



*LIFT Perspective*  
*Traditional Family Values Series*  
December 7, 2006

**Putting Families First:  
Blaming Outsourcing Avoids the Issue**

**Recommendations**

Outsourcing of eligibility determination for public assistance programs should be continued. The stringent and rigorous enforcement of eligibility requirements is fundamental to the success of public assistance programs, since it minimizes the number of people who must rely on state assistance and allows individuals to support themselves.

Reform of public assistance programs should also be continued. Specifically, exemptions to the work activity requirements of the TANF program should be closely scrutinized to ensure that they are appropriate and that they do not hinder the successful operation of the program. Work activities are an essential component of the TANF program; they provide enrollees with the skills and experience that are necessary for them to support themselves and to end a reliance on state assistance.

**Background**

The 78<sup>th</sup> Legislature affected the most comprehensive reform of health and human services agencies in the nation through the passage of House Bill 2292. As a result, the state is revamping the process by which parents can enroll their children in social service programs. There have also been policy and rule changes over the past several years which strengthen program integrity for the Children's Health Insurance Program (CHIP). Specifically, CHIP eligibility is now determined on the basis of gross income (deductions for child care and work expenses have been eliminated), 90-day waiting periods for eligibility have been introduced, applicants are required to reapply for benefits on a 6-monthly basis (down from every 12 months), and asset tests for families earning above

150% of the Federal Poverty Level (FPL) have been implemented.<sup>1</sup> In 2005, the Health and Human Services Commission (HHSC) further strengthened the integrity of the CHIP program by requiring applicants to prove their income each time they renew coverage, and tightened restrictions relating to supplanting private health insurance.

Unlike other social service programs in Texas, since its inception in 2000, CHIP has always relied on a call center approach with eligibility services provided by a private contractor. H.B. 2292, however, established a “call-center” approach to eligibility determination and enrollment for all major HHSC programs including Temporary Assistance for Needy Families (TANF), Medicaid, and Food Stamps.<sup>2</sup> The statewide rollout of the integrated eligibility program, which transferred the responsibility for the majority of eligibility determination and call center operations to private contractor Texas Access Alliance (TAA), began in January 2006. As part of the Integrated Eligibility and Enrollment (IEE) contract, TAA in November 2005 also assumed responsibility for CHIP operations from another private vendor.

### **Answering the Critics of Outsourcing**

Vocal critics of the outsourcing of public benefit eligibility determination in Texas are liberal interest groups, such as the Center for Public Policy Priorities (CPPP) the Texas Federation of Teachers (TFT), and the Texas State Employees Union (TSEU), whose carping obstructs a genuine discussion of how the state can best help low-income and needy groups.

Critics on the left have focused public attention on the decision by the state to outsource eligibility determination for programs like CHIP and Medicaid. Hiding behind the “concern for kids” facade, these (and other) advocacy groups pounced on the outsourcing plan, claiming it would unjustly deny access to the CHIP program. TFT, in a May 2006 press release, “urged state officials to fix the CHIP eligibility process and stop allowing children from low-income working families to be knocked out of this essential health-care program for no good reason.”<sup>3</sup>

While there have been undeniable problems with outsourcing as there have always been problems associated with state-operated eligibility systems, these exaggerated complaints have at least partially been intended to keep state workers employed and to keep Texans stuck in government programs that are intended be a safety net, not a lifelong entitlement.

If Texas judges too soon and blames outsourcing for enrollment declines, momentum could grow for reversion to the old way of operating, which was characterized by widespread client dissatisfaction and saw taxpayer dollars consumed by unneeded

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<sup>1</sup> Health and Human Services Commission overview of House Bill 2292; [http://www.hhsc.state.tx.us/news/post78/HB2292\\_Summary.html](http://www.hhsc.state.tx.us/news/post78/HB2292_Summary.html)

<sup>2</sup> Letter from the Comptroller Strayhorn regarding the Accenture contract: Accenture Financial Review Background Information; <http://www.window.state.tx.us/comptrol/letters/accenture/back1.html>

<sup>3</sup> “TFT, Coalition Partners Urge State Reversal of Botched Eligibility/Enrollment Changes in Children's Health Insurance Program (CHIP),” May 26, 2006; [http://www.unionvoice.org/tft/notice-description.tcl?newsletter\\_id=1563315](http://www.unionvoice.org/tft/notice-description.tcl?newsletter_id=1563315)

bureaucratic inefficiency and red tape. In fact, HHSC has delayed transferring operation of parts of Texas' foster care system to a private contractor. *The Austin American-Statesman* (November 4, 2006) reported that “[s]tate officials have postponed awarding a \$500 million, five-year contract that would outsource part of Texas' foster care system.”<sup>4</sup>

Indeed, a CPPP report on outsourcing of public benefit eligibility determination in Texas argues that “Texas needs an eligibility system capable of serving more than 4 million low-income Texans who rely on public benefits to meet their basic needs and enrolling millions more who are eligible but unserved.”<sup>5</sup>

The central tenet of CPPP's argument is that having as many people enrolled on public assistance programs as possible is in the best interests of the enrollees and sound state policy. However, the true goal of any government assistance program should be to encourage and enable people to support themselves and end their reliance on the state.

While this point will be debated, there is no doubt that transition from welfare to work mandated by House Bill 1863 (74R) and the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 have worked. In the face of this evidence, efforts by liberal advocacy groups to taint outsourcing and further social service reform are little more than a rear-guard effort to protect the supposed prerogatives of state employees, and pump new life into a discredited approach to social welfare.

While liberal groups may criticize the performance of contracted eligibility staff, a glance back at the functioning of the eligibility process when it was orchestrated by the Health and Human Services Commission (HHSC) reveals that the previous system was severely flawed. Testifying before the House Committee on Government Reform, Christy Black of the National Center for Policy Analysis pointed out that:

“Under the old system, each application for a social service had to be made in-person at a state office during business hours (8 a.m.–5 p.m.) and each visit required an average wait of two to three hours (on days with light numbers of applicants). At each visit an applicant interacted with an average of three to four employees and in almost three-fourths of cases (72 percent), eligibility was not determined during the initial interview - requiring additional verification and often additional office visits.”<sup>6</sup>

The new eligibility system allows clients greater flexibility over how and when they can apply. This reduces the time clients have to spend on the application process, and gives them a greater opportunity to devote their time to work and supporting their families.

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<sup>4</sup> “Foster Care Privatization on Hold,” *The Austin American Statesman*, November 4, 2006.

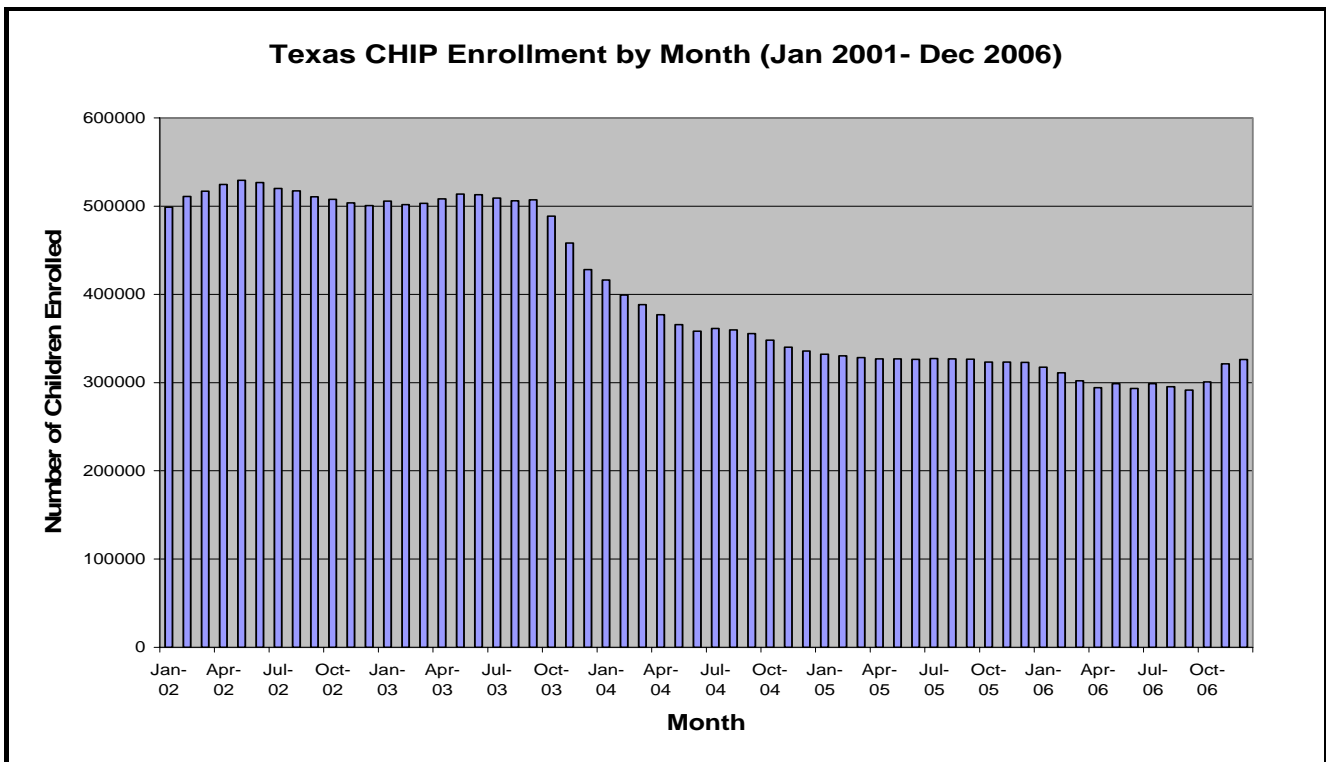
<sup>5</sup> “Updating and Outsourcing Enrollment Public Benefits,” Center for Public Policy Priorities, November 13, 2006.

<sup>6</sup> Testimony prepared for the House Committee on Government Reform, Christy G. Black, National Center for Policy Analysis, July 26, 2006; <http://www.ncpa.org/pub/speech/2006/20060727-sp.html>

## CHIP Enrollment

CPPP's report associates declining CHIP enrollment figures from January 2006, when TAA started work, to June 2006 with the contractor's "technical problems and insufficient training." However, these criticisms fail to acknowledge that CHIP enrollment had been in a downward trend since May 2003 – long before TAA took over responsibility for eligibility determination from HHSC. CHIP enrollment has recently been trending upward, and as of December 2006 was at 326,231, exceeding enrollment when the IEE project began in late 2005.

The reasons behind reductions in enrollment have manifestly more to do with increased vigilance on the part of CHIP administrators and because of the more stringent eligibility requirements outlined above.



Source: Texas Health and Human Service Commission, CHIP Enrollment Data.

In fact, according to HHSC, the leading reasons for CHIP disenrollment in October 2006 were:

- 45% did not return renewal packet
- 19% exceeded CHIP income limits
- 17% were Medicaid eligible
- 16% did not pay the renewal fee or had aged out of the program

These reasons account for 97% of all disenrollments in October, which casts considerable doubt on assertions that outsourcing of the eligibility process has had a significant impact on enrollment rates.

Furthermore, new enrollments in CHIP have numbered 258,243 to date in 2006. This represents an increase of over 40,000 from the 216,035 new enrollments over the same period in 2005 – hardly the sign of a program that has a failing eligibility/enrollment process.

In addition, scrutiny of the CHIP enrollment figures reveal that since mid-2003, when the Legislature began to revamp the process by which parents could enroll their children in CHIP, total CHIP enrollment has fallen by slightly less than 200,000. Over the same period, enrollment in the Children’s Medicaid program has increased by a comparable amount (1.56 million in March 2003, to almost 1.75 million in September 2006<sup>7</sup>), leading to the conclusion that, overall, the number of children covered by state health care programs has remained virtually constant since 2003.

### **Promoting Personal Responsibility**

Welfare programs such as CHIP, TANF, Medicaid, and Food Stamps are established to help genuinely needy individuals and families who are, despite their best efforts, unable to adequately support themselves. For these programs to be truly effective they should not only provide support for people when they need it, but encourage them to make every effort to support themselves in the long term so that they do not have to rely on taxpayer-financed government assistance. This was the essence of the successful welfare reforms enacted in the mid-1990s.

In other words, ensuring that people who receive welfare are also required to improve their prospects of securing employment, whether through training, subsidized employment, vocational education, or community service, must be a vital component of any welfare program. In this way, the need for individuals and families to rely on the state can be reduced, and ultimately, the number of people enrolled on public assistance programs can be expected to fall over time.

Celia Hagert, a senior policy analyst at the CPPP, contends that “if the state chooses to push people off the program or force them to work, the bottom line is, you’re hurting a really vulnerable population. The other option is to bring more people onto the program, increase eligibility...that would have the outcome of truly helping the poor, but it would cost more money.”<sup>8</sup> In reality, this is a false choice which echoes the now discredited predictions made by those who argued against federal welfare reform in 1996. At that time, Congressman John Lewis (D-Georgia) predicted that the welfare reforms would “put one million more children into poverty,” and, referring to the proponents of welfare reform, he hysterically claimed that “they’re coming for the children. They’re coming for the poor. They’re coming for the sick, the elderly, and the disabled.”<sup>9</sup>

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<sup>7</sup> Texas Health and Human Services Commission, Medicaid Enrollment Data.

<sup>8</sup> *New Federal Welfare-to-Work Requirements May Require Retooling Texas’ Cash Assistance Program*, Austin American Statesman, July 9, 2006; <http://www.statesman.com/news/content/news/stories/local/07/9txwelfare.html>

<sup>9</sup> *The Wall Street Journal* editorial, May 8, 2000; <http://www.newt.org/backpage.asp?art=353>

These apocalyptic pronouncements have been completely discredited by the subsequent success of welfare reforms:

“After peaking in 1994—when many states began experimenting ahead of the federal law—America's welfare caseload fell by 60% over the next decade, from 5m to 2m families. Instead, welfare mothers found work, and the biggest increase by far was among those who had never been married. Their employment rate leapt from 44% in 1993 to 66% in 2000 and the poverty rate, instead of rising sharply, dropped from 15.1% to 11.3%.”<sup>10</sup>

CPPP and other proponents of government assistance programs continue to claim that reform of these programs has a negative impact. However, their arguments are as baseless as those made in the mid-1990s, and should not sway policymakers from a commitment to far-reaching social service reform.

Ms. Hagert gets to the core of the issue and in doing so, she points the way forward for conservatives. The choice faced by policymakers is simply between bringing more people onto government programs and fostering a reliance on the state, or trying to help people off government programs and encouraging personal responsibility. Does “helping the poor” mean that the state should try to get as many people as possible onto a program that ensures a single parent with two children can have an income of no more than \$416 per month? Or can poor and low-income families be better helped if they are encouraged to try to support themselves and end a reliance on government hand-outs?

An answer to this was provided by the Comptroller in a 2000 report on welfare reform, which found that “more than half of welfare recipients will remain in poverty for 10 or more years,” and that daughters from families receiving welfare are highly likely to participate in the welfare system themselves, and are also more likely to have premarital births.<sup>11</sup> Statistics such as these demonstrate just how undesirable it is to have large numbers of people on welfare for long periods of time. The millions of Americans who have left the welfare rolls and found a meaningful place in the workforce also stand as evidence that, when given the opportunity, welfare recipients are able to successfully end their reliance on government.

### **Maintaining the Momentum of Welfare Reform in Texas**

Reform of the TANF program in Texas has been among the most successful in the nation. A glance at the Texas TANF enrollment data reveals that since 2002, enrollment has fallen from 135,000 to just 82,195<sup>12</sup> - a drop of 39.5%. The national trend over this same four-year period reveals just a 9.6% decline in overall enrollment, so the achievement in Texas is clearly significant. Indeed, since the welfare reforms of the mid-1990s, enrollment on welfare programs in Texas has fallen by 70%.

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<sup>10</sup> “America’s Welfare Reform,” *The Economist*, July 27, 2006.

<sup>11</sup> Recommendations of the Texas Comptroller (Chapter 8: Health & Human Services); December 2000; <http://www.window.state.tx.us/etexas2001/recommend/ch08/hhs20.html>

<sup>12</sup> Texas Workforce Commission, TANF enrollment data.

New federal welfare-to-work requirements announced in July 2006 require that at least 50% of all families (single parents and two parents), and 90% of those in two-parent families who are enrolled in TANF must be involved in a “work activity.”<sup>13</sup> Acceptable activities range from job training and subsidized or unsubsidized employment, to community service, on the job training, or simply searching for a job for up to six weeks a year.

The biggest obstacle to a continued reduction of TANF enrollment in Texas is the large number of exemptions from these “work activity” requirements. Currently, welfare recipients are exempt from the work activity requirement if they are 18 or younger, 60 or older, unable to work because of a disability, a single parent caring for a baby younger than 1, a caretaker of a family member with a disability or illness, or a single grandparent 50 or over caring for a child younger than three.<sup>14</sup>

Worryingly, the percentage of Texas TANF recipients that are exempted from the work activity requirement is increasing. In 2003, only 20% of TANF recipients were exempt from work activity requirements. Today, 30% of adult TANF recipients are exempt from participation in the TANF work activity requirement, which represents an increase of 50% percent from 2½ years ago.<sup>15</sup> According to the Texas Workforce Commission, if this trend continues, the mandatory pool of TANF recipients who are not exempted from work requirements will be barely large enough to enable the state to meet its 50% and 90% work activity participation rate targets.

In 2000, the Comptroller found that a policy of “exemptions from work requirements that results in long stays on welfare may increase the likelihood that the children involved will become dependent on welfare as adults.”<sup>16</sup> The Comptroller advised that the state should “attempt to counter the negative effects of welfare dependency by assisting parents in avoiding welfare, increasing their earned and unearned income, and reducing barriers to their employment.” The work activities that are a requirement for those enrolled on the TANF program help to achieve each of these goals. Therefore, any exemptions to these requirements must be closely scrutinized to ensure that they are appropriate, and do not exempt individuals or families who would benefit from the work activity requirements.

Texas has achieved great success by reducing TANF enrollment in the state by almost 40% since 2002. This success is due in large part to the effectiveness of the work activity programs in which many welfare recipients are required to participate. If the decline in TANF enrollment is to continue, and if the new welfare-to-work requirements are to be

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<sup>13</sup> *New Federal Welfare-to-Work Requirements May Require Retooling Texas’ Cash Assistance Program*, Austin American Statesman, July 9, 2006.

<sup>14</sup> Texas Health and Human Services Commission TANF website; <http://www.hhsc.state.tx.us/programs/TexasWorks/TANF.html>

<sup>15</sup> Information provided by Texas Workforce Commission.

<sup>16</sup> *Recommendations of the Texas Comptroller (Chapter 8: Health & Human Services)*; December 2000; <http://www.window.state.tx.us/etexas2001/recommend/ch08/hhs20.html>

met, legislators must strive to ensure that the percentage of TANF recipients who are exempted from these requirements does not continue to increase.

### **Strength in Families**

Alongside the work activity requirements of the TANF program, one of the best ways to end reliance on public welfare programs is to promote marriage and family formation. The facts bear out the positive influence that a strong family unit can have in many areas where need will otherwise be met by the state. The poverty rate among single-parent families is about five-times higher than among married-couple families<sup>17</sup>. Disturbingly, more than 80% of long-term child poverty occurs among children reared in never-married or broken families<sup>18</sup>. Compounding the long-term poverty effects for children is the fact that around one in three children is born out of wedlock<sup>19</sup>. The high rate of out-of-wedlock births, coupled with the reality of long-term poverty for these children, is disheartening and unacceptable.

Additionally, reports repeatedly demonstrate that the benefits of strong families are felt by adults as well. Married adults are far more likely to report that they are happy, and married mothers are half as likely to suffer from domestic violence<sup>20</sup>. It is indisputable that marriage has a positive impact on the well-being of adults, children, and families, and that it improves satisfaction with life and helps provide economic stability.

These figures are evidence that the correlation between marriage, economic success, and social stability exists. This correlation also gives strong support to the idea that the tradition of marriage is important in preserving America's families and addressing the social costs that eventually become our fiscal problems when they are met through programs such as TANF and CHIP.

Indeed, research published by the U.S. Department of Health Assistant Secretary for Planning and Evaluation in September 2005 found that:

“Low-income married-parent families are less likely than single-parent families to be eligible for public assistance programs, and once eligible, are less likely to participate.”<sup>21</sup>

Specifically, the report found that only 15% of two-parent families earning below 200% of the Federal Poverty Level were eligible for TANF, but that over 40% of single parent families were TANF eligible. Furthermore, only 35% of eligible two-parent families actually decided to enroll in TANF, whereas, among eligible single-parent families,

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<sup>17</sup> The Heritage Foundation, “The Continuing Good News About Welfare Reform,” Backgrounder #1620, Robert Rector and Patrick Fagan, February 6, 2003.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> The Heritage Foundation, “Marriage and Welfare Reform,” Backgrounder #1606, Patrick Fagan, Robert Patterson, and Robert Rector, October 25, 2002.

<sup>21</sup> “Public Assistance Use Among Two-Parent Families: An Analysis of TANF and Food Stamp Program Eligibility and Participation,” ASPE Research Brief, September 2005.

enrollment rates approached 60%.<sup>22</sup> This last statistic is very significant: even when eligible, two-parent families are roughly half as likely as single-parent families to enroll in public assistance programs. This is strong evidence that by encouraging marriage and family formation, the state will lessen reliance on assistance programs, which will be of benefit to low-income families and individuals, as well as taxpayers. In addition, public assistance programs will be better able to focus their resources on the individuals and families who are most in need of their support.

## **Conclusion**

Opponents of marriage initiatives very often purport to be friends of the poor and welfare-dependent, yet fail to acknowledge that marriage is one of the best ways to combat a host of social problems that prevent people from living successful and independent lives without reliance on the government.

By focusing on limited and short-term administrative problems with programs such as CHIP and TANF, liberal advocacy groups obscure a meaningful discussion of the merits of these programs, and avoid addressing other ways in which the state can effectively help those who are currently welfare dependent. The outsourcing of public assistance eligibility determination has an important role to play in this process. Through stringent and rigorous enforcement of eligibility requirements, the numbers of individuals and families who are forced to rely on state assistance will be minimized.

Additionally, existing exemptions from the work activity requirements of the TANF program should be closely scrutinized. These requirements provide enrollees with the skills and experience that are necessary for them to successfully support themselves and their families. Exempting large numbers of individuals from work requirements reduces the success of the program and fosters a continued reliance on state assistance.

Conservatives should be clear that one sign of a successful government program is one which has declining levels of enrollment when economic conditions improve. Contrary to the view pushed by some big government advocates, persistently rising levels of enrollment can be a sign of program that is failing. The role of government is not to provide support to as many people as possible, as CPPP and other advocacy groups would have legislators believe. Instead, government should seek to create an environment in which as many people as possible can support themselves.

**\*\*\* Please note TCCRI's upcoming Families First Conference \*\*\***

*10.30am Friday, December 8, 2006  
900 Congress Ave. Suite 400*

RSVP to [events@txccri.org](mailto:events@txccri.org)

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<sup>22</sup> Ibid.