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## \$1B privatization deal at risk

### State could cancel contract to run welfare system

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Nearly two years into the privatization of Indiana's welfare system, state officials are considering scrapping it amid widespread concerns that include the mishandling of nearly one in five food-stamp cases.

State welfare officials acknowledge that in about three-quarters of those cases, eligible Hoosiers are being denied aid they should be receiving.

"It's possible we'd have to cancel the contract," said Anne Murphy, secretary of the Indiana Family and Social Services Administration, referring to a \$1.16 billion deal with IBM. She said the company will have until September to make improvements.

In January 2007, before the IBM system was rolled out, the portion of food-stamp cases that were mishandled was 4.38 percent. By January 2009, that number had shot up to 18.2 percent.

"The horror stories I've heard," said Charles Warren, chairman of the Indiana Institute for Working Families' advisory committee. "Applications rejected for the flimsiest of reasons, lost paperwork, people being told to start all over again."

Jane Jankowski, a spokeswoman for Gov. Mitch Daniels, said the governor is concerned about the system's performance so far but remains confident it will succeed.

Under the 10-year contract, one of the richest in state history, IBM Corp. and its subsidiary Affiliated Computer Services agreed to manage the state's system for doling out food stamps, Temporary Assistance to Needy Families and Medicaid payments to about a million Hoosiers. Critics' complaints are systemwide, though TANF and Medicare statistics were not readily available Tuesday.

The system allows applicants for public assistance to apply over the telephone or a computer as well as in person during extended hours, but applicants no longer are assigned caseworkers.

Despite critics' objections that welfare requires a personal touch, the gradual rollout began county by county in October 2007. After a chorus of complaints from social workers, aid recipients and lawmakers, the rollout was halted abruptly in March, with 33 counties to go, Marion County among them.

Murphy says the new system is no worse than the previous state-run system but that the economic recession -- unemployment is 10.6 percent -- combined with last year's extensive flooding has swollen the welfare rolls and bogged down the system. In April, when FSSA last compiled its food-stamp numbers, 695,000 Hoosiers received stamps, compared with 584,000 in April 2007.

Texas tried a similar welfare privatization in 2006, but with Accenture, not IBM. That plan was abandoned as Indiana's was launched.

Indiana's privatization plan was roundly endorsed by Daniels, who is known nationally as a champion

of privatization after leading a successful effort in 2006 to lease out the Indiana Toll Road.

Daniels was on vacation with his family in West Virginia and unavailable for comment Tuesday, but Jankowski said he expressed his concerns to IBM executives last winter "about the need to step up service to customers."

A spokesman for IBM did not return phone calls for comment.

Last month, IBM implemented changes that involved hiring more than 300 additional staffers, some retraining of existing staff and adding new computers and more scanners. Murphy said it's too early to appraise the new strategy.

Critics are skeptical. "I've had tons and tons of complaints," said Sen. Vaneta Becker, R-Evansville, one of two Republicans who pushed for legislative oversight of the FSSA before the agency went further with its privatization. "I've heard of two people who died after losing Medicaid."

Becker characterized the changes IBM is implementing as "fine, but they won't solve the problem."

Jankowski said that "of course" Daniels is confident of the privatized system's ultimate success.

Murphy, the FSSA secretary, said she is hopeful.

## Additional Facts

### HOW THE ROLLOUT HAS PROGRESSED

**October 2007:** \$1.16 billion, 10-year contract with IBM to privatize welfare begins to roll out.

**June 2008:** USDA tells state it "expects FSSA to realize measurable improvement" in food stamp processing before a wider rollout.

**July 31, 2008:** "It's not operating perfectly. . . . We will continue to work with it until it does," said FSSA chief Mitch Roob.

**January 2009:** Roob leaves FSSA; Anne Murphy, his deputy secretary and chief of staff, succeeds him.

**Tuesday:** Murphy says the welfare project is so troubled that the state could move to cancel its contract with IBM this fall. "We're not satisfied with the timeliness rates and error rates. There are problems right now," Murphy said.

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