austin group that has advocated a more cautious approach to privatization, said Thursday's announcement served as a reminder that not all duties performed by state workers can be transferred to the private sector.

"I think the Legislature significantly underestimated the value of what the public sector did. There's a tremendous amount of expertise and skill in the public sector that the private sector could not replicate," he said.

Hawkins said that the state eligibility workers, for the most part, are better trained and more experienced.

Hawkins said the state will continue to convert 8 million food stamp, Medicaid and welfare cases to the state's new computer system, which has had problems.

A state audit last month said that failed interfaces between the computer and the HHSC's Office of Inspector General have left investigators unable to check for fraud and overpayments in benefit programs.

Hawkins said he thinks the computer program is working as expected and will serve as the "backbone" of the eligibility-screening system when it is in place statewide in 18 months.

Privatization lessons learned

Austin American Statesman
EDITORIAL BOARD
Friday, December 29, 2006

Privatizing state social services was supposed to save Texas taxpayers money, streamline a cumbersome bureaucracy and speed up the delivery of assistance to the state's neediest residents. Hundreds of state employees — who earned decent salaries and benefits — would be replaced by hundreds of lower-paid workers in call centers. Applicants for welfare, Medicaid and food stamps would simply pick up the telephone, go online or fax in documents. Call center employees would promptly screen and determine whether applicants were eligible for social services, relieving state workers of that complex, costly and timely job.

The state put up \$899 million for the high profile venture with Accenture. But the model that the Legislature promoted and the Texas Health and Human Services Agency set up flopped.

Texas Health and Human Services Commissioner Albert Hawkins pulled the plug on the much-ballyhooed pilot project the agency rolled out in Travis and Hays counties. He was right to do that. Now

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the state human services agency is revising its strategy to go private, hiring hundreds of permanent state employees to pick up the slack and scaling back its initiative to privatize public assistance enrollment.

Accenture's errors were costly. Many families were wrongly denied social services or lost eligibility for services because Accenture workers made policy decisions they lacked training and experience to make.

Recognizing the privatization experiment was not working, Hawkins slashed the contract with Accenture by \$356 million and ended some of its functions two years early — in 2008 instead of 2010.

The commissioner made 900 temporary employees permanent hires and scrapped plans to cut 2,900 state jobs. Instead, 700 positions will be eliminated.

Hawkins also stopped Accenture from screening applicants following the Central Texas pilot flop. Accenture will be relegated to collecting and entering data regarding applicants, a back office function. State employees will do the more complex jobs of determining eligibility. The state will recoup \$30 million from Accenture in service credits and discounts.

"We didn't draw the line between vendor work and state work in the right place," Hawkins said. "As we rebalance the roles between the state and the vendor, we will be drawing the line in a different place."

Hawkins has taken some very public hard knocks in what he calls the rebalancing of the roles for the state and the private vendor. It's rare, but refreshing, to hear a public official openly acknowledge such an expensive and embarrassing blunder.

The state's antiquated system will be replaced over the next 18 months with a modern computer system, called TIERS, as the kinks are worked out. When the system is fully functional, needy Texans will have a variety of ways to apply for social services — online, by phone or in person. The modernized system is up and running in Williamson County.

The commissioner now wants to apply the lesson learned from Accenture in other areas where the Legislature has mandated privatization, specifically the state foster care system. He told us that the Legislature has an opportunity to reexamine the foster care mandate when it convenes Jan. 9.

"These are a very fragile, vulnerable group of kids and there needs to be careful deliberation about what is delivered through contract and what is delivered through state services," Hawkins said.

The Accenture experience has taught us important lessons that legislators should take to heart.

State employees are indeed better suited for administrative functions. Another is that privatization is no guarantee that taxpayers are going to save money.

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State scaling back social services privatization

Dallas Morning News
06:55 AM CST on Friday, December 22, 2006
Associated Press

AUSTIN – Texas is scaling back an ambitious plan to privatize its social services eligibility system, slashing the contract with a private company by more than \$350 million and limiting the role of the contractor's employees, the state's health and human services chief announced Thursday.

The announcement follows nearly a year of complaints from lawmakers, gubernatorial candidates and advocates for poor families and marks a major change in an experiment that was being closely watched by other states.

The commission signed an \$899 million contract with Accenture last year to, among other things, run a new computer system designed to let people apply for benefits such as Medicaid, food stamps and Temporary Assistance to Needy Families over the phone, online or in person.

Problems quickly emerged when the project was tested in Travis and Hays counties early this year, and executive commissioner Albert Hawkins indefinitely delayed its implementation.

Under the new plan Hawkins announced Thursday, the state will roll out the computer system over the next year and a half but will sharply curtail the responsibilities given to the employees of Accenture's Texas Access Alliance.

As a result, Texas will cut its Accenture contract by about 40 percent to \$543 million and will convert 900 temporary positions in state eligibility offices to regular jobs to beef up the state work force. The commission also will scrap plans to close a third of its 310 offices.

In addition, Accenture has agreed to give the state \$30 million in credits and discounts to make up for unexpected costs the state incurred because of problems with the system.

Accenture spokesman James McAvoy said the pilot project's results were clear and "HHSC has made the absolutely right decision to rebalance the roles of the state and TAA."

Hawkins said he hopes to restart the pilot and return some of the tasks to the contractor once technical and operational concerns are resolved. But even then, cases will be transferred to state employees at a much earlier point than originally planned and there are no plans to extend the pilot to other counties.

State officials estimated last year that outsourcing would save Texas nearly \$650 million over the following five years. Commission spokeswoman Stephanie Goodman said the state is confident it will still save money, but it won't know how much until some other decisions are made.

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The commission is also changing the contractor's role in the Children's Health Insurance Program, or CHIP, the state's low-cost insurance program for working poor families.

Critics have blamed the alliance for big enrollment declines, saying contract workers have lost CHIP applications and other paperwork, given contradictory instructions about submitting information that's missing from their files and failed to credit payments to their accounts. Enrollment has rebounded but complaints persist.

Accenture will take over the management of CHIP from a subcontractor, Hawkins said, and for the first time since CHIP was created in 2000, state workers will now handle appeals of case decisions to better oversee the contractor's work. Accenture also will add barcodes to client letters and forms to ensure the information they submit is more quickly and more correctly applied to cases.

McAvoy said Accenture believes it has made solid progress since it took a larger role in the leadership of CHIP over the summer and hopes to build on that foundation.

Advocacy groups applauded the new plan but said the commission will need even more employees to make it work.

After the state announced plans last year to lay off half of its 5,800 eligibility workers, many employees decided to find other jobs. That forced Hawkins to hire temporary workers and to offer bonuses to keep employees in place.

The new plan calls for a staff of 5,110 regular eligibility workers and roughly 1,400 temporary employees, who will be kept as long as they are needed, Goodman said.

"It is extremely positive to include highly trained state workers in eligibility determinations, but Texas needs enough staff to ensure that applications are processed in a timely manner," said Barbara Best, executive director of the Children's Defense Fund of Texa

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State chops public assistance deal with private group

Plan for five-year, \$899 million contract cut back to \$543 million.

Austin AMERICAN-STATESMAN
Friday, December 22, 2006
Corrie MacLaggen

The Health and Human Services Commission announced Wednesday that it is significantly scaling back a much-criticized plan to privatize public assistance enrollment.

The plan, which would allow Texans to apply for benefits such as food stamps and Medicaid by phone and online instead of only in person, has been a target of scrutiny.

'What we found is that we didn't draw the line between vendor work and state work in the right place,' said Albert Hawkins, the state's executive commissioner of health and human services.

Under a major restructuring of what was originally a five-year, \$899 million contract with the Texas Access Alliance, a group of companies led by Accenture LLP, the state will take over some of the decision-making that had been handed over to the companies.

The new deal, in which the alliance will still be responsible for behind-the-scenes tasks such as data entry, is worth \$543 million.

It's a change that state officials hope will curtail some of the problems, such as backlogs and errors that led to some eligible Texans being disenrolled, and eventually save the state money.

More than 3 million Texans are enrolled in programs such as the Children's Health Insurance Program and Temporary Assistance for Needy Families.

"What we found is that we didn't draw the line between vendor work and state work in the right place," said Albert Hawkins, the state's executive commissioner of health and human services.

The announcement, made when some state lawmakers had already shut their offices for the holidays, comes just before the legislative session begins in January, when the Accenture deal was expected to be a hot topic.

Under the new agreement, the state will recover \$30 million in costs through service credits and discounts.

Part of that is to compensate the state for the money it expected to save but didn't.

State officials had projected \$646 million in savings over five years. No savings have materialized.

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Hawkins earlier this year stopped a pilot program in Hays and Travis counties and delayed statewide rollout of the plan.

Jim McAvoy, a spokesman for Accenture, said the company worked closely with state officials on the new deal and is very pleased. The commission "made the right decision to rebalance the roles of the state" and the alliance, McAvoy said.

State workers will continue to make the final decision on whether to approve an application.

But in the new arrangement, alliance workers will no longer decide whether an applicant has submitted the correct application materials. They will simply collect the materials and pass them along to state workers.

The plan was met with tepid approval by state lawmakers, the Texas State Employees Union and advocates for low-income Texans. Several said they supported the shift of decision-making back to state workers but still have concerns.

Barbara Best, Texas executive director of the Children's Defense Fund, which has helped Texans navigate the system, said that the new plan is an excellent first step but that because Accenture will still be in charge of CHIP enrollment, the program must be carefully monitored.

"CHIP has always been a public-private partnership, but we've never seen these kinds of problems," she said. "It's beyond belief."

For example, Best said she worked with a Mission mother who in late November received a letter dated in late September informing her that her child's coverage had begun in April.

By the time the child had surgery in the fall, "the mother was horrified when she took her child for a pre-op doctor's visit and was told that the child's coverage had ended," Best said.

Nancy Walker, legislative director for state Rep. Elliott Naishtat, D-Austin, said she's pleased that the commission has acknowledged problems with the system and has taken a step back.

But Walker is concerned about whether TIERS, the computer system behind the new plan, can handle the changes.

It wasn't designed for the call center environment and has had some trouble in that setting, said Stephanie Goodman, a commission spokeswoman.

But now, Hawkins said, TIERS is ready.

Anne Dunkelberg, associate director of the Center for Public Policy Priorities, which advocates for low- and middle-income Texans, said her group "will continue to push for more state staffing to make the system work properly."

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"We recognize that modernizing a system of this size and complexity is never easy," Hawkins said. "But we remain focused on implementing a system that finally allows Texans to choose how they want to apply for services, is built on modern technology and makes the most of limited state resources."

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Contract changes

- Converting 900 temporary positions in eligibility offices to regular-status positions.
- Shifting management of the Children's Health Insurance Program to lead contractor Accenture from Maximus, a subcontractor. Maximus on Wednesday said it has initiated arbitration to resolve disputes with Accenture.
- Beginning in early 2007, gradually converting cases statewide to the state's new computer system, known as TIERS. Once the new system is used in a county, residents can apply for benefits by phone.
- Resuming the pilot in Travis, Hays and possibly Williamson counties with a more limited role for the vendor in food stamp, Medicaid and Temporary Assistance for Needy Families cases. The state will not expand the pilot beyond the current three counties during the current contract term.
- Shortening the call center portion of the contract from five years to three years. Other parts of the contract will still apply for five years.

Source: Health and Human Services Commission

Subcontractor On Troubled Texas Welfare Contract Files Claim Against Accenture

InformationWeek
Fri. Dec. 22, 2006
[Paul McDougall](#)

Government systems integrator Maximus Inc. said Thursday that it has initiated an arbitration process to resolve disputes arising under a subcontract with outsourcer Accenture for work on a Texas Health and Human Services Commission program that has come under fire from state lawmakers.

Maximus claims that Accenture unilaterally redefined the scope of the work on a contract to automate welfare eligibility assessment and enrollment services in the state, and that it's no longer profitable for Maximus to continue working on the deal.

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Texas and Accenture recently agreed to scale back the contract from \$899 million to \$546 million and terminate the deal in 2008 -- two years earlier than the original term -- after receiving numerous complaints about inaccuracies and citizens being improperly denied benefits.

Maximus said in a statement that it "has incurred substantial losses in connection with the project and believes that the revised arrangements are not economically viable for Maximus and are not in the best interests of its shareholders."

Maximus said it will continue working on the project for the time being but that it expects to eventually hand off much of the work to Accenture. Maximus also claims Accenture violated its intellectual property rights while working on the contract.

Maximus said it could not immediately estimate the impact of the contract dispute on future earnings. On Friday, analysts at Stifel Nicolaus & Co. downgraded Maximus from "buy" to "hold" because of increased risk associated with the Texas contract.

Maximus Disputes Contract With Accenture Maximus Begins Arbitration With Accenture Over Texas Subcontract

AP Wire
Thursday December 21

RESTON, Va. (AP) -- Maximus Inc., a provider of consulting and other services, said Thursday it began an arbitration process to resolve disputes under a subcontract with Accenture in Texas.

The disputes center on work Maximus is performing in support of Accenture's contract with the Texas Health and Human Services Commission. Maximus said it has substantial losses in connection with the project and has been trying to reduce its role.

Maximus said it was not party to the finalization of a new strategy for the program, and it believes the new arrangements are not "economically viable" for it.

Among the claims to be arbitrated, Maximus included allegations that Accenture attempted to misappropriate Maximus' intellectual property and that Accenture unilaterally negotiated issues with the Texas commission that have a direct effect on Maximus.

Accenture spokeswoman Roxanne Taylor said, "We think their allegations are totally without merit."

Maximus shares rose \$1.77, or 5.8 percent, to close at \$32.16 on the New York Stock Exchange, after trading between \$22.35 and \$39.46 over the past year.

Accenture shares rose \$1.59, or 4.5 percent, to close at \$36.67 on the NYSE, topping their prior 52-week high of \$35.39. Shares reached as high as \$38 earlier in the session.

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Athens center OK State contract cuts shouldn't affect Accenture

Athen Daily News
Dec 23, 2006
By Rich Flowers

Despite more troubles for the Accenture Corporation in Texas, the Athens location continues its normal operations.

Texas Health and Human Services (THHS) Commissioner Albert Hawkins announced Thursday the state is scaling back the role of Accenture in the social services eligibility system, and cutting its contract with the company from \$899 million to \$543 million.

Efforts to reach Accenture officials for comment were unsuccessful.

Athens Economic Development Corporation Executive Director Herbert Gatlin said his most recent information from the company is the changes should not adversely affect the local office.

“As far as we know it should have little affect here,” Gatlin said. “They have about 135 workers out there now. We check with them quite often, and as far as we know it shouldn't hurt the local operation.”

According to THHS, the state contract with Accenture called for the company to — among other things — operate a computer system that would let people apply for services such as Medicaid, food stamps, and temporary assistance by telephone, on the Internet, or in person.

The state now plans to operate its own computer system beginning next year. About 900 state employees will be operating the system. An Austin-based Accenture spokesman, James McAvoy, told the Associated Press he agreed with the state's decision to rebalance the roles between the state and the company.

Accenture opened the Athens call center June 26 in the long-vacant K-Mart location. At that time problems were already surfacing at other Texas locations, prompting the Texas State Employees Union to call for termination of the contract with the company.

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TEXAS SCALING BACK SOCIAL SERVICES PRIVATIZATION

Tyler Morning Telegraph
ASSOCIATED PRESS
12/21/2006

AUSTIN (AP) - Texas is scaling back an ambitious plan to privatize its social services eligibility system, slashing the contract with a private company by more than \$350 million and limiting the role of the contractor's employees, the state's health and human services chief announced Thursday.

The announcement follows nearly a year of complaints from lawmakers, gubernatorial candidates and advocates for poor families and marks a major change in an experiment that was being closely watched by other states.

The commission signed an \$899 million contract with Accenture last year to, among other things, run a new computer system designed to let people apply for benefits such as Medicaid, food stamps and Temporary Assistance to Needy Families over the phone, online or in person.

Problems quickly emerged when the project was tested in Travis and Hays counties early this year, and executive commissioner Albert Hawkins indefinitely delayed its implementation.

Under the new plan Hawkins announced Thursday, the state will roll out the computer system over the next year and a half but will sharply curtail the responsibilities given to the employees of Accenture's Texas Access Alliance.

As a result, Texas will cut its Accenture contract by about 40 percent to \$543 million and will convert 900 temporary positions in state eligibility offices to regular jobs to beef up the state work force. The commission also will scrap plans to close a third of its 310 offices.

In addition, Accenture has agreed to give the state \$30 million in credits and discounts to make up for unexpected costs the state incurred because of problems with the system.

Accenture spokesman James McAvoy said the pilot project's results were clear and "HHSC has made the absolutely right decision to rebalance the roles of the state and TAA."

Hawkins said he hopes to restart the pilot and return some of the tasks to the contractor once technical and operational concerns are resolved. But even then, cases will be transferred to state employees at a much earlier point than originally planned and there are no plans to extend the pilot to other counties.

"I am hopeful that HHSC's plan moves us in the right direction. But I am concerned that we still do not have enough state employees to handle the caseloads," state Sen. Carlos Uresti, a Democrat from San Antonio, said in a statement.

State officials estimated last year that outsourcing would save Texas nearly \$650 million over the

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following five years. Commission spokeswoman Stephanie Goodman said the state is confident it will still save money, but it won't know how much until some other decisions are made.

The commission is also changing the contractor's role in the Children's Health Insurance Program, or CHIP, the state's low-cost insurance program for working poor families.

Critics have blamed the alliance for big enrollment declines, saying contract workers have lost CHIP applications and other paperwork, given contradictory instructions about submitting information that's missing from their files and failed to credit payments to their accounts. Enrollment has rebounded but complaints persist.

Accenture will take over the management of CHIP from a subcontractor, Hawkins said, and for the first time since CHIP was created in 2000, state workers will now handle appeals of case decisions to better oversee the contractor's work. Accenture also will add barcodes to client letters and forms to ensure the information they submit is more quickly and more correctly applied to cases.

McAvoy said Accenture believes it has made solid progress since it took a larger role in the leadership of CHIP over the summer and hopes to build on that foundation.

Advocacy groups applauded the new plan but said the commission will need even more employees to make it work.

After the state announced plans last year to lay off half of its 5,800 eligibility workers, many employees decided to find other jobs. That forced Hawkins to hire temporary workers and to offer bonuses to keep employees in place.

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Texas slashes funding for social services plan

Waco Tribune Herald
Dec 22, 2006
AP Wire

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Texas scaling back social services privatization

Lubbock Avalanche Journal
Dec 22, 2006
By LIZ AUSTIN PETERSON
Associated Press Writer

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Texas scaling back social services privatization

El Paso Times
Dec 21, 9:03 PM EST
By LIZ AUSTIN PETERSON
Associated Press Writer

AUSTIN (AP) -- Texas is scaling back an ambitious plan to privatize its social services eligibility system, slashing the contract with a private company by more than \$350 million and limiting the role of the contractor's employees, the state's health and human services chief announced Thursday.

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The announcement follows nearly a year of complaints from lawmakers, gubernatorial candidates and advocates for poor families and marks a major change in an experiment that was being closely watched by other states.

The commission signed an \$899 million contract with Accenture last year to, among other things, run a new computer system designed to let people apply for benefits such as Medicaid, food stamps and Temporary Assistance to Needy Families over the phone, online or in person.

Problems quickly emerged when the project was tested in Travis and Hays counties early this year, and executive commissioner Albert Hawkins indefinitely delayed its implementation.

Under the new plan Hawkins announced Thursday, the state will roll out the computer system over the next year and a half but will sharply curtail the responsibilities given to the employees of Accenture's Texas Access Alliance.

As a result, Texas will cut its Accenture contract by about 40 percent to \$543 million and will convert 900 temporary positions in state eligibility offices to regular jobs to beef up the state work force. The commission also will scrap plans to close a third of its 310 offices.

In addition, Accenture has agreed to give the state \$30 million in credits and discounts to make up for unexpected costs the state incurred because of problems with the system.

Accenture spokesman James McAvoy said the pilot project's results were clear and "HHSC has made the absolutely right decision to rebalance the roles of the state and TAA."

Hawkins said he hopes to restart the pilot and return some of the tasks to the contractor once technical and operational concerns are resolved. But even then, cases will be transferred to state employees at a much earlier point than originally planned and there are no plans to extend the pilot to other counties.

"I am hopeful that HHSC's plan moves us in the right direction. But I am concerned that we still do not have enough state employees to handle the caseloads," state Sen. Carlos Uresti, a Democrat from San Antonio, said in a statement.

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Texas cuts contract on benefits

SA Express News
12/21/2006
Janet Elliott
Express-News Austin Bureau

AUSTIN — Texas is drastically cutting a private contract for social services because of backlogs and errors in processing applications, state officials said Thursday.

The \$899 million contract with Accenture to operate call centers to determine benefits eligibility will be reduced by \$356 million and will end in 2008, two years early, said Health and Human Services Commissioner Albert Hawkins.

Under the restructured contract, the Bermuda-based company will be largely relegated to data entry, leaving judgments about whether Texans qualify for food stamps, Medicaid and other welfare programs to state workers.

"We didn't draw the line between vendor work and state work in the right place," Hawkins said. "As we rebalance the roles between the state and the vendor, we will be drawing that line in a different place."

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For example, if a client applying for benefits fails to list an asset such as a car, and a check of public data indicates a car is registered to the family, the situation now will be investigated by state employees, not Accenture workers.

call centers from two Central Texas counties to other areas of the state won't occur, Hawkins said.

The state will charge Accenture \$30 million through service credits and payment discounts to recover costs incurred by the state, which has had to hire extra workers to process applications.

Accenture will retain more control over processing applications for the Children's Health Insurance Program, but state employees will handle all appeals of its decisions. Currently, clients denied benefits must first appeal to Accenture before going to the state.

Critics of privatization seized on the announced changes as evidence that the state's experiment had failed.

"They should have never (embarked on privatization) in the first place," said Rep. Garnet Coleman, D-Houston. "I'm glad they woke up from whatever episode they were having."

No one should interpret the contract changes as a failure of privatization, said Accenture spokesman Jim McAvoy. "Some of the technology and business processes we tried to apply did not succeed. This is why you do a pilot to determine whether new structures will work."

He characterized the \$30 million in service credits and discounts as "an accommodation," not a penalty.

The state's announcement was good news for state workers and groups that work with low-income Texans. Hawkins said 900 temporary positions in eligibility offices will be converted to full-time to stabilize the state work force.

"We're glad to see that HHSC is acknowledging that its call-center experiment didn't work," said Mike Gross, Texas State Employees Union vice president.

Gross said the commission should restore staffing levels at its local benefits offices to levels that existed before the contract was signed in June 2005.

Scott McCown, executive director of the Center for Public Policy Priorities, an Austin group that has advocated a more cautious approach to privatization, said Thursday's announcement served as a reminder that not all duties performed by state workers can be transferred to the private sector.

"There's a tremendous amount of expertise and skill in the public sector that the private sector could not replicate," he said.

Hawkins said the state eligibility workers for the most part are better trained and more experienced.

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Neither of the authors of the 2003 privatization law, Sen. Jane Nelson, R-Lewisville, and former Rep. Arlene Wohlgemuth, R-Burleson, could be reached Thursday for comment.

Hawkins said the state will continue to convert 8 million food stamp, Medicaid and welfare cases to the state's new computer system, which has had its own problems.

A state audit last month said that failed interfaces between the computer and the HHSC's Office of Inspector General have left investigators unable to check for fraud and overpayments in benefit programs.

Hawkins said he thinks the computer program is working as expected and will serve as the "backbone" of the eligibility-screening system when it is in place statewide in 18 months.

Hawkins declined to comment on a decision by HHSC Inspector General Brian Flood to drop recipient fraud investigations and withdraw pending fraud cases in the Texas Integrated Eligibility Redesign System pilot area.

He downplayed concerns raised by Flood that without electronic tools to ferret out potential fraud in food stamp, aid to needy families, or children's insurance coverage, the state would not know if fraud was being perpetrated and to what amount.

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Lufkin Daily News
Dec 22, 2006
By LIZ AUSTIN PETERSON
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Privatization plan for services cut back

Fort Worth Star Telegram
Dec 22, 2006
AP Wire

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