



# Outsourcing and lack of contract oversight in Human Services agencies are hurting Texans

**P**rivatization in Human Service agencies continues to fail and cost taxpayers millions of dollars every year. The disastrous attempt to outsource eligibility determination with corporate giant Accenture from 2003–2007 caused massive disruptions in client services and cost Texas \$543 million in wasted tax dollars.

Currently, private contractors perform support for eligibility work and administer other HHS programs. These contractors consistently fail to provide a level of service comparable to state agency standards. As a result, work is duplicated, clients experience more delays and barriers to accessing services, and only the state workers are held accountable.

## Examples of privatization boondoggles and contract oversight failures

- In 2017 the Houston Chronicle reported: Privatization of Medical Transportation has cost the state hundreds of millions of dollars more while serving fewer than half as many people, according to the Legislative Budget Board. In the five years since Texas began privatizing the management of the Medical Transportation Program, the number of Medicaid recipients using the program has dropped from 350,000 to 150,000, the number of substantiated complaints has doubled, administrative costs have quadruped and the overall per-ride cost to the public has nearly tripled.
- In 2015, it was discovered that a little-known company by the name of 21CT was selected by HHSC to receive a \$20 million no bid contract. They were also set to receive another \$90 million for an extension of that contract, but HHSC canceled that extension after it was discovered that agency leaders had unethical and possibly illegal behind the scenes dealings with the contractor.
- In the summer of 2014, Texas moved to sue Xerox Corporation after discovering it was the document management company's lax oversight which allowed fraudulent dental and orthodontic Medicaid claims to be processed. Xerox had a 10-year contract with HHSC as its Medicaid claim processor. After the allegations came to light, the contract was canceled and the work given to another contractor, Accenture.
- In December of 2014, it was discovered that HHSC officials had spent at least \$72.5 million on what had originally been a \$1 million contract with AT&T.
- When Texans call 211 to apply for benefits or to report changes in their household, these calls are handled by call centers operated by private contractor Maximus. According to the January 2013 HHSC timeliness report, clients experience more delays in getting their case processed by Maximus over 211, than Texans whose cases were handled by their local, state-operated Food Stamp office.
- The state's privatized human resources system, CAPPs, has caused confusion, delays in compensation, vacation and comp time errors, and errors in leave time and pay. It is also harder for frontline employees without computer access to interface with their benefits.
- The Legislature's experiment in hiring private insurance companies to handle the state's health program for the poor and disabled, Medicaid, has been a problem for low income Texans. The programs, known as STAR (STAR+PLUS, STAR KIDS), puts Medicaid recipients in a managed care program run by a private company, and gives these companies the ability to deny services (see separate issue sheet).

We ask that you support SB 407 and 408 by Sen. Kirk Watson, HB 792 and 793 by Rep. Giovanni Capriglione, and HB 2383 by Rep. Dawnna Dukes

Oppose further attempts to contract out state services and programs.