

Indiana's 10-year, \$1.2 billion welfare outsourcing project is halted pending FNS review

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Indiana's public-private partnership is down, but not out. Even if the partnership succeeds over the long run, current troubles only reinforce the general perception that social services outsourcing is risky at best.

Here at GovWin, we've been blogging on the Indiana-IBM/ACS welfare outsourcing deal since it was announced back in 2006. So, while I'm skeptical that major social services outsourcing can succeed within the existing federal programmatic framework, it still came as a surprise when I read that the U.S. Food and Nutrition Service (FNS) had abruptly **put a stop** to the statewide roll-out. In fact, the stop order came back in late June but only hit the press recently. However, FNS will be working with the state to ensure that the current outlay achieves measurable improvements before giving the green light for further statewide roll-out. According to the *Associated Press* (linking prohibited), just last week, Ollice Holden, the FNS's Midwest regional administrator in Chicago, had issued a letter demanding that the state provide a variety of monthly reports around the eligibility application and determination process for both the state and its contractual partners. FNS also promised an on-site review of the project in August.

So, where do we stand?

Is the project dead? No, but the recovery rate for projects of this magnitude that stumble this far into the roll-out is not good. (See the lingering cases of **Texas** and **Colorado**.) However, Indiana wisely chose to run a 12-county pilot project through last March, and it seems FNS should have identified troubles during its **onsite visit in April** before the state expanded the program from 27 to 47 of the state's 99 counties in May. The state's chances of getting the project back on track would have been higher 20 or 35 counties ago and before 1,500 state caseworkers were shifted over to ACS this month! These events will surely tarnish Gov. Mitch Daniels (R) re-election run as an innovative privatizer who can make government run like a business.

Regardless of how the Indiana case is resolved, vendors should keep in mind that the Democratic majority in Congress has **expressed its dislike** of outsourcing related to FNS programs. Whether this displeasure will expand to other federally funded social services programs remains to be seen. Check back here for the latest on Indiana and the evolving federal attitude toward outsourcing in the states at large.

Update as of 08/06/08:

The state of Indiana has issued some talking points refuting some of the claims made by the *Indianapolis Star* and individuals within the reports. Below is an excerpt that is relevant to my comments above.

"The Star reported: '... federal officials who have ordered the state to stop the rollout of its welfare modernization project.'

- The truth: The FNS letter was dated 6/23/08. Zach Main, the Director of the Division of Family Resources had already suspended the transition in an email to employees on 6/13/08. In addition, the following is an excerpt from an email received today from Kate Houston, deputy undersecretary of agriculture for food and nutrition and consumer services:

Our June 23 letter states that 'FNS expects FSSA to realize substantial improvements in the area of application processing before the State proceeds with any additional roll-out of the modernization project'. This was not an order to stop rolling out - rather a statement that we trusted Indiana's commitment to successful implementation would lead the State to this same conclusion. FNS does not have the authority to order the State to stop the project. As your statement notes, FNS has authority to suspend/disallow administrative costs under 7CFR276.4. This authority is directed at violations of the Act and regulations. We did not invoke this authority in our June 23 communication."

So, it looks like this is a merely "pause" in the rollout that was jointly agreed to by the state and FNS. We'll keep an eye on how the rollout issues are addressed and when the rollout resumes.

Thanks to Michael Kerr at ITAA for the latest.