

II. Introduction

Electronic Benefits Transfer (EBT), used for the delivery of Food Stamp and cash benefits to recipients, is now firmly established and overall it is considered to be a success. EBT is now the predominant method for delivering Food Stamp benefits to recipients. Thirty-eight states and the District of Columbia have implemented EBT statewide and an additional four states are in the implementation phase. The remaining states are in various stages of planning for and procurement of EBT services.

While recognizing the success of EBT, various stakeholders, such as states agencies, EBT vendors and retailers, have expressed concern regarding the EBT environment. In order to address stakeholders' concerns, to assess the state of the EBT industry today, and to determine if there are practical alternatives to the acquisition, operation and management of EBT systems, United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) has contracted Phoenix MAXIMUS to prepare this EBT Alternatives Analysis. The analysis explores the functional components of EBT, as required in the early stages of EBT deployment and as they have evolved since then; the economics of EBT pricing structures; the impacts of policies and regulations; the alternatives to current procurement strategies; and the differences and similarities between EBT and the commercial infrastructure.

This document is organized in the following manner:

- **Assessment of Current Environment.** This section assesses the current environment. It specifically examines the competitive environment, the cost per case month pricing (CPCM) model, EBT pricing escalation, procurement models, EBT components, and current policies and regulations.
- **Stakeholder Comments and Concerns.** This section describes comments and concerns provided by individual EBT stakeholder groups during meetings held by FNS in 1999.
- **Alternatives to the EBT Model.** This section identifies and assesses alternatives to the EBT model including procurement alternatives and opportunities for federal involvement.
- **Conclusions.** This section provides conclusions to the document. While some options may be viable from a technical and cost/benefit standpoint, they may be politically untenable to certain factions of the stakeholder group, or require changes in funding and/or legislation to implement. While recognizing their existence, the conclusions being made do not address these political, funding, and legislative obstacles.