

SUBJECT: Reviewing privatization of welfare eligibility and delivery system

COMMITTEE: Human Services — committee substitute recommended

VOTE: 7 ayes — Hilderbran, Naishtat, Christian, Davila, Maxey, McReynolds, Wohlgemuth

0 nays

2 absent — Chavez, Krusee

WITNESSES: For — None

Against — None

On — Mike McKinney and Charles Stewart, Texas Health and Human Services Commission

BACKGROUND : In 1995, the Legislature enacted HB 1863 by Hilderbran et al., the Texas welfare reform bill. The bill directed the Health and Human Services Commission to develop a plan for an integrated eligibility determination and service delivery system for health and human services at the local and regional levels. The commission also was directed to consult and coordinate with the State Council on Competitive Government to determine whether certain services and functions of the integrated system could be provided more effectively through competitive bidding or contracting with local governments or other appropriate entities. Under the bill, if the commission determined that private contracting would be effective, it could automate the process for determining client eligibility by contracting with a private firm to process applications.

DIGEST: CSHB 2777 would allow the commission to contract with a private firm to design and develop computer hardware and software for and provide technical support related to the integrated eligibility determination system, if it received federal approval. Under the bill, the commission would consult and coordinate with the governor and the Legislative Budget Board, rather than the State Council on Competitive Government, on using competitive bidding or contracting procedures.

The bill would allow, rather than require, the commission to use the savings resulting from the integrated eligibility determination and service delivery system to further develop the integrated system and provide other health and human services, subject to the general appropriations act.

CSHB 2777 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS
SAY:**

CSHB 2777 would prevent any rush toward wholesale privatization of the state's welfare system by restoring the original intent of the welfare reform bill enacted last session. In 1995, the Legislature clearly intended to carefully study the benefits of integrated eligibility and move slowly to automate services one step at a time. Recently, however, that intent has been lost in the rush to explore possibilities of contracting out all components of the system. The Council on Competitive Government, charged with analyzing the costs and benefits of contracting with private entities to perform certain functions of the Department of Human Services, has greatly expanded privatization efforts beyond legislative intent to encompass possible elimination of state jobs. Many state employees have understandably become alarmed that implementation of integrated enrollment will threaten their jobs.

Abruptly changing the job status of a field eligibility worker without further study would be unfair to hard working and underpaid state employees. The Department of Human Services has years of experience in serving clients with little education and tremendous needs and should be allowed to continue doing its job, at least until the privatization issue can be thoroughly studied.

It is imperative that privatization efforts proceed slowly and cautiously. Texas is considering changes that have never been attempted before on this scale. The opportunity for failure is enormous; many smaller efforts at privatizing welfare systems in other states or communities have been unsuccessful because they lacked safeguards to prevent fraud and abuse. Texas must lay a sound foundation for future action by carefully analyzing its options and devoting the time and energy to developing a workable system in advance.

CSHB 2777 would return the focus of privatization efforts to the development of the computer system. Taking care of the automation issue as soon as possible is critical because the computer system at the Department of Human Services is outdated, must be replaced, and creates more cost for the state with each passing day. Privatizing the computer system makes sense because this would place the risk of technology change on the private sector.

This bill would remove development of the integrated enrollment project from the Council on Competitive Government, a panel that follows its own procurement rules, and return it to human services officials who would consult with the governor and the Legislative Budget Board, who could provide more appropriate consultation and advice.

CSHB 2777 also should expedite contracting out procedures. The federal government has failed to meet several self-imposed deadlines for approval or denial of the Texas Request For Offers to privatize the computer system and the personnel intake, in large part because of the controversy surrounding the privatization and loss of state jobs. This bill would give DHS more flexibility to develop an integrated enrollment system, depending on the federal government's response.

OPPONENTS
SAY:

CSHB 2777 would ignore opportunities for cost efficiencies. Privatizing intake personnel as well as computer systems would speed up eligibility for needy clients, provide better access to services, eliminate duplication of services, and reduce fraud and spending. The jobs of caseworkers, whether corporate or state employees, would be made easier because of streamlining. Furthermore, the widespread unemployment of state workers is unlikely because most private companies would hire new employees from existing state welfare agencies.

The Council of Competitive Government is made up with the governor, the lieutenant governor, the House speaker, the comptroller and the general services commissioner and represents both the executive and legislative branches of government. These individuals have the best interests of the state at heart and, more importantly, are directly accountable to the voters. The LBB may be able to offer advice on legislative aspects of privatization, but the council is better placed to address contracting out issues.

NOTES:

The committee substitute required the commission to consult with the governor and the Legislative Budget Board and allowed it to contract with a private firm to design and develop computer software for and to provide technical support related to the integrated eligibility determination system.

The companion bill, SB 1870 by Barrientos, has been referred to the Senate Health and Human Services Committee.