

Health and human services are battleground for state privatization

Proponents say there are cost savings; critics say there are too many risks.

By **Corrie MacLaggan**

AMERICAN-STATESMAN STAFF

Tuesday, February 10, 2009

Nowhere in Texas government has the ideological divide over privatization — and the potential pitfalls — been more pronounced than in the arena of health and human services.

Privatization critics say human services are the absolute last government functions that should be hired out. But in the past decade, the Legislature has hired or moved toward hiring private companies to run call centers enrolling Texans in food stamps and Medicaid, create a Web-based human resources system for the health and human services agencies and monitor the progress of children in foster care, with mixed results.



Laura Skelding/AMERICAN-STATESMAN

[\(enlarge photo\)](#)

Caseworker Grace Yeager holds a child who was put into foster care with Russ and Jan Downey, in background. The child will be placed with family members Domingo and Jennifer Espinosa, center. The state is again considering outsourcing parts of the child welfare system.

This year, lawmakers are again considering outsourcing portions of Child Protective Services, something that more than half the states have tried in an attempt to save money and increase efficiency, also with mixed results.

Child Protective Services in particular "calls for very high levels of judgment and accountability," said Mike Gross, vice president of the 11,000-member Texas State Employees Union. "As work gets transferred to the private sector, we lose all that."

In fact, less than a year after the state hired Accenture LLP to sign up needy Texans for food stamps, Medicaid and other programs, a comptroller's report found the number of children enrolling in health insurance programs had plunged by 80,000; later, a backlog of food stamp applications was discovered.

A 2008 report by the Center for Public Policy Priorities, which advocates services for low- and middle-income Texans, found that privatizing child welfare services is on the rise nationwide.

But in states that have tried it, the organization reported, "privatization has failed to solve the



Rodolfo Gonzalez/AMERICAN-STATESMAN

[\(enlarge photo\)](#)

The private sector manages the majority of Texas foster homes. Kristi Prewitt plays with her foster child during a visit by a social worker.



Rodolfo Gonzalez/AMERICAN-STATESMAN

[\(enlarge photo\)](#)

Rene McDonald of Lutheran Social Services of the South checks in on a foster child. The group oversees 600 Texas foster homes.

main problems plaguing the child welfare system — high caseworker turnover, heavy caseloads and inadequate resources for services to families." The result puts "the objective of child protection — to keep children out of harm's way — seriously at risk," the center said.

Irene Clements, vice president of Lutheran Social Services of the South Inc., a nonprofit that was paid \$27 million by the state last year to oversee 600 Texas foster homes, disagrees.

"I don't think there's a magic wand that says you have to be a state employee to do this work," Clements said, referring to foster care and other CPS-related work. "You either have a calling to do this work or you don't. We've got this work force out here that's well-trained and ready."

High-profile problems

Outsourcing proponents maintain that private contractors can provide the same services as well as or better than the state does, but at lower cost. At Texas' health and human services agencies, those savings have been elusive. The list of expensive problems with contractors includes:

- The state auditor accused computer services company EDS of overbilling the state Medicaid program by \$51 million in 2001 and 2002 — money the state was not able to recover. In a separate issue — overpayments to health care plans — the company paid the state \$24.5 million in a settlement.
- The state auditor said in 2004 that the Health and Human Services Commission overpaid \$20 million to a Children's Health Insurance Program contractor, Clarendon Insurance Group, which in turn paid medical bills of poor children in rural counties. Years later, Texas and Clarendon are still negotiating to resolve the audit findings, said commission spokeswoman Stephanie Goodman.
- Texas in 2007 canceled what was originally a five-year, \$899 million deal with Accenture to manage CHIP and run call centers enrolling Texans in food stamps and Medicaid. The project was seen as a way to save \$646 million while giving Texans more ways to apply for services than in person at offices. But the savings never materialized.

Kalese Hammonds, formerly a policy analyst at the Texas Public Policy Foundation, which promotes limited government, said that contracting problems have received undue attention.

"Whenever privatization goes great, there's no discussion of it," said Hammonds, citing highways that historically have been built by contractors for the Texas Department of Transportation. "But when there's a mess-up, it's everywhere."

In 2004, Texas hired Cincinnati-based Convergys Corp. to run a Web-based human resources system for the staffs of health and human services agencies. The deal eliminated 492 state jobs and was projected to save \$21.7 million over five years; state officials say they are not sure how much it's actually saved.

State Auditor John Keel in 2006 reported that the commission did not adequately monitor the transfer of services to Convergys, leading to computer glitches and incorrect or delayed paychecks.

"It's been a disaster," said Gross, the employees' union representative.

Goodman acknowledged "there have been some issues" with the new, Web-based system but said the old, paper-based one wasn't effective or efficient. "What some employees don't understand is that we were going to move to something that was more online whether we outsourced or not," she said.

Using the hammer

Since those episodes, Goodman said, Health and Human Services Executive Commissioner Albert Hawkins has set up a council to review contracting practices, tighten contract requirements and establish clear consequences if requirements aren't met.

"We've used that hammer quite a bit over the past two years," Goodman said.

For example, in February 2008, the commission fined the Evercare health plan \$645,890 for failing to provide an adequate network of doctors for Central Texans enrolled in a Medicaid managed health care program called Star Plus. The fine — the largest the agency had ever levied against a health plan — followed recipients' reports that they couldn't find a doctor who would take them as patients.

Clements of Lutheran Social Services said the Accenture debacle soured the climate at the Capitol on the idea of privatizing child welfare services, though the private sector already manages the majority of Texas foster homes.

"It just scared the wits out of people," Clements said. "They said if (the private sector) can't do that, how can they do work with children and families?"

In 2005, the same year that Texas hired Accenture, the Legislature mandated that all CPS services that follow abuse and neglect investigations — including case management and

overseeing all foster homes — be outsourced by 2011.

But in 2007, lawmakers pulled back on those plans, which Patrick Rose, D-Dripping Springs, then the chairman of the House Committee on Human Services, termed "aggressive and reckless privatization." Instead they approved a pilot program that would outsource management of 5 percent of the CPS cases, but it was never funded.

Now, Jane Nelson, R-Flower Mound, chairwoman of the Senate Committee on Health and Human Services, has filed a bill to create a pilot program giving companies 10 percent of case management — tracking a child's progress in foster care and helping make decisions on where a child is placed, what kind of treatment families receive and whether families are reunified.

A recent dispute between the Department of Family and Protective Services and a private child-placing agency shows the kinds of decisions private entities are already making in the lives of abused and neglected children in the state's care.

In that case, an employee of a private agency failed to remove a child from what the state said was a dangerous situation in a foster home, according to court documents. When the department wanted to place the employee on a registry of "designated perpetrators" of child neglect, the courts blocked that action, saying the department failed to prove that the employee's actions constituted neglect.

Clements, who was a foster parent for 27 years, said that even after major reforms that began in 2005, CPS still struggles with high caseworker turnover (about 30 percent of CPS caseworkers left their jobs last year, state data show) and that the system needs to change.

State Rep. Elliott Naishtat, D-Austin, who is a former chairman of the House committee and has been skeptical of some privatization efforts, said he expects continued attempts to turn more of Child Protective Services over to the private sector.

"When it comes to privatization," Naishtat said, "I'll be doing my best to minimize the damage."

cmaclaggan@statesman.com; 445-3548