

## Governor Daniels announces termination of state's contract with IBM for delivery of welfare services

Written by Administrator

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Governor Mitch Daniels announced recently the state has terminated its contract with IBM for the delivery of welfare services. The contract was canceled because the company did not make satisfactory progress to improve services to welfare applicants and recipients under a plan to correct deficiencies.

In its place, the Family and Social Services Administration will go to a hybrid system that will incorporate successful elements of the old welfare delivery system and what is known as the modernized system. The hybrid system will include more face-to-face contact and more localized team-based case management.

"The fraud appears to have been stopped and we're still on track to save taxpayers hundreds of millions of dollars, but the intended service improvements have not been delivered, and that's not acceptable," said Daniels. "Those who raised concerns about service quality were correct and we appreciate their efforts. We'll now take the best parts of the old and new and move ahead with a hybrid system in what amounts to a major mid-course correction."

The governor said he appreciated IBM's efforts to make its new system work. The IBM-led coalition added 1,069 employees beyond the number who worked in the old system. The company and its coalition partners brought 1,000 new private sector jobs to Indiana at Daleville and Anderson, separate from the welfare contract activity.

Since March 2007, IBM has led a coalition of companies which were charged with improving Indiana's welfare system, long plagued with fraud, high error rates, customer wait times, and the nation's worst record for moving people from welfare to work. Earlier this year, the company entered into a corrective action plan to address many issues with its system. FSSA reviewed progress following a September 30 deadline, and after consultation with FSSA Secretary Anne Murphy, the governor directed that the contract be terminated. IBM was notified today.

Daniels said that for the past several weeks, FSSA has been developing alternate plans for welfare delivery if a decision was made to end the IBM contract. FSSA will replace IBM as the integrator of services and will continue to use contract employees to perform procedures such as application intake and document gathering, and state employees will make eligibility determinations as they do now. This separation is a feature of the modernized system that has resulted in consistent application of standards throughout the state and has reduced fraud and abuse.

The IBM system suffered from two fundamental flaws in concept. The system tried to remove the burden of required face-to-face meetings and it used a task-based approach rather than a case-based approach to process applications.

Face-to-face contact and team-based case management in county offices will again be key elements of the revised welfare delivery system. Additional contractor and state staff will be moved into county offices to increase the number of employees available for case management. The state will continue to shift to paperless case files, rather than the burdensome paper files that clogged the eligibility system.

IBM's contract will be terminated in 60 days, but there will be a wind down period to transition responsibilities. During the 60-day period, FSSA will develop a detailed implementation plan for the hybrid system.

General information about the new approach can be found at this link:

[http://www.in.gov/gov/files/Press/101409\\_FSSA.pdf](http://www.in.gov/gov/files/Press/101409_FSSA.pdf)