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## State reassuring feds on welfare outsourcing

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Main

INDIANAPOLIS – The state has assured federal food stamp officials that it has a contingency plan if its outsourcing of about 1,500 welfare caseworkers to a team of private vendors next month does not go as planned, but advocates remain wary.

Zach Main, a top official in the Family and Social Services Administration, sent the U.S. Agriculture Department 125 pages of documents Tuesday trying to answer the agency's questions about the privatization before a key step occurs March 19. That's when about 1,500 FSSA caseworkers are due to leave their state jobs and join the team of vendors led by IBM Corp.

Under a 10-year, \$1.16 billion contract that Gov. Mitch Daniels signed with IBM, Indiana is attempting such a sweeping outsourcing of the application process for food stamps, Medicaid and other welfare benefits that it has captured the attention of policymakers in Washington and advocates for clients nationwide.

A similar plan in Texas went awry last year. That state cut the contract by nearly half and tried to hire back former state workers.

"Testing is something that we take seriously," Main, director of FSSA's Division of Family Resources, said. "We're going to know during the pilot whether this works or not."

The pilot is a test period scheduled to begin Sept. 10 in a 12-county region surrounding Grant County and affecting about 10 percent of the state's total welfare caseload. If all goes as planned, the pilot will last three months before the rollout proceeds in three additional stages about two months apart before the IBM team is processing all welfare applications by May 30, 2008.

Even though the USDA, which administers the food stamp program, gave its approval to Indiana's plan in December, the agency's regional administrator in Chicago, Ollice Holden, sent FSSA a three-page letter Feb. 8 requesting answers to eight questions. The issues included the contingency plan, state and vendor staffing and safeguards for Indiana's nearly 600,000 food stamp recipients.

FSSA's response to Holden's request for contingency plan details covers four sentences. It says the state alone has the authority to halt the transition if it believes such a step is warranted.

"Should this authority be exercised, the Vendor will continue to provide service at that level until the issue is resolved. Once the issue is satisfactorily resolved, the transition will be resumed," FSSA's response said.

Main said the contingency plan is adequate because Indiana's privatization plan is less complicated than the one Texas attempted and because the transition can be suspended to work out problems that come up.

"We have never said the dates in the timeline are set in stone," Main said.

Main also said Indiana has built in a safeguard in case the privatization doesn't succeed. It will have former caseworkers keeping in close contact with the vendors who will be doing much of the work after March 19. In a worst-case scenario, the state can hire the workers back.

Patti O'Callaghan of Lafayette, president of a statewide network of advocates called the Indiana Coalition for Human Services, said the contingency plan is too sketchy and the state's schedule provides no time for evaluating whether the pilot succeeds before the rollout expands.

"I know there's so much investment. I don't know how easy it's going to be to just freeze it," O'Callaghan said. She openly wondered whether the state's response would satisfy the USDA.

The agency is under congressional scrutiny over its handling of the Indiana plan.

Sen. Tom Harkin of Iowa and Rep. Henry Waxman of California, both Democrats, expressed concerns about the plan to USDA Secretary Mike Johanns in separate letters in December. Also, Rep. Rose DeLauro, D-Conn., questioned Johanns about it during his Feb. 15 appearance before the House Budget Committee.

"I can assure you that we will pay very close attention to this," Johanns said. "I can assure you that Indiana has to comply with the law and the requirements and satisfy us that what they're doing is not going to jeopardize somebody who's receiving food stamps."

Lawrence Rudmann, a spokesman for USDA's Chicago regional office, said Thursday that agency officials were reviewing the Indiana answers.

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### **Verbatim**

*Excerpt from a Feb. 8 letter from Ollice Holden, Midwest regional administrator for the U.S. Agriculture Department, to Mitch Roob, secretary of the Indiana Family and Social Services Administration, requesting details of a contingency plan if the state's outsourcing of about 1,500 welfare case workers to a team of private vendors next month does not work as planned, and the agency's Feb. 20 response:*

#### **Holden's request:**

*"The State's contingency plan that provides for next steps if certain milestones, go/no go criteria result in the project not meeting requirements for transition, pilot and future phase-in."*

#### **FSSA's response:**

*"The contract gives the State unilateral authority to suspend the Transition at any phase of the transition that we reasonably feel is prudent. Should this authority be exercised, the Vendor will continue to provide service at that level until the issue is resolved. Once the issue is satisfactorily resolved, the transition will be resumed. The transition plan is constructed such that a delay will not have a detrimental affect on the eventual benefits of modernization."*