



# ***Integrated Eligibility Determination***

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## **Phase II: Business Case Analysis**

March 2004

Texas Health and Human Services Commission

## ACKNOWLEDGMENTS

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The following integrated eligibility determination Business Case was researched, analyzed, and prepared by members of the Integrated Eligibility Team, comprised of staff from within the Health and Human Services Commission (HHSC) as well as independent consultants.

Several Department of Human Services (DHS) managers and workers were involved in providing, supporting, and validating information used to develop this report. The recent functional reviews on eligibility determination and other existing DHS reports were solicited and reviewed, where appropriate.

This report was sponsored by Gregg Phillips, HHSC deputy commissioner and managed by Judy Windler, HHSC senior policy advisor.

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## EXECUTIVE SUMMARY

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### **Project and Document Scope:**

Section 1.05 of House Bill 2292, 78<sup>th</sup> Legislature, Regular Session, 2003, adds subsection (C) to Section 531.008 of the Government code which in part, established an eligibility services division within the Health and Human Services Commission (HHSC). This division is given responsibility for eligibility determinations for Children's Health Insurance Program (CHIP), Medicaid, Long-Term Care, financial and nutritional assistance (Texas Works), Community Based Support, and other programs, as appropriate. Section 2.06 states that "the commission by rule, shall establish at least one but not more than four call centers for the purposes of determining and certifying or recertifying a person's eligibility and need for services related to the programs listed under Section 531.008, if cost effective."

On October 21, 2003 the Integrated Eligibility Project Team was formed to establish the framework for integrated eligibility in health and human services in Texas. In December 2003, the Project Team expanded to include staff from the Texas Integrated Eligibility Redesign System (TIERS) Project Team. (See Appendix G of this report for a glossary of frequently used terms.) The Team was charged with analyzing the cost-effectiveness of a solution that integrated eligibility determination, utilizing call center processes and technologies. The Integrated Eligibility Project has four phases. The first phase, *Discovery*, was completed with the delivery of the Discovery Report in February 2004. The second phase, *Evaluating the Business Case* to determine if the use of a call center process for eligibility determination is cost effective and responsive to clients, is complete with the delivery of this report. The third phase, *Implementation and System Transformation*, would be initiated if the Business Case is approved, followed by the fourth and final phase, *Optimization and Continuous Improvement*. While the first two phases of the project focus only on Texas Works and Long Term Care, future phases of this project will broaden to address a wider program scope and consider outsourcing, as directed by HB 2292.

This document presents a view of the proposed model for determining eligibility using call center technologies, but its primary purpose is to analyze the Business Case for such a model from a financial perspective, thereby meeting the requirements of HB 2292 for cost-effectiveness.

### **Guiding Principles:**

The following principles, developed by HHSC executives and program management, guided this phase of work:

- ◆ Improve efficiency for clients entering and using the call center model;
- ◆ Primarily focus on the programs that account for the majority of eligibility-related activities today;
  - Texas Works (Including Food Stamps, TANF, Medicaid)
  - Long Term Care (Including Community Care and Medicaid Eligibility)
- ◆ Plan for TIERS, currently deployed in a pilot stage, to be the core of the integrated eligibility determination system that is ultimately deployed;
- ◆ Utilize the existing 2-1-1 dialing code, State telecommunications infrastructure, and other State technology assets in the redesigned process and technology architecture wherever possible; and,
- ◆ Consider the overall impact on clients as part of the analysis.

This report focuses on the two largest eligibility determination programs: Texas Works (Article II, Department of Human Services, Strategy B.1.2, H.B. 1, 78th Legislature, Regular Session, 2003) and Long Term Care (Article II, Department of Human Services, Strategy A.1.5, H.B. 1, 78th Legislature, Regular Session, 2003). These two budgets alone comprise approximately 80 percent of the total resources devoted to eligibility determination.

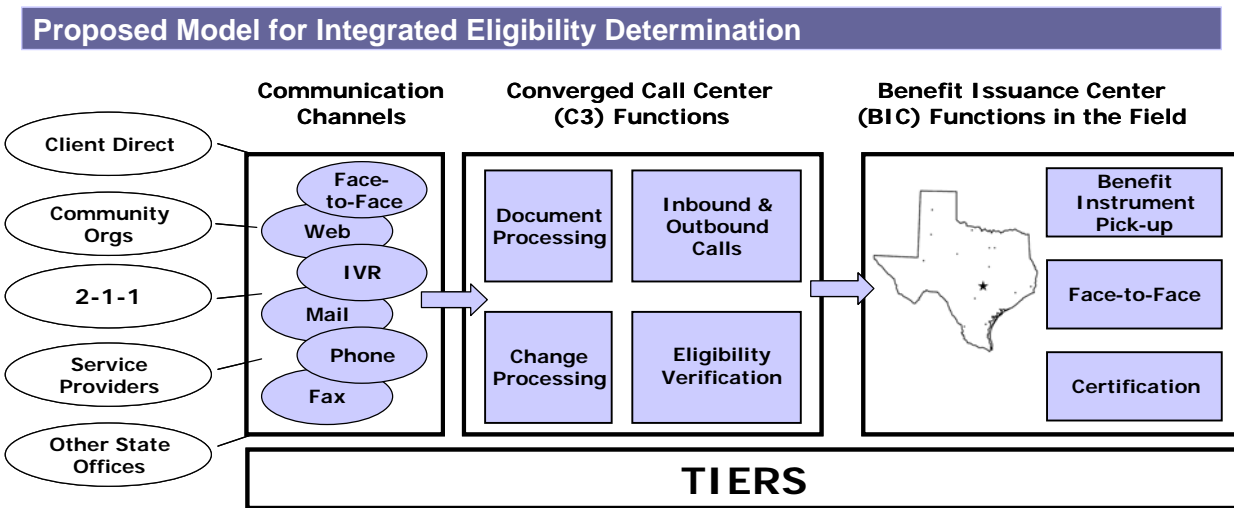
## The Challenge Facing Eligibility Determination – Delivering More with Less:

In a time of reduced State revenues and budgets, the State of Texas must examine new options for serving clients more efficiently. At the same time, the State must also consider how it can maintain or enhance the level of service its citizens expect. To these ends, HB 2292 was enacted in the 78<sup>th</sup> regular legislative session in 2003 to “...achieve the cost savings and revenue necessary to finance certain health and human services...” The bill also requires changes in health and human services policy and structure that are “...necessary to ensure that Texas continues to serve its citizens who are most in need of health and human service assistance.” With these challenges comes the necessity to create a new, more cost-efficient model for eligibility determination.

One of the mandates within HB 2292 calls for an analysis of a service delivery structure based on a call center model. Such a model has been proven effective in corporate environments and, as such, holds the potential to improve the application and eligibility certification process for clients of health and human services while lowering costs to the State. The discovery report published by HHSC in February 2004 concludes that such a model is feasible. Since that time, the model has been expanded to ensure that it accomplishes both of its original goals of improving client access and service, while ensuring cost savings for the State. This proposed model is presented below.

## The Proposed Model for Determining Eligibility:

The following diagram is a high-level, conceptual representation of the model for integrating the eligibility determination functions. It depicts how clients would interact with the resources in the proposed model. The model utilizes several technologies to create multiple communication channels for clients, thus giving them choices that are more likely to meet their unique circumstances than exist currently.



In the diagram above, clients would enter through one of the several channels (on the left side of the diagram), such as community organizations or the 2-1-1 system. Clients could continue communication through any of the channels, but the processing of their case information would be moved through to the Converged Call Center. As their case information moves through the system independently, clients would be freed from having to physically accompany their information.

At the core of the proposed model is a new way of interfacing with clients. In today’s world, a client must navigate a complex system of agencies through narrowly defined access points. Clients are often required to produce the same or similar information multiple times for different eligibility processes or for different portions of a single process. Each of these steps – locating the correct access point and then producing and verifying information for each needed service – requires time and resources from the client and the State.

In the proposed model, business processes focus on the client, not the agencies or programs. The proposed model begins by allowing clients to enter the system in one of several avenues that is most convenient for them. The client could also choose to screen for potential eligibility for a number of services, using client-friendly tools that require nominal amounts of time, in order to assess the value of completing the more rigorous application process. Eligibility, recertification, and changes would be determined and completed through an improved, streamlined process at the Converged Call Center. If eligible, State staff at a Benefit Issuance Center would certify and issue benefits. If not eligible, the client would be directed to community resources that could provide assistance locally.

With such a model in place, the State could realize cost efficiencies by decreasing the amount of labor expended per case without sacrificing client service. The primary strategies underlying the proposed model are:

- Simplify and eliminate unnecessary and redundant data requirements required to determine eligibility;
- Provide clients the option of completing their own applications so that staff can focus on value-added activities;
- Reengineer business processes to increase efficiency;
- Simplify and adjust rules and policies to support more efficient business processes;
- Automate business processes where possible; and,
- Collaborate with community resources and service providers that already interface with clients.

(See Section I., page 10 of this report for more details about the proposed model.)

### **The Potential Benefits of Integrating Eligibility Determination:**

A primary purpose of HB 2292 is to ensure that Texas continues to be able to serve people who are most in need of health and human services by achieving the cost savings necessary to continue to finance those services. The development of a new business model that incorporates call centers and streamlined, integrated eligibility processes provides the greatest benefits for the State and its clients by achieving those cost savings and maintaining or improving the level of service for clients. Among the benefits, once the proposed model is fully deployed and optimized, are:

- ◆ **Improved client access (as required by HB 2292).** The proposed model would improve access for clients by offering them more communication channels and alternatives: telephone, Internet, integrated voice response (IVR) systems, fax, paper, email, postal mail, and face-to-face. The use of the 2-1-1 dialing code would allow for easy-to-remember three-digit dialing that includes the option of referrals to local resources. The use of an IVR system and web based screening, application, and information processes would extend system availability beyond “normal” business hours.
- ◆ **Improved customer service.** The self-service options of the proposed model, combined with a streamlined, integrated screening and eligibility process, could reduce the time clients spend interfacing with the system. IVR systems would allow them to check the status of their applications and benefits at any time. Further, by implementing cost-efficient technologies, HHSC could potentially redirect resources from administrative activities to more value-added processes and client interfaces.
- ◆ **Improved stewardship of taxpayer money, both State and Federal.** The redesign of business processes as defined in the proposed model could reduce the amount of taxpayer money spent on operating costs and could potentially direct a greater percentage of those funds directly into client benefits. The flexibility of the proposed model could allow for the rapid adoption of changing Federal and State laws and policies. Technology updates could also lead to rigorous accountability standards.
- ◆ **Increased community action.** By coordinating with community resources, businesses and agencies outside of HHSC, clients would be able to access the system from locations that are already known and convenient to them – schools, employment offices, public libraries, alternative service providers and possibly even their workplaces. Employers and organizations that already interact with clients would be able to take additional steps to support

clients by directing them to readily available screening and application tools and even assisting them with the processes.

- ◆ **New possibilities for conducting business in the future, in concert with other agencies.** The proposed model allows for eventual expansion into other State programs and agencies in the future. Advisors who are already assisting a client with other benefits would be able to use the proposed system instead of directing them to other agencies and locations.

(See Sections I.F and I.G, beginning on page 14 of this report for more information on benefits of the proposed model.)

## Summary of Findings:

The Business Case presented in this document builds from the vision for integrating eligibility determination outlined in a February 2004 discovery report by HHSC. Specifically, this Business Case presents and analyzes the proposal for implementing a Converged Call Center (C3) model that complies with HB 2292. The integrated model is fundamentally different from current processes in how it conducts business with clients.

By analyzing the financial and operational implications of implementing this proposed model, HHSC could feasibly generate significant cost savings for the State, improve system accessibility to HHS clients, and maintain or improve the level of client service. Additionally, the analysis to date presents a compelling argument that:

Operationally –

- ◆ Implementation would require a fundamental redesign of the current business processes;
- ◆ TIERS could be modified to support the implementation of the proposed integrated eligibility determination model in a manner that is financially feasible;
- ◆ The State’s telecommunications assets could play an important role in improving client access and realizing the centralized, Converged Call Center(C3) model;
- ◆ Foot traffic would be reduced to one-sixth of the current levels and approximately 45% of advisor work, which is clerical in nature, according to the discovery report, would be centralized and reduced; and,
- ◆ The model would still support clients who need or want face-to-face interactions.

Financially –

- ◆ Potential net savings of the proposed model are:
- ◆ \$141 million through FY 2006
- ◆ \$657 million through FY 2010
- ◆ Savings under the proposed model in FY 2005 and 2006 could fund the leases necessary to implement the model.

(See Section III, page 21 of this report for more information about financial projections.)

## Conclusion:

- ◆ This Business Case supports the view that it is *financially* feasible for the State to operate a converged call center to consolidate the eligibility determination function as mandated in HB 2292;
- ◆ The due diligence conducted to date also supports the view that eligibility determination within a converged call center is *operationally* feasible, although detailed implementation planning will not be completed until the next phase of the project;

- ◆ To determine whether outsourcing components of the proposed model would be cost-effective, as required by HB 2292, during the next 90 days the Project Team should prepare and release a request for proposal (RFP) for outsourcing various functions, including the C3.

**Next Steps:**

- ◆ Conduct public hearings
- ◆ Publish rules in accordance with HB 2292
- ◆ Fully engage in defining Enterprise Transition and Implementation plans
- ◆ Extend and translate the business requirements created to support the Business Case into a detailed implementation plan to meet the stated timeline
- ◆ Prepare and release Request for Proposals (RFPs) to determine if outsourcing is cost-effective



## I. THE PROPOSED MODEL FOR DETERMINING ELIGIBILITY

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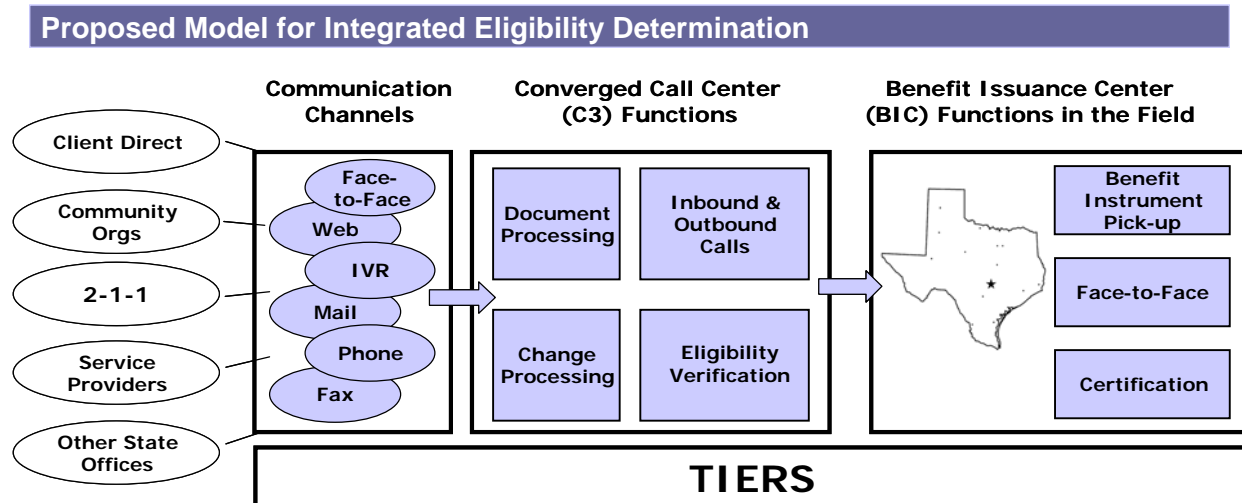
### A. Guiding Principles for Meeting State and Client Needs

In developing a proposal that HHSC could implement, four principles were identified that must be adopted in order to meet the requirements of HB 2292 and maintain or improve the level of service delivered to clients. By adhering to these principles, HHSC could create a “win-win” situation whereby it could save the State money, and its clients could receive better service.

- ◆ **Adopt a model that encourages the clients of health and human services to assume a more active role.** The proposed model would improve client access by offering them more communication channels and alternatives. While such a model would benefit clients greatly, it would require the client to more actively participate in the process. Since the model is fundamentally different from the State’s traditional mode of operation it will include transitional supports to assist clients in adapting to the proposed model. Despite the required transitions, this model ultimately would offer the best long-term solution for improving client access with limited resources.
- ◆ **Adjust policies to support more efficient business processes.** The proposed business processes could significantly reduce the amount of time and effort involved in completing transactions. Clients would find the processes easier to navigate and more time-efficient. The State would be able to process transactions (e.g., applications) more efficiently. To implement these new business processes, the State would need to modify some current policies and rules.
- ◆ **Shift work to centralized resources that are more efficient and accessible.**
  - *Self-service (via IVR, web, fax, mail)* – By introducing new, client-directed channels of access into the system, HHSC could improve accessibility at less cost to the State. These channels would allow the client to save time and money as well, as compared to the time and cost of traveling to a local facility.
  - *Community resources and service providers* – The State could serve clients more efficiently by working with existing community organizations, which interface with much of the same client base and have the ability to meet unique, local needs. This alliance of channels could create value for the client, the State, and the community resources.
  - *Automation (including TIERS)* – Technology could allow HHSC to codify much of the rules-based processing that Advisors spend time on today. Technology also reduces the need for repetitive data-entry and photocopying tasks through systems integration. By reducing the cost of tasks such as these, HHSC could save the State money without sacrificing customer service.
  - *Specialized staff (Customer Service Representatives) centralized in call centers* – The State has proven the value of centralized call centers and should now extend call center operations to include integrated eligibility determination. This business practice is cost effective to operate and improves accessibility for clients. With the appropriate quality controls in place, it is reasonable to expect customer service to improve, as well.
- ◆ **Leverage existing State infrastructure.** There are a number of existing State assets with the potential to be economically shared under this proposed model. For example, TEX-AN, the Texas Agency Network, is a statewide telecommunications network that provides advanced voice, video, and data services. TEX-AN, the same telecommunications infrastructure that supports 2-1-1 could support centralized call centers that handle aspects of the eligibility determination function. TIERS also holds significant potential. With additional development to extend the functionality and integration of TIERS, it could serve as the core platform for the integrated eligibility determination system. By utilizing existing assets such as these, the State would increase its return on past investments and reduce implementation risk.

## B. The Proposed Model

The following diagram is a high-level, conceptual representation of the model for integrating the eligibility determination functions. It depicts how clients would interact with the resources in the proposed model. The model utilizes several technologies to create multiple communication channels for clients, thus giving them choices that are more likely to meet their unique circumstances than exist currently.



In the diagram above, clients would enter through one of the several channels (on the left side of the diagram), such as community organizations or the 2-1-1 system. Clients could continue communication through any of the channels, but the processing of their case information would be moved into the Converged Call Center. As their case information moves through the system independently clients would be freed from having to physically accompany their information.

## C. How Clients Would Interface with the Proposed Model

- **Initiate Application:** New applicants could self-screen via the Internet, call to have an application mailed to them, or visit local community resources and service providers.
- **Submit Application:** An applicant could submit an application via the Internet, by fax, or by mail. Supporting documentation could also be faxed or mailed. Community resources, service providers participating in the proposed model, and Benefit Issuance Centers (BICs) could assist with copying or faxing.
- **Eligibility Determination:** Paper applications would be mailed to the Document Processing Center (DPC), which would be part of the Converged Call Center (C3). Optical Character Recognition (OCR) methods would be used to capture data and populate TIERS. Eligibility staff within the C3 would ensure that the information submitted by the applicant meets Federal and State requirements. The TIERS system would then determine the most appropriate type of assistance and level of benefits for the applicant.
- **Receipt of Benefits:** Final certification and issuance of benefits would be done at the BIC by State agency staff. Clients would be notified and instructed to visit their local BIC for finger imaging, identity verification, and benefits issuance, as required.
- **Recertification:** Clients need to recertify (redetermine) their eligibility for benefits periodically. In the new model they would receive a pre-populated form from the C3 that would detail their most current information. The client would then be able to complete the recertification process by mail or via the Internet without an office visit.
- **Reporting Changes:** Clients could report changes to their situation (i.e. address change, income change) in a number of ways: via the phone by dialing 2-1-1 to reach the C3, by mail, via the Internet, or at a BIC.

The key differences between the current and proposed integrated eligibility determination models are that, in the new model:

- ◆ Automated screening tools would be available via the 2-1-1 dialing code and Internet to pre-applicants, service providers, and other stakeholders to improve the efficiency of application processing activities. Paper applications would remain available for clients who choose not to use automation.
- ◆ The 2-1-1 interface would provide a source of referrals to all HHS agencies and services, and a capability to handle referrals from the new processes.
- ◆ If clients request a face-to-face meeting, they would still have that option, but they also would have several other channels that would likely be more convenient for them.
- ◆ This integrated process would use the same technologies and tools across all programs, and would centralize certain activities in Converged Call Centers (C3) to take advantage of cost efficiencies. The client would benefit by not having to make additional applications for more than one program.
- ◆ TIERS would be the core software application of the redesigned HHSC eligibility system. Its functionality would be expanded to support additional HHSC eligibility-related programs and to interface with web-based solutions such as an automated screening tool.
- ◆ Certain administrative tasks in the eligibility determination process would be centralized for efficiency, such as fax and mail handling. The proposed model also calls for moving towards a paperless client case file, while still complying with documentation and retention requirements, by using imaging technologies. Permanent documentation (i.e. birth certificates, social security cards) would be electronically retained and accessible by authorized staff statewide. The client would benefit by not having to provide this information repeatedly.
- ◆ State agency staff located in the BICs would focus on value-added, non-clerical eligibility-related activities.

#### D. Resources and Roles in the Proposed Model

The proposed integrated model employs several new types of resources to process transactions. In the current model, field office staff “own” individual cases and perform most of the tasks that the proposed model would spread over several resources. Currently, individual case advisors are faced with wide-ranging responsibilities and heavy workloads. This structure strains staff morale and leads to a system where quality varies directly with the workload and the skill of the individual advisor handling the case. The proposed model would solve these issues by optimizing the distribution of work across appropriate resources, as summarized below:

Resource	Definition	Role in the Proposed Model	Screen	Apply	Face-to-Face	Changes	Status	Help / I&R	Exceptions	Rules Processing
<ul style="list-style-type: none"> <li>▪ Benefits Issuance Centers (BIC)</li> <li>▪ Mobile Units</li> <li>▪ BIC Staff</li> </ul>	Staffed with policy - knowledgeable State Agency employees in geographically distributed BICs and mobile units.	<ul style="list-style-type: none"> <li>▪ Face-to-face interviews when requested</li> <li>▪ Eligibility determination and certification</li> <li>▪ Authorize benefit issuance</li> <li>▪ Finger imaging</li> <li>▪ Identity verification</li> <li>▪ EBT card issuance</li> <li>▪ Copy/fax support for application</li> <li>▪ Other client services as necessary</li> </ul>	X	X	X	X	X	X	X	X

Resource	Definition	Role in the Proposed Model	Screen	Apply	Face-to-Face	Changes	Status	Help / I&R	Exceptions	Rules Processing
C3 Phone Reps	Front-end, phone-based staff dedicated to handling inbound calls to the C3	<ul style="list-style-type: none"> <li>Answer process and case-specific questions for clients</li> <li>Access case information</li> </ul>	X				X	X		
C3 Process Staff	Back-end, eligibility staff dedicated to process-related functions	<ul style="list-style-type: none"> <li>Core staff responsible for manual aspects of eligibility verification, data entry, exception handling and hearings</li> </ul>				X			X	X
C3 Document Processing (Fax/Mail)	Inbound and outbound documents	<ul style="list-style-type: none"> <li>Process and digitize documents in and out of the system</li> <li>Includes information that is used to populate TIERS</li> </ul>		X		X	X			
Community Resources: <ul style="list-style-type: none"> <li>Community Organizations</li> <li>Service Providers</li> <li>Other State Offices</li> </ul>	3rd party organization that interfaces with clients (nonprofits, businesses, and locally placed State resources, etc.)	<ul style="list-style-type: none"> <li>Formalized channels could uniquely respond to local and specific client needs.</li> <li>Could aid clients with screening or applying for benefits, particularly those without phones or Internet access</li> <li>Could support Internet or paper applications</li> <li>Could support client copy and fax needs</li> </ul>	X	X				X		
Integrated Voice Response (IVR)	Automated phone-based system	<ul style="list-style-type: none"> <li>Accessible via a single, easy-to-remember number (2-1-1)</li> <li>Entry point into system, status, and general information</li> </ul>	X			X	X			
2-1-1 Staff	Responsible for handling most inbound calls	<ul style="list-style-type: none"> <li>Provide general information related to programs and services</li> <li>Make referrals to other community services</li> <li>Route calls to C3</li> </ul>						X		
Internet	Interface used by client, community resources, or staff	<ul style="list-style-type: none"> <li>Allow self-screening and online applications, recertifications, changes and status</li> <li>“Help” functionality</li> <li>Program and process information</li> </ul>	X	X		X	X	X		
TIERS	IT processing system/platform	<ul style="list-style-type: none"> <li>Provides significant automation to ensure consistency in eligibility determination across multiple skill sets.</li> </ul>	<b>Support for most functions</b>							

## E. The Client Experience Under the Proposed Model

The four sample scenarios below illustrate how the proposed model might serve various clients with relatively common needs.

- ◆ **Client profile: “Mom” a working single parent.**

In the past few months the rent and utilities have increased beyond her ability to pay. In the current model, searching for assistance will require some time on the telephone to learn which benefits she might qualify for, and which agencies and locations she should visit. As she works from 8-5, she will need permission to make these calls during her work day. An application for assistance could be mailed to her home, but this would cause further delay, so she will choose to take time off of work to pick up applications.

The application will require information she has at home, so she will complete it that evening. In the morning she will return to the office to drop off the application and supporting documentation. The birth certificates and social security cards are originals, so she will wait in line to have copies made and to receive a receipt as proof of application. She will also be scheduled for an eligibility interview, which could be 7-10 days in the future if she lives in an urban area where the demand for services is higher. This will require more time away from work and potentially a loss in pay. If Mom cannot accurately estimate the time involved with any of these steps she might be unable to return to work at the anticipated time. If she is late collecting the children from daycare she might incur additional charges.

Further trips to the local office may be required to provide additional verification, have copies made, and receipts produced for proof that information was provided timely. Several weeks may go by without news of eligibility, and calls to the office may not result in information about when eligibility will be certified and benefits available. Mom will continue to require time from work to recertify for assistance in six months, report changes, and maintain eligibility.

**In the new model**, Mom, or anyone seeking information regarding potential assistance could call 2-1-1 on the weekend or in the evening and get all the information necessary to proceed. She could also learn of local organizations that could help meet her short term needs. With one application, she could prescreen multiple programs for potential eligibility. If no home computer is available, she could be directed to several locations where a computer would be available for her use to apply online such as the local school. There could be people to assist with the online process, available in the evenings and weekends, and possibly a place for the children to play. She could also use this computer to check the status of her application. At this site she could photocopy original documents and send a facsimile. In one trip to the Benefit Issuance Center (BIC) she could receive and activate an electronic benefits transfer (EBT) card. BICs would have extended hours and include Saturday to accommodate working recipients. Best of all, when Mom is required to recertify her benefits, or needs to report a change in her circumstances, she can do so online at her convenience.

◆ **Client profile: “Dad” has physical disabilities that have recently worsened; he needs both short and long term services.**

In the current model, Dad will be required to deal with several agencies and apply for multiple programs to receive all the assistance for which he may be entitled. Multiple applications will be required and much of the same supporting documentation provided multiple times. He will need to repeat the same information to many people and follow-up with multiple people and agencies to determine the status of the applications. In order to receive comprehensive care, Dad will need to ask all the right questions of the right agencies.

**In the new model**, Dad could use the home computer to find information, screen and apply online for services. This could be done at his convenience. Information could be input once and used for multiple service requests. With the right equipment, he might be able to scan and fax verification directly to the agency. He would also be able to check the status of his application by dialing 2-1-1 at any time. At most, he would only need to make one in-person visit to the BIC to collect his benefits.

◆ **Client profile: “Uncle” has recently spent time in a nursing facility after a fall.**

Uncle is no longer able to independently visit the local senior center for lunch. He may qualify for services, but is not sure how to find out. There is a family member that is happy to act as the Authorized Representative (AR) and make inquiries and work with the agency on his behalf. The AR will need to liaise with agencies during normal working hours, so may lose time and wages from their job. As the responsibility grows, there is the potential for a greater time commitment.

**In the new model**, a senior center worker would help to complete this application online. The family member could use the evenings or weekend to prepare any documentation that the individual would need to support the request for services. Both the senior center worker and the family member could use the Internet to report changes on Uncle's behalf. Should he subsequently need to return to full-time nursing care in a facility, his information would be available electronically to expedite the process.

◆ **Client profile: "Grandma" has moved in with her son and his children. They all qualify for medical assistance and food stamps.**

In the current model, Grandma would have to see a different worker than Dad. They would complete two different applications for assistance. They would be scheduled for two separate eligibility interviews and need to provide duplicate documentation to both workers for assistance. Changes would need to be reported to two workers, and subsequent recertification appointments could not be coordinated.

**In the new model**, the household could use the online application and be determined eligible for all programs at one time. All information would be stored in one system, and be accessible by multiple workers. Changes affecting the case would be updated for all individuals and all programs.

## F. Client Benefits Under the Proposed Model

Under the proposed model, there are many important benefits that could accrue directly to HHS clients:

◆ **Economic Savings to the Client.** Savings stem from reductions in direct, out-of-pocket costs to the client, such as lost wages, transportation, and childcare. Three aspects of the proposed model could provide direct savings to the client: improved access, increased efficiency, and immediate identification of alternate resources.

**Improved Access.** In the proposed model, application for services via the Internet or by mail essentially expands State business hours. The ability to submit an application from home or from other locations where a client already interacts in the community improves access even more. Telephone, mail and Internet options would help clients avoid the need to take time off from work to go to a State office for information or to apply for services. This is important for many clients who are hourly workers and suffer direct, out-of-pocket losses when they take time off work.

There is strong evidence to suggest that clients would benefit from expanded business hours. COMPASS, Pennsylvania's web-based single access point for most health and human services, receives over 50 percent of its applications outside of traditional 9-5, Monday through Friday business hours<sup>1</sup>. Pennsylvania officials consider this an important aspect of their system since welfare recipients are required to work a certain number of hours in order to be eligible for services.<sup>2</sup> A smaller system in Idaho, receives most of its claims on Sundays.<sup>3</sup>

If 30 percent of Texas applicants were able to save only 2 hours of lost time from a minimum wage job each year, then approximately \$12 million client dollars could be saved annually. This does not include the savings of transportation - bus or taxi fare, gas, and vehicle wear and tear - or day care, adult day care, or respite care.

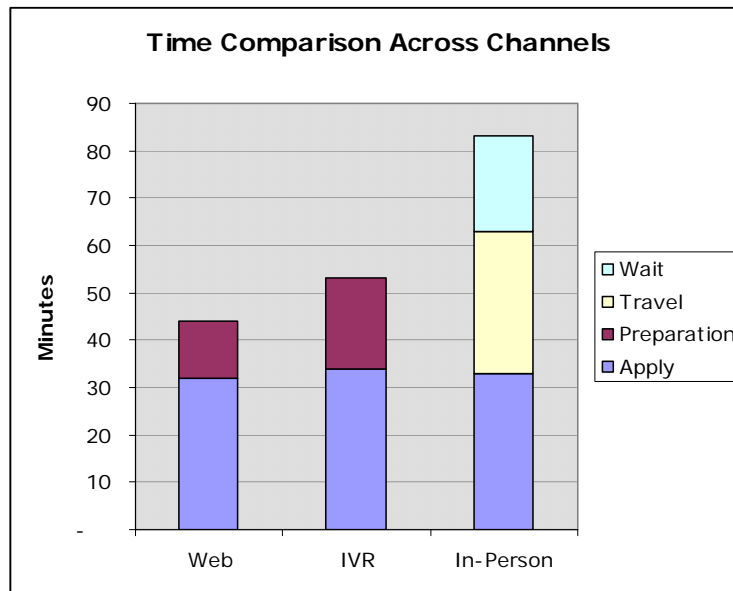
**Increased Efficiency.** The streamlined business processes and forms in the proposed model would minimize or eliminate the need for duplicate information, which in the current model translates into multiple visits to multiple offices. Permanent documentation (i.e. birth certificates, social security cards) would be electronically retained and accessible by authorized staff statewide. Clients would benefit by not having to provide this information again, regardless of their location in the state. Australia, a world leader in e-government applications, found that 45 percent of its users saved money by using web-based systems in lieu of office visits.<sup>4</sup> If 50 percent of clients avoid one extra trip each year under the proposed model, at a cost of \$3 per trip, then an additional \$4.5 million client dollars could be saved per year.

**Immediate Alternatives.** Extending the reach of the eligibility system by leveraging State’s 2-1-1 dialing code means that clients who are ineligible for certain benefits, those placed on waiting lists, or those who need immediate assistance, would be directly connected to alternative resources in their own community. This is a direct economic benefit to clients even if it is difficult to quantify.

◆ **Improved Service Quality**

While it is difficult to quantify the quality of service change between today’s model and the proposed integrated model, one possible measure is the time that the client spends interfacing with the system. A report by the National Academy for State Health Policy reports 90 percent of California’s clients would rather use the State’s online application system. Online enrollment systems have “...clearly increased the satisfaction of those applying for Medicaid and SCHIP in several states” and can “increase customer convenience for applicants with busy lives.”<sup>5</sup>

The graphic below compares the time clients might spend interfacing with the system via the various channels available to them. While the times listed are estimates that cannot be tested until the proposed model would be in place, they provide a comparative frame of reference that is valuable in assessing one aspect of quality. As data on current times is not available, conservative estimates were made based on field observations during the discovery phase of the project. It is important to note that the In-Person scenario does not account for multiple trips to the field office, which is often required due to scheduling constraints.



Beyond the time that the client spends in the system, the proposed process and newly designed forms of the proposed model, when fully deployed, hold the potential to significantly improve the quality of service for clients in other ways:

**Reliable information from 2-1-1.** The current system sometimes requires clients to determine which programs might be helpful, and therefore which agency to contact and which location to visit. Other times clients might act on out-of-date or incorrect information from friends, relatives, or co-workers. In the proposed model, the 2-1-1 number would provide a simple, reliable source for the information needed to begin the eligibility process.

**Multiple entry options.** When fully deployed, the proposed model would allow clients to choose a combination of telephone, IVR, mail, fax, Internet and face-to-face options to access information and services. The wide variety of options should meet the needs of clients much better than the current system.

**One application for many services.** The proposed business processes reflect careful integration and coordination of State agency and program mandates and services. Clients in the fully deployed model could submit one application for eligibility without even knowing which agency, department, or location “owns” the benefits.

**Improved availability.** As noted above, the use of Internet, mail, telephone and IVR systems to access information, screen and apply for benefits, and monitor status, essentially expands State business hours. Those extended hours are most important to clients who work traditional 8-5 business hours themselves.

**Consistency of service around the State.** Under the current model, clients often receive inconsistent service as they move from one region to another. With each move, clients often have to learn how the offices in a particular region operate and then adapt to their unique procedures. Under the new model, clients would benefit from consistent service and standardized processes as they move among regions.

**Simple recertifications.** The Internet, phone and paper systems would also be available for most changes and recertifications. The ability to perform most recertifications and changes without an office visit would be a major benefit to most clients.

**Fewer errors.** In the proposed Converged Call Center (C3) model, more efficient technologies would support staff and simplified, integrated processes would allow them to deliver more consistent and accurate responses. Newly automated, streamlined, and simplified processes and forms in the proposed model could result in fewer common processing errors, such as misplaced paperwork or illegible handwriting. Electronic data validation would ensure more accurate data. According to a report by the National Academy for State Health Policy, online applications are more complete and have fewer errors than paper applications that are later input into databases.<sup>6</sup> Programmed assistance and error checking built into the automated systems would also support improved accuracy.

- ◆ **Community Support.** The business processes in the proposed model could foster relationships with State, county and local resources, such as workforce offices, schools, and clinics, and with businesses, nonprofits, and faith-based organizations that can help clients learn about and interface with the proposed model.
- ◆ **Convenience and Social Equity.** Compared to the current model, the accessibility of the proposed model would increase convenience and social equity for all clients, especially for:
  - People who are elderly or disabled;
  - People who live in rural or remote areas;
  - Single parents with young children; and,
  - People with jobs that do not allow flexible leave

All of these groups of clients could benefit directly from the ability to interface with the system from their home or community location, via the phone, mail, or Internet. These are the people for whom standing in line or traveling long distances is truly a burden.

**One trip to the BIC.** In the current system an average client might make several trips to various State offices for information, benefits, and recertifications. When fully deployed, the proposed model would require only one trip - a trip to the Benefit Issuance Center for final certification and benefit issuance. The proposed model has included funds for 4 mobile BIC units to reach clients that have transportation issues or reside in remote locations. If successful, this pilot could be duplicated statewide.

**Self-service with help.** Self-service options supported by community resources, 2-1-1, IVR, and online help systems would allow clients to find specific information, locate convenient service outlets, monitor their application process or simply screen for possible benefits before choosing to apply. In most cases clients would be able to choose from a variety of community locations and organizations where they could get help using the proposed model – places where they already interact and feel comfortable. In addition, online applications will include programmed self-help features.

**Privacy.** The privacy afforded by the proposed model would remove the social stigma of going to health and human services offices to apply for services.



**Handy Documentation.** The possibility of interfacing directly from home would allow clients immediate access to all of their supporting documentation which, in turn, decreases guesswork, increases accuracy, speeds up the process of receiving benefits, and ultimately, reduces demand for HHS resources.

## G. State Benefits Under the Proposed Model

- ◆ **Better Government.** Similar government projects have improved client perception and confidence in their governments according to post-implementation surveys. A study of the Australian system found that over 90 percent of respondents indicated an improvement in overall service delivery using web-based services.<sup>7</sup>

Users of the systems perceive more openness, fairness, and accountability in their government.<sup>8</sup> This derives from the increased availability of information and services, and from new tools such as web-based FAQs and simple explanations of legislation and other program or procedural requirements. The marketing campaigns for new initiatives also serve to make the general population better informed about government services and information.

Surveys of users in Australia indicate that 75 percent feel the new processes help them improve their community skills and knowledge.<sup>9</sup> The use of self-serve processes increases their feeling of empowerment and leads to better decision-making. In fact, some studies report that the skills that the new processes and community resources introduce to clients could be useful in jobs. Examples include learning to use the computer and Internet, and typing.

- ◆ **Process Improvements.** Governments with similar projects report that the streamlined processes, improved agency connectivity, and reduction of re-keyed information have translated into lower staff turnover, which reduces hiring and training costs. In addition to lowering personnel costs, the improved services lead to reductions in client frustration and less verbal abuse from irate clients who have waited a long time or are in the wrong place.<sup>10</sup>

With most administrative tasks fully automated, staff members would be able to spend their time with the clients and cases that need them the most. The clearest example of this occurred in New York State, where a virtual call center was set up for the Workers' Compensation Board. The result was increased interaction with clients despite state hiring freezes.<sup>11</sup> With more time spent on value-added activities such as client interaction, employees feel better knowing that they are putting their skills to best use. This type of model also allows staff working in multi-disciplinary teams to take cases matching their skill set, instead of their geographic location.

Another benefit would be the ability to access electronically stored client information while talking to the client. The result would be more informed answers for the client, and better support for the staff.

- ◆ **Workforce Efficiency.** By using co-located, multi-disciplinary teams in the proposed model the State could gain the flexibility to meet its staffing needs more efficiently. The efficiency would come from the more appropriate use of employee skills. With electronic data captured by the new processes, the State could better forecast and meet staffing needs. The ability to monitor calls and evaluate web sessions would provide built-in process checks that could lead to easier, faster, and less costly staffing adjustments. Ultimately, clients could benefit by receiving higher quality service and the State would benefit from reduced operating costs.

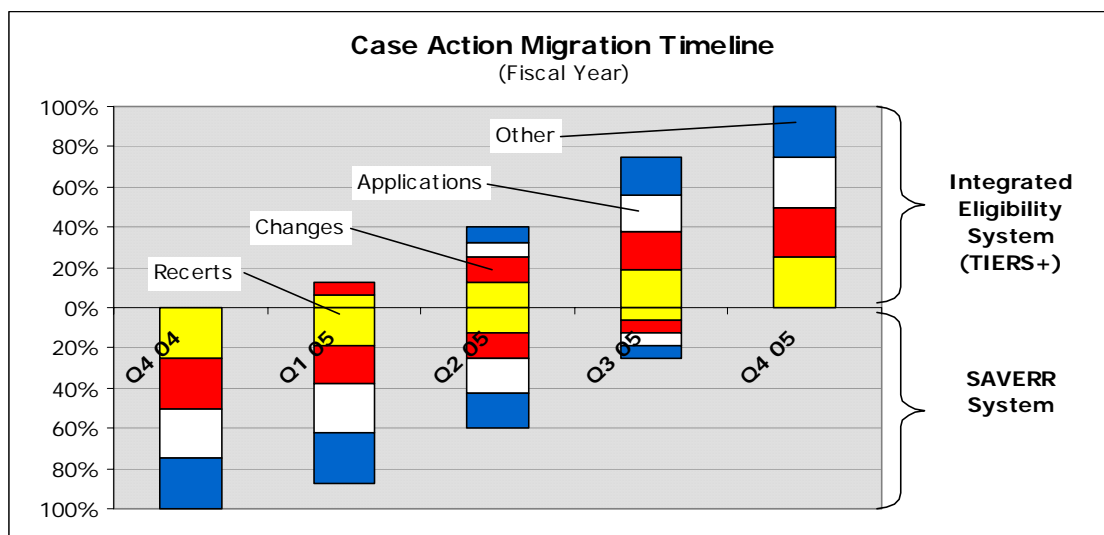
## II. OPERATIONAL ASSUMPTIONS

There are four main inputs that drive the financial model for determining eligibility in the proposed model. Based on these inputs, the model projects the necessary staffing levels, overhead, and capital expenditures. The structure of the financial model and the particular business process assumptions feeding it are detailed in Appendix E. The complete model can be found in a separate document titled [IE BusinessCase FinancialModel.pdf](#). An overview of the role of each input to the financial model is shown below:

- ◆ **Case action migration timeline** – the proposed timeline for migrating cases to the proposed model sets the pace for planning and implementation. As such, it affects several cost- and savings-related issues. First, the timeline dictates the rate at which investments in the proposed system would be made. Second, the timeline determines how quickly the State would have to act on certain implementation initiatives such as educating clients and expanding TIERS. Finally, the speed of migration to the proposed system affects how fast the State could realize cost savings.
- ◆ **Resource demands** – the loads placed on the resources in the proposed model (e.g., number of calls into the IVR system) are determined by the two inputs listed below. The financial model assumes that the load, or demand, placed on each resource is driven by two factors: how frequently clients use the resources, and how many resources are required each time the client uses them or triggers a business activity.
  - *Client behavior* – assumptions regarding how clients would interact with the proposed system affect costs savings because different behaviors result in different system resource loads (e.g., the Internet versus an Advisor). The financial model relies on current system data, input from subject matter experts, and assumes that the State will execute an intensive, ongoing educational campaign to teach clients how to interface with the system. Further, it assumes that clients will need eighteen months to adapt to the proposed model.
  - *Processing requirements* – the carrying out of a single business activity places some type of demand, or load, on resources in the proposed model, which in turn directly drives costs. Therefore, the magnitude of processing requirements for each resource, across all business activities, must be analyzed. The financial model captures these assumptions for nine resources across 110 business activities.

### A. Case Action Migration: Proposed Timeline

The diagram below illustrates the proposed timeline for migrating transactions to the new, TIERS-based system. Each color represents a type of transaction (e.g., yellow indicates Recertifications). As shown, migration would begin in the first quarter (Q1) of the State’s fiscal year 2005 with Recertifications that would be due in Q2 of 2005. The migration would then move to include Changes. By fiscal year 2006, all transactions should be migrated to the proposed model.



## B. Resource Demands

Resource demands are determined based on assumptions about client interaction with the proposed model and the level of resources consumed during each business activity. Although the table shown below is only a fraction of one table, it illustrates the logic used for projecting resource demands.

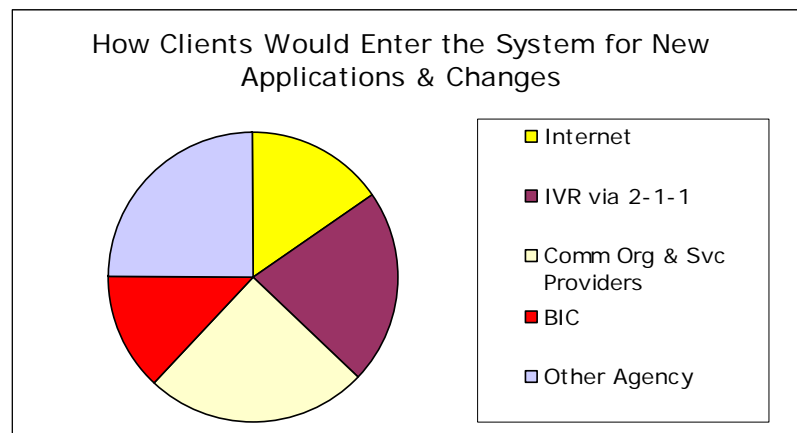
Process: Document Mgmt Center - Changes										
Beginning % of total Changes going through process: 80%										
Process Sub-activity	% of time this sub-activity is done	Internet			C3 - Mail (Doc. Center)			C3 - Fax (Doc. Center)		
		%	avg partial sessions	ssn's /case	%	avg pgs	pgs /case	%	avg pgs	pgs /case
Process and Batch Application	35.0%	0%	-	-	80%	-	-	20%	-	-
Create Digital Application	35.0%	0%	-	-	75%	1.0	0.5	25%	2.0	0.1
Load Digitized App. Data into TIERS	35.0%	0%	-	-	80%	-	-	20%	-	-
Process and Batch Verification Docs	65.0%	0%	-	-	80%	-	-	20%	-	-
Create Digital Verification Docs Pkg	65.0%	0%	-	-	55%	3.0	1.9	45%	4.0	0.9
Load Digitized Verif'n Data into TIERS	65.0%	0%	-	-	80%	-	-	20%	-	-

Due to the volume, complexity, and layout of these assumptions, the complete set will not be listed here. However, the entire set of assumptions can be found in a separate document titled *IE\_BusinessCase\_FinancialModel.pdf*

## C. Client Behavior: How Clients Would Interface with the Proposed Model

A primary driver of the financial model is a set of assumptions about client behavior. One important distinction the model makes is how clients would interface with the system over time. That is, the model assumes client behavior would change as clients adapt to the proposed system. The financial model generally assumes that it would take eighteen months to achieve the objectives of the client and public education campaign; this is referred to as the “end-state.”

The graphic to the right illustrates how the model estimates that clients would first enter the eligibility determination system when applying or making changes to their existing records. A few processes are not represented in this graphic. Recertifications are not included in this analysis because they are triggered by the system, not clients. Further, this graphic does not show how applications or changes are *completed* once they are in the system. Clients could continue communication through any of the channels, but the processing of their case information would be moved through to the Converged Call Center. As their case information moves through the system independently, clients would be freed from having to physically accompany their information.



Beyond initial contact with the system, most client interactions are classified as “customer service” (e.g., address changes, application questions, benefits status). While a large percentage of clients would resolve their customer service issues through IVR (via the 2-1-1 dial code), it is important to note that they would have options to talk to live C3 agents or correspond by mail. The IVR system has the ability to transfer clients to I&R Staff or to Specialists within the C3. In some cases, it is possible still that I&R Staff would refer the client to a community organization or Benefit Issuance Center (BIC) for additional assistance.

## D. Processing Requirements: Business Process Assumptions

The proposed model is comprised of nine resources and the categories of assumptions captured for each are explained below. To review the actual assumptions made by the Project Team, please refer to the document titled *IE\_BusinessCase\_FinancialModel.pdf*.

- ◆ **Internet** – assumptions capture the average number of partial sessions required to complete the business activity. This financial model assumes that 15% of new applications and changes will take place via the Internet.
- ◆ **C3 Mail** – assumptions capture the average number of inbound or outbound pages processed by the C3 for the business activity.
- ◆ **C3 Fax** – assumptions capture the average number of inbound pages faxed to the C3.
- ◆ **C3 Customer Service Representatives** – assumptions capture the average number of calls handled, or where appropriate, the number of minutes consumed, by the completion of the business activity.
- ◆ **IVR (via 2-1-1)** – assumptions capture the average number of inbound calls to complete the business activity. The model assumes that clients access IVR for a number of questions concerning procedures, programs, BIC locations, or status, for example. It is important to note that clients may still be able to speak to a live person.
- ◆ **I&R Staff** – assumptions capture the average number of calls to complete the business activity. Average call lengths are assumed to be standard across all activities at 7 minutes, which is based on the tasks involved and historical data provided by 2-1-1 and TWC. The average call lengths for 2-1-1 and TWC are less than four minutes.
- ◆ **Community Organizations, Service Providers, & Other State Offices** – assumptions capture the average number of minutes consumed by business activities when these entities aid clients. The primary roles of these entities are as outlined in section I.D.
- ◆ **BIC Agents** – assumptions capture the average number of minutes for the business activities on which these agents work.
- ◆ **TIERS** – assumptions capture the average number of transactions necessary to complete the business activity. Given the unknowns regarding TIERS at this point in the project, the assumption was fixed at one. Its impact on the financial aspect of the model is nominal.

### III. FINANCIAL PROJECTIONS FOR THE PROPOSED MODEL

The categories of operational assumptions in the previous section drive each of the projections below, with the exception of field offices. As case actions migrate to the proposed model and users learn how to use it, the demand for certain resources would diminish due to the increased efficiencies of the proposed model. As a result, the State would be able to reduce staff and field office locations, both of which lower overhead. Finally, a summary level budget for the proposed model is presented against the baseline of the current budget.

#### A. Field Office Projections

This Business Case proposes that some portion of the existing field offices be closed and the remainder converted to Benefit Issuance Centers (BICs). The logic behind the recommended number of BICs is outlined in the table below. The table determines the appropriate number of BICs based on a geographic analysis of Texas using the assumption that clients should not have to travel more than a certain distance in order to reach a BIC.

<b>Determining the Optimal Number of BICs</b>				
<u>State of Texas Areas</u>	<u>Population</u> <sup>1</sup>	<u>Land area</u> <sup>2</sup>	<u>Travel Distance</u> <sup>3</sup>	<u># of BICs</u>
Top 10 most populous cities	7,090,266	2,538	5	<b>39</b>
Suburban areas around cities	2,746,369	8,161	15	<b>14</b>
Remainder of state	11,015,185	251,215	30	<b>111</b>
<b>TOTALS</b>	<b>20,851,820</b>	<b>261,914</b>	<b>n/a</b>	<b>164</b>

Notes:

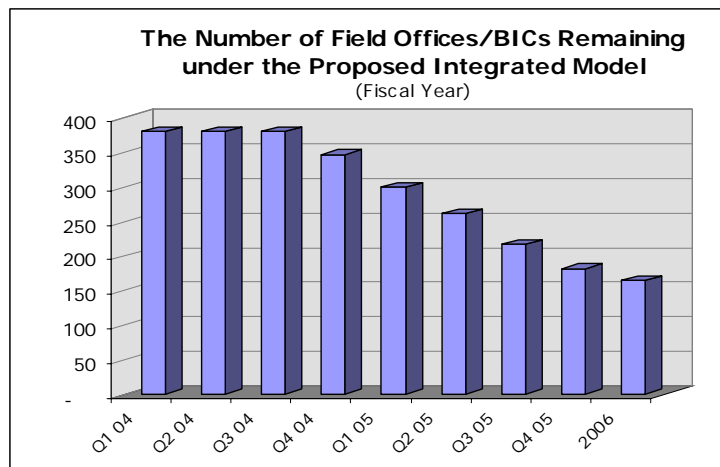
1 - Most data provided by the World Almanac of the U.S.A. by Allan Carpenter and Carl Provorse, published by World Almanac Books. Most data was pulled from the 2000 Census.

2 - Land area excludes water areas and is listed in square miles.

3 - "Travel Distance" is the maximum desired distance in miles to a BIC for any client in the area. The number of BICs is first determined by dividing the land area by the area of a circle with a radius equal to the driving distance. The resulting number of BICs is then increased by 20% to account for gaps between circles.

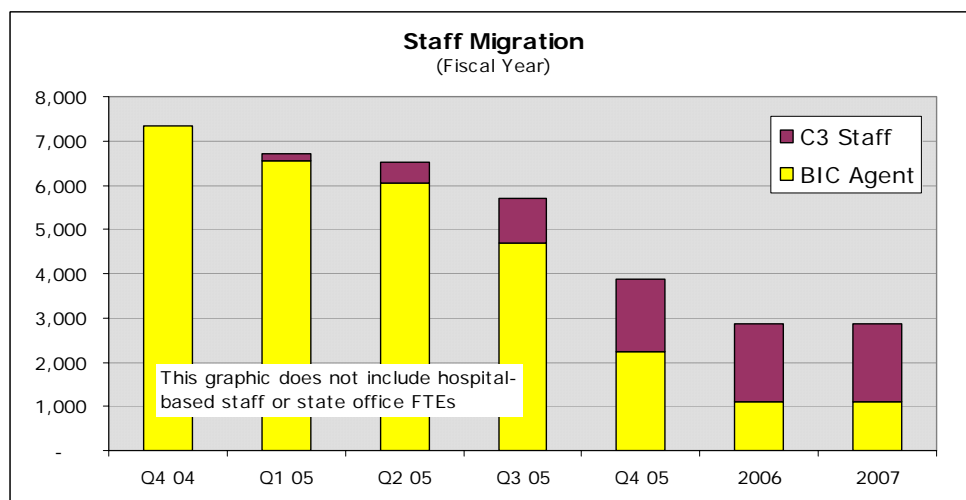
It should be kept in mind that while clients must visit BICs at least once during their initial application, they will be able to visit alternative locations for certain types of help. The list of alternative facilities includes hospitals, community organizations, and other service providers who currently serve clients in other capacities.

The timing of any field office closing will likely be controlled by timing of reductions in field office staff. As field offices and staff levels would be reduced, there would be a published plan in place to ensure a smooth transition for the employees and clients affected by the reductions. The financial model allocates money for the closing of each field office. The chart below illustrates the proposed reduction scenario for field offices.



## B. Staff Projections

Staff reductions, shown to the right, are projected based on the operational assumptions that fed a detailed analysis of the business processes. The analysis includes assumptions about how the processes would pull on resources under the proposed model as transactions would be carried out. The resource with the greatest cost implications is staff in the projected 164 BICs and three C3 facilities.



As business activities touch these resources, the assumptions state the amount of labor consumed. In this way, the model projects the number of staff needed at the BIC and C3 locations. Appendices D and E show the detailed assumptions and resulting projections.

## C. Additional Overhead Projections

The financial model calculates the baseline overhead for existing infrastructure, as well as additional overhead that the proposed model incurs. These additional overhead costs from a variety of resources, which are:

- ◆ **Converged Call Centers (C3) expenses:** Facilities and support costs for three (3) call centers
- ◆ **Support for the Benefit Issuance Center (BIC) staff:** Facilities and support costs for BICs
- ◆ **Outsourcing fees:** These fees cover the cost of additional 2-1-1 and document management services.
- ◆ **Public and community education and outreach:** The ongoing cost of educating the public with respect to use of the system, as well as managing outreach activities and volunteer programs.
- ◆ **Annual hardware and software licensing and maintenance fees and networking costs**

- ◆ **Contingency (disaster recovery):** Accounts for systems recovery and alternative locations in the event of a regional disaster.

## D. Budget Projections

The table below presents a comparison of the budget for the current model – the baseline budget – and the projected budget for implementing and operating the proposed integrated eligibility determination model. The assumptions that support this projection are located in Appendices D, E, and in *IE\_BusinessCase\_FinancialModel.pdf*.

BASELINE BUDGET	CURRENT Model (Fiscal Year)				
	2004	2005	2006	2007	2008
Salaries & Other Personnel Costs	271,492,098	271,814,491	271,814,491	271,814,491	271,814,491
Prof Fees & Services	9,295,670	9,345,075	9,345,075	9,345,075	9,345,075
Facilities & Utilities	15,808,164	15,670,792	15,670,792	15,670,792	15,670,792
<u>Other Op Expenses</u>	<u>32,810,349</u>	<u>32,689,664</u>	<u>32,689,664</u>	<u>32,689,664</u>	<u>32,689,664</u>
Baseline Budget (All Funds)	329,406,281	329,520,023	329,520,023	329,520,023	329,520,023
CAPEX - Baseline for TIERS	102,335,603	13,218,407	27,300,000	16,600,000	17,400,000

PROJECTED BUDGET FOR IE MODEL	INTEGRATED ELIGIBILITY MODEL: BUSINESS CASE (Fiscal Year)				
	2004	2005	2006	2007	2008
Salaries & Other Personnel Costs	271,483,585	210,998,801	105,875,026	105,875,026	105,875,026
Prof Fees & Services	9,258,190	8,031,573	6,505,480	6,505,480	6,505,480
Facilities & Utilities	15,575,187	10,901,703	7,717,674	7,717,674	7,717,674
Other Op Expenses	32,669,595	27,815,978	22,162,415	22,162,415	22,162,415
<u>Additional Op Expenses from IE Model</u>	<u>264,085</u>	<u>40,395,471</u>	<u>77,715,845</u>	<u>73,804,230</u>	<u>52,941,439</u>
Total Projected Budget	329,250,643	298,143,527	219,976,440	216,064,825	195,202,034

OPERATIONAL METRICS	2004	2005	2006	2007	2008
Baseline FTEs (Eligibility Staff)	7,347	7,342	7,342	7,342	7,342
FTE Reduction through Attrition (5%)	-	367	367	-	-
<u>FTE Reduction Forced (Annualized)</u>	<u>-</u>	<u>3,104</u>	<u>648</u>	<u>-</u>	<u>-</u>
Cumulative FTE Reduction	-	3,471	4,487	4,487	4,487
Projected FTEs (End of Period)	7,347	3,871	2,855	2,855	2,855
Apps, Recerts, & Changes/FTE/Day	7.5	14.2	19.2	19.2	19.2
Baseline Field Offices	381	381	381	381	381
Projected Field Offices	347	182	164	164	164
Other Eligibility FTEs Not in Baseline <sup>1</sup>	517	517	517	517	517
Other Facilities Not in Baseline <sup>1</sup>	211	211	211	211	211

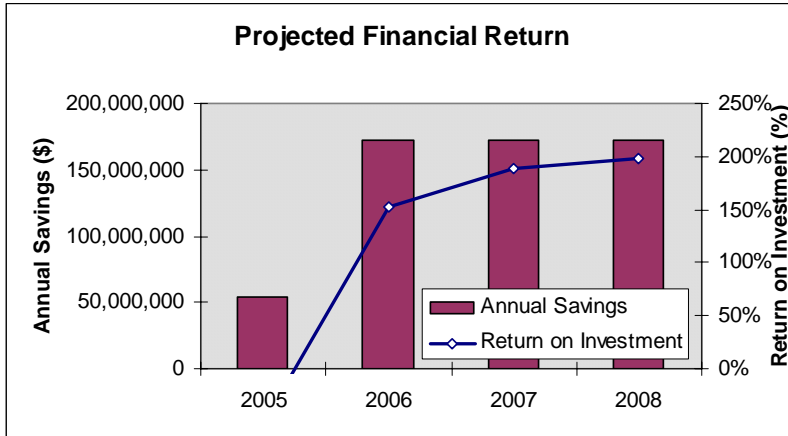
SAVINGS ANALYSIS	2004	2005	2006	2007	2008
Net Annual Savings	155,637	31,376,496	109,543,583	113,455,198	134,317,989
Savings as a % of Baseline	0%	10%	33%	34%	41%
<b>Cumulative Savings Net of Investment</b>	<b>155,637</b>	<b>31,532,134</b>	<b>141,075,717</b>	<b>254,530,915</b>	<b>388,848,904</b>
ROI <sup>2</sup>	n/a	-50%	153%	188%	198%

### NOTES:

- 1 - These staff and facilities will continue to support the proposed model and provide entry points into the system. The majority of these categories are hospital-based.
- 2 - Assumes that lease payments are treated as a one-time expense, paid over the first three years of the project (FY04 - FY06)



As the budget comparison illustrates, the State could potentially save \$388 million in operating expenses over the next five years. Measuring financial returns is a way of holding the State accountable for optimizing the use of taxpayer money. In this respect, the proposed model offers the State of Texas an enormous opportunity to maximize the use of its funds. The leases required to secure the additional hardware and software for the proposed model and implement it would total approximately \$46 million over the next three years. Implementation includes items such as consulting, training, and capacity building. The Business Case shows that the leases could be funded with savings from ongoing operations. The chart below shows the return on investment to the State. The analysis supporting the projected investment requirements is also presented in Appendix E.



## IV. CONCLUSION

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### A. Summary

This Business Case supports the view that it is both cost-effective and operationally feasible for the State to operate a converged call center to consolidate the eligibility determination function as mandated in HB 2292. As described in this Business Case, the proposed model for integrated eligibility represents a tremendous opportunity for the State and its taxpayers for all of the reasons cited below:

- ◆ Economic savings to clients;
- ◆ Improved service quality for clients;
- ◆ Convenience and social equity for clients;
- ◆ Potential net savings of the proposed model are:
  - ◆ \$141 million through FY 2006
  - ◆ \$657 million through FY 2010
- ◆ Savings under the proposed model in FY 2005 and 2006 could fund the leases necessary to implement the model.
- ◆ Improved stewardship of taxpayer money, at both the State and Federal levels.

As with any opportunity of this magnitude, implementing the proposed model would incur risks and require a great deal of change. The analysis conducted to date also supports the view that the risks could be mitigated. To that end, a management team has been put in place to further develop implementation plans that reduce risk and meet stakeholder concerns as the project moves to the third phase, *Implementation and System Transformation*. This analysis supports the view that State of Texas should move into the third phase of this project to implement the proposed model for integrating eligibility determination in the Converged Call Center model. The numerous potential benefits to the State far outweigh the implementation risks.

### B. Next Steps

- ◆ Conduct public hearings
- ◆ Publish rules in accordance with HB 2292
- ◆ Fully engage in defining Enterprise Transition and Implementation plans
- ◆ Extend and translated the business requirements created to support the Business Case into a detailed implementation plan to meet the stated timeline
- ◆ Prepare and release Request for Proposals (RFPs) to determine if outsourcing is cost-effective

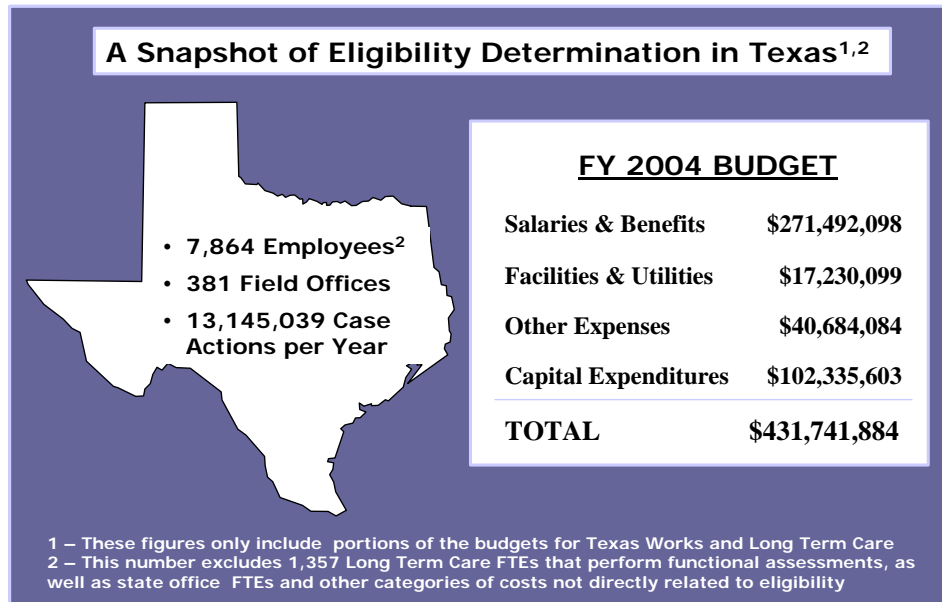
## V. APPENDICIES

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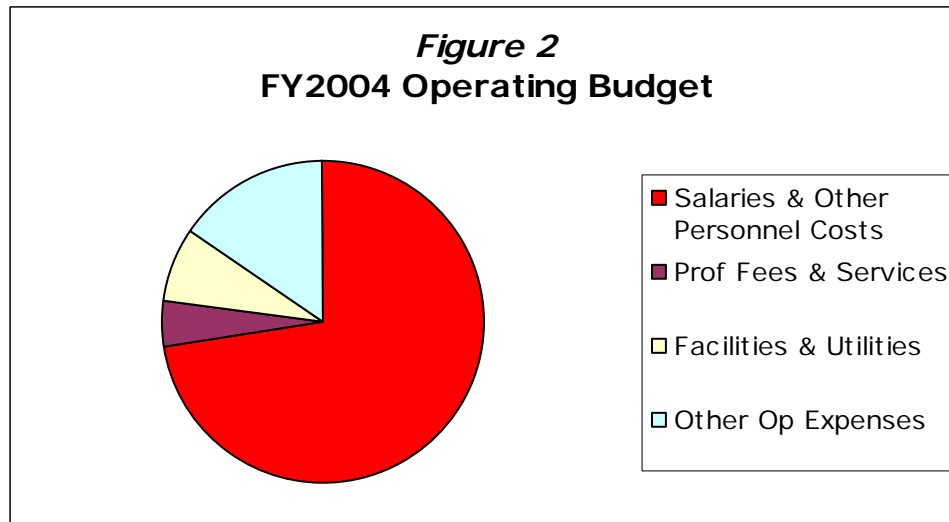
## APPENDIX A – ELIGIBILITY DETERMINATION TODAY

The budget for eligibility screening and determination functions of the Texas Works and Long Term Care programs in the State of Texas is approximately \$431 million annually (\$329 million without capital expenditures) and covers approximately 7,900 employees. These employees are spread across 381 agency field offices in urban and rural settings. DHS eligibility workers are also out-stationed at more than 200 other community locations, such as hospitals.

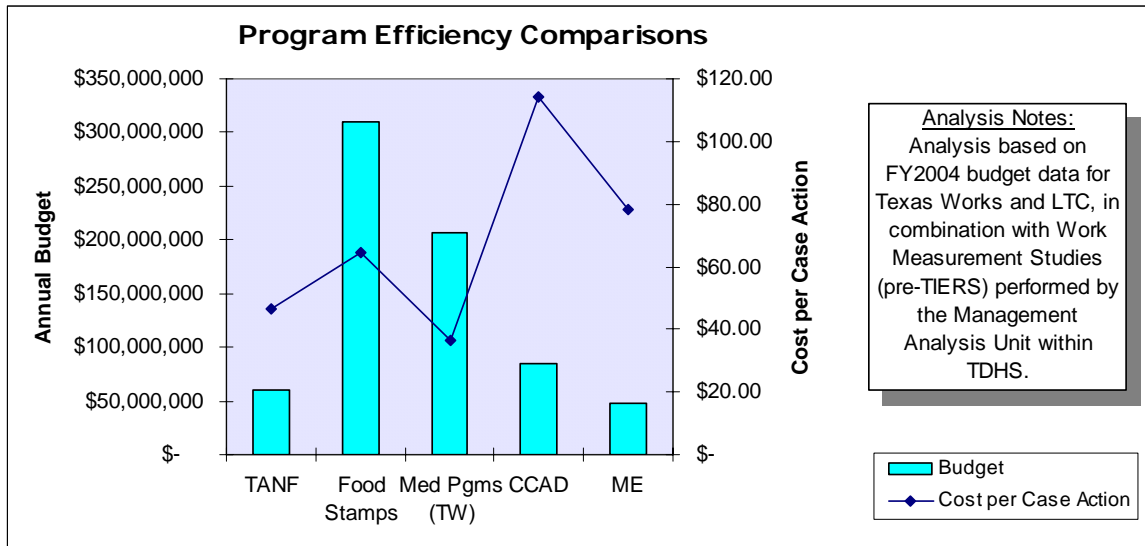
*Figure 1 – Snapshot of Eligibility Determination*



In order to place the current state findings in context, and to begin prioritizing potential opportunities, it is necessary to examine various metrics that describe eligibility determination from a resource perspective. Figure 2 below shows how the budget is currently spent across various resources. Figure 3 overlays program budgets on their corresponding cost of performing a transaction (case action).



**Figure 3 – Program Efficiency Comparisons**



**Figure 4 – Time per Type of Transaction**

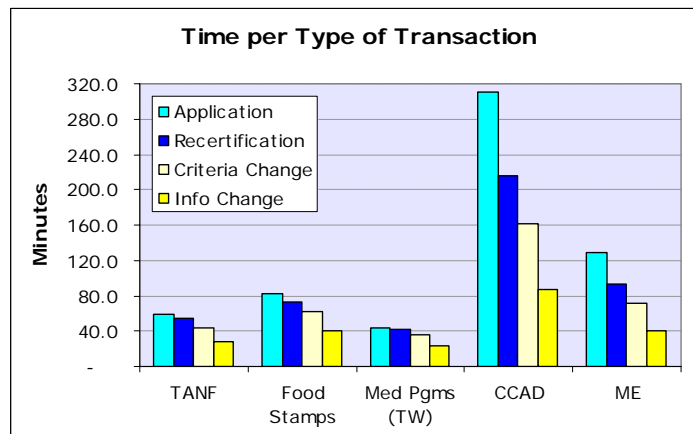
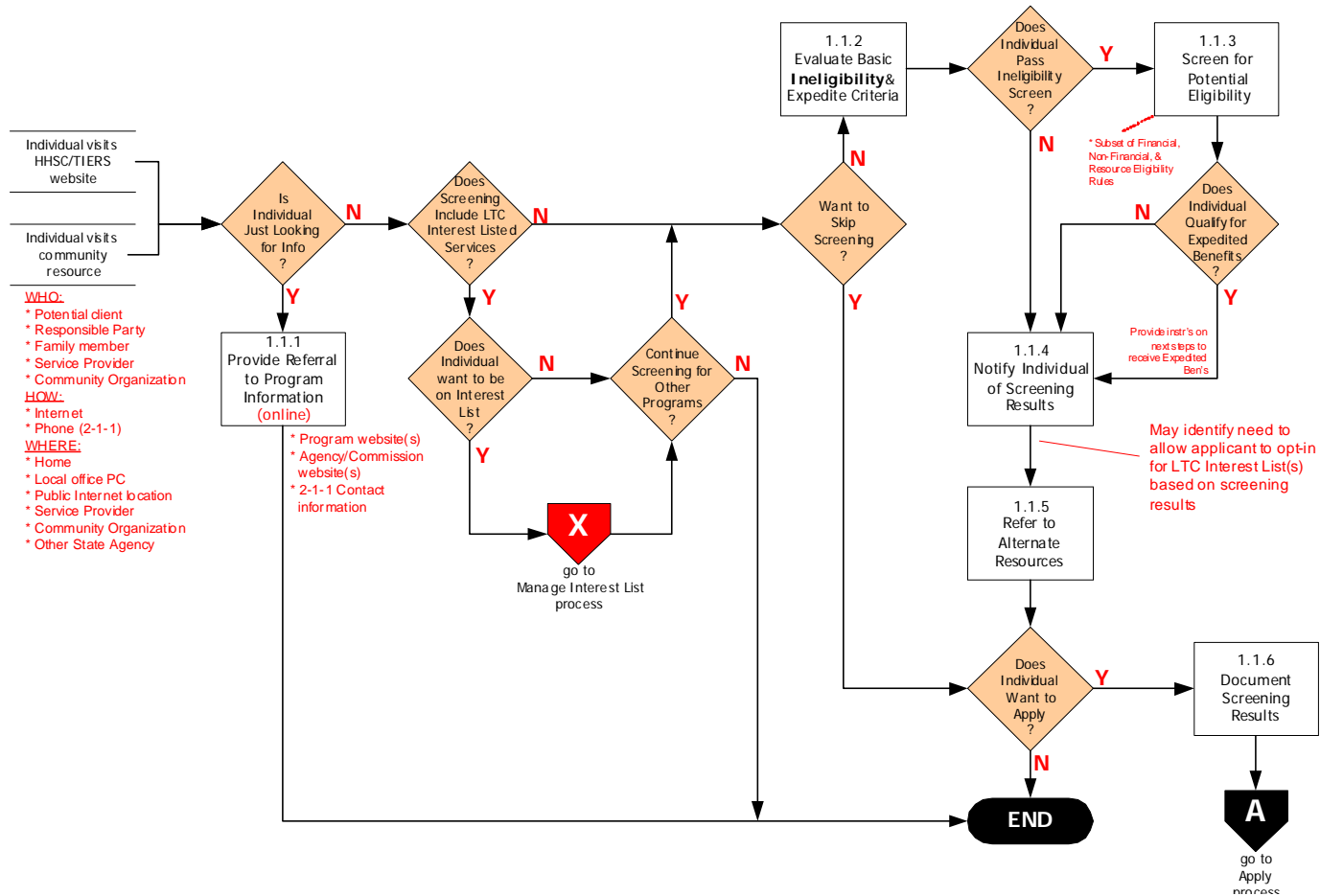


Figure 4 describes the time involved in determining eligibility for various transaction types, by program. Costs are assigned based on how advisors spend their time rather than on cost by type of expense (e.g., salaries vs. overhead). It is important to note that the data supporting the calculations were taken from pre-TIERS time studies performed and reported by the Management Analysis Unit within the Office of Planning, Evaluation, and Project Management. The full report is available upon request from the Management Analysis Unit.

## APPENDIX B – PROPOSED BUSINESS PROCESS REDESIGN

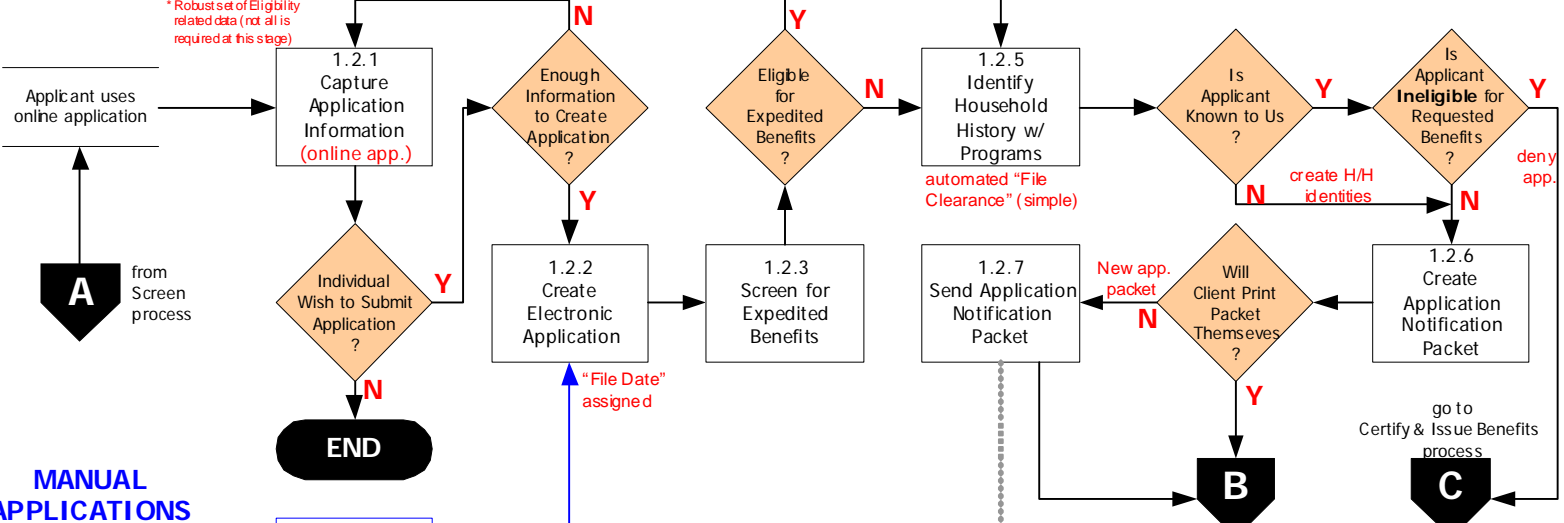
The diagrams below illustrate how the State could serve its clients under the proposed model. These business processes are fundamentally different from the processes of today and involve several new resources that are presented in the Business Case. Further, these business processes assume that all other required assumptions regarding resources or policy changes will be realized.



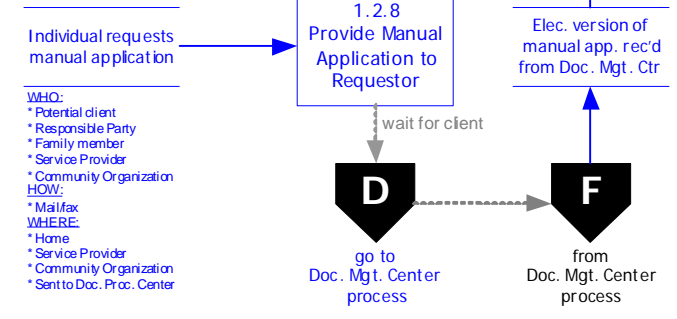
### 1.1 SCREEN

# 1.2 APPLY

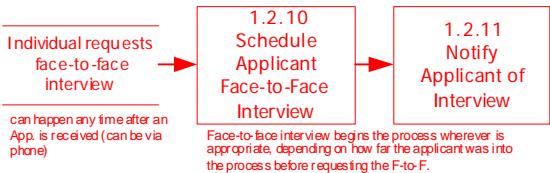
## ONLINE APPLICATIONS



## MANUAL APPLICATIONS



- WHO:
- \* Potential client
  - \* Responsible Party
  - \* Family member
  - \* Service Provider
  - \* Community Organization
- HOW:
- \* Mail/Max
- WHERE:
- \* Home
  - \* Service Provider
  - \* Community Organization
  - \* Sent to Doc. Proc. Center

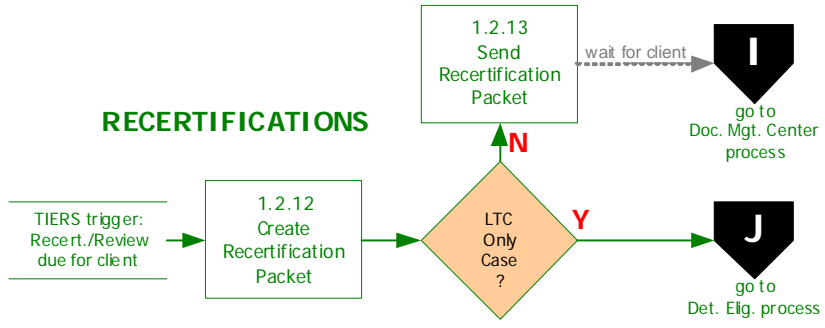


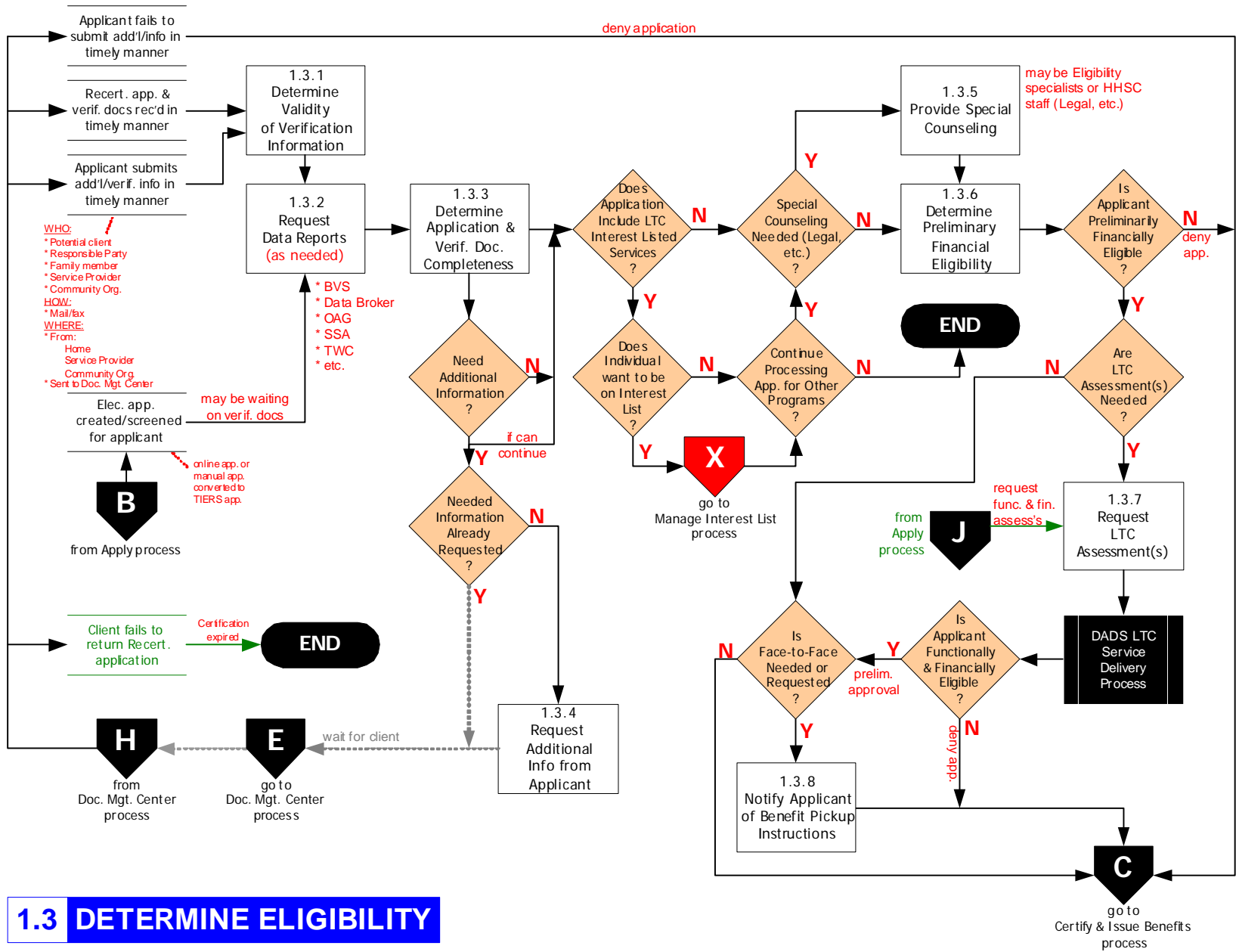
## FACE-TO-FACE INTERVIEW REQUEST

can happen any time after an App. is received (can be via phone)

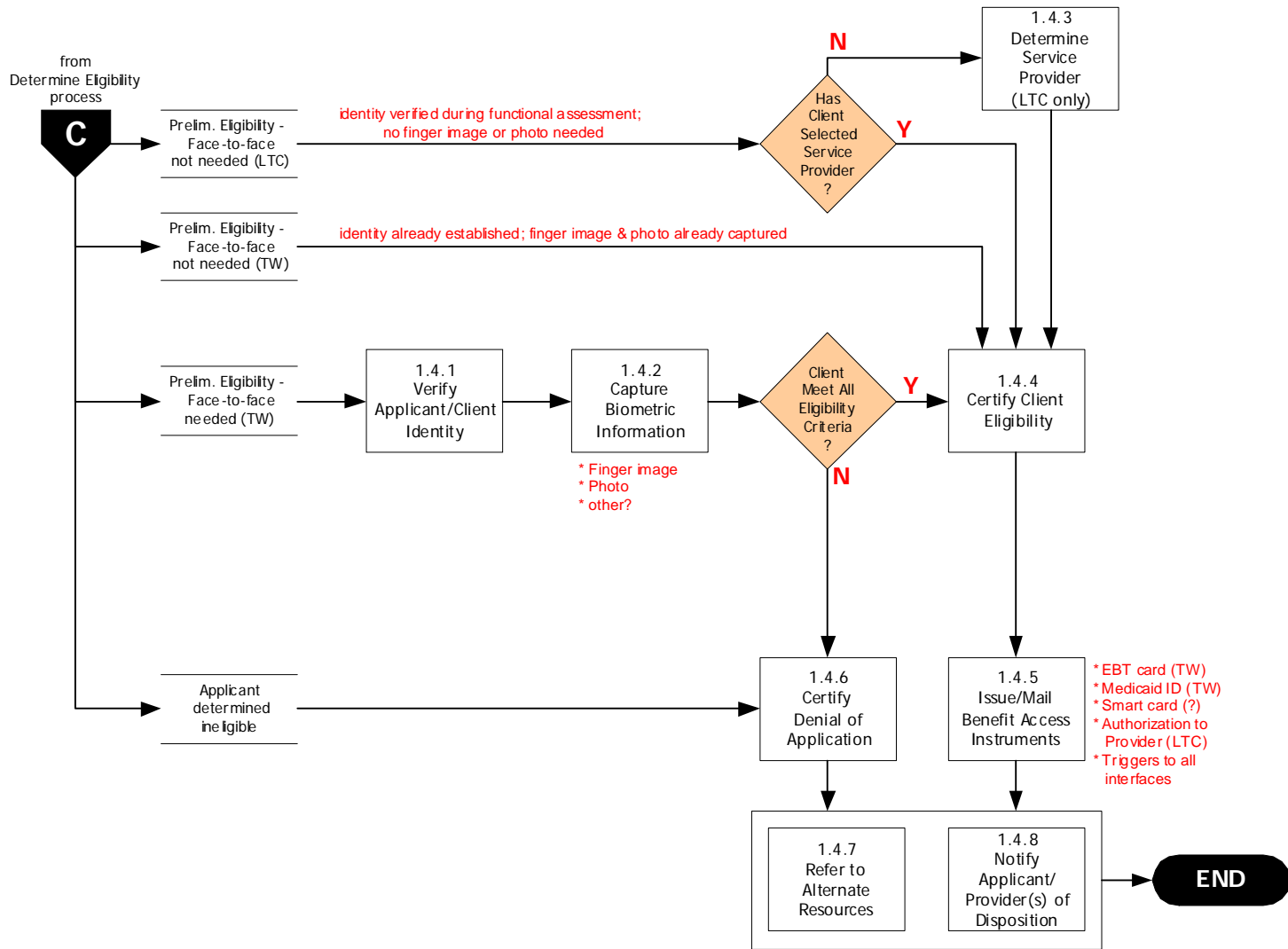
Face-to-face interview begins the process wherever is appropriate, depending on how far the applicant was into the process before requesting the F-to-F.

## RECERTIFICATIONS

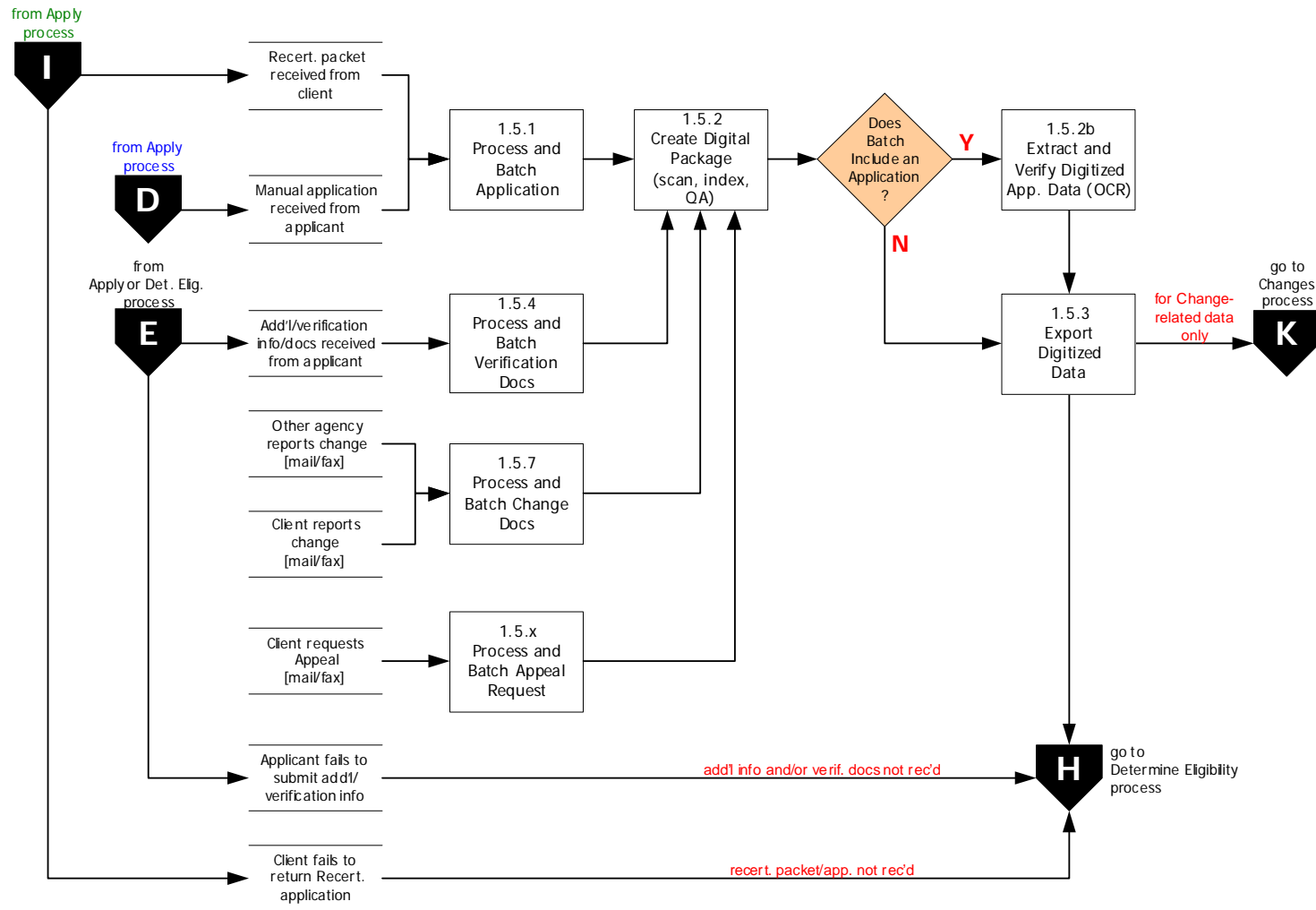




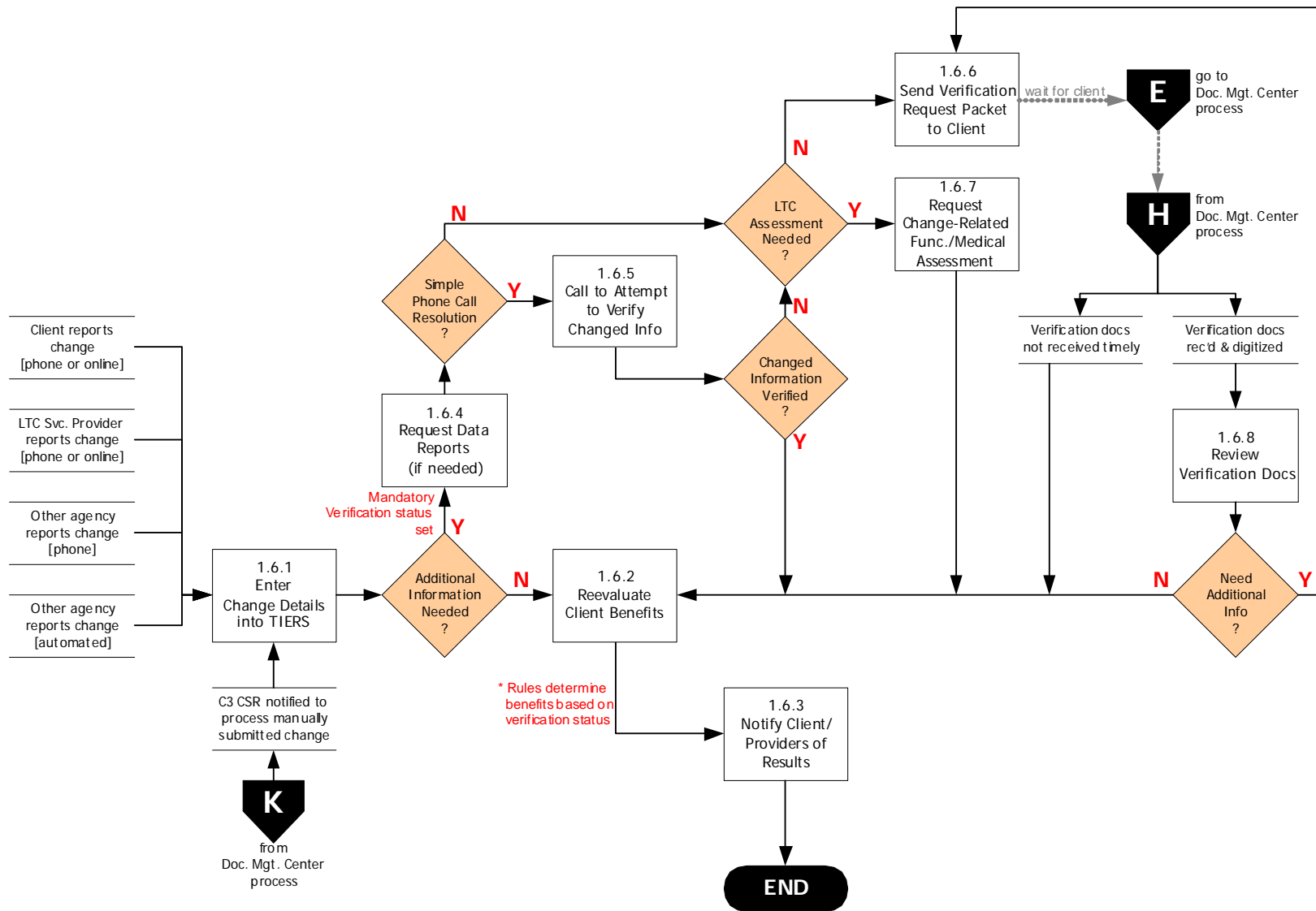




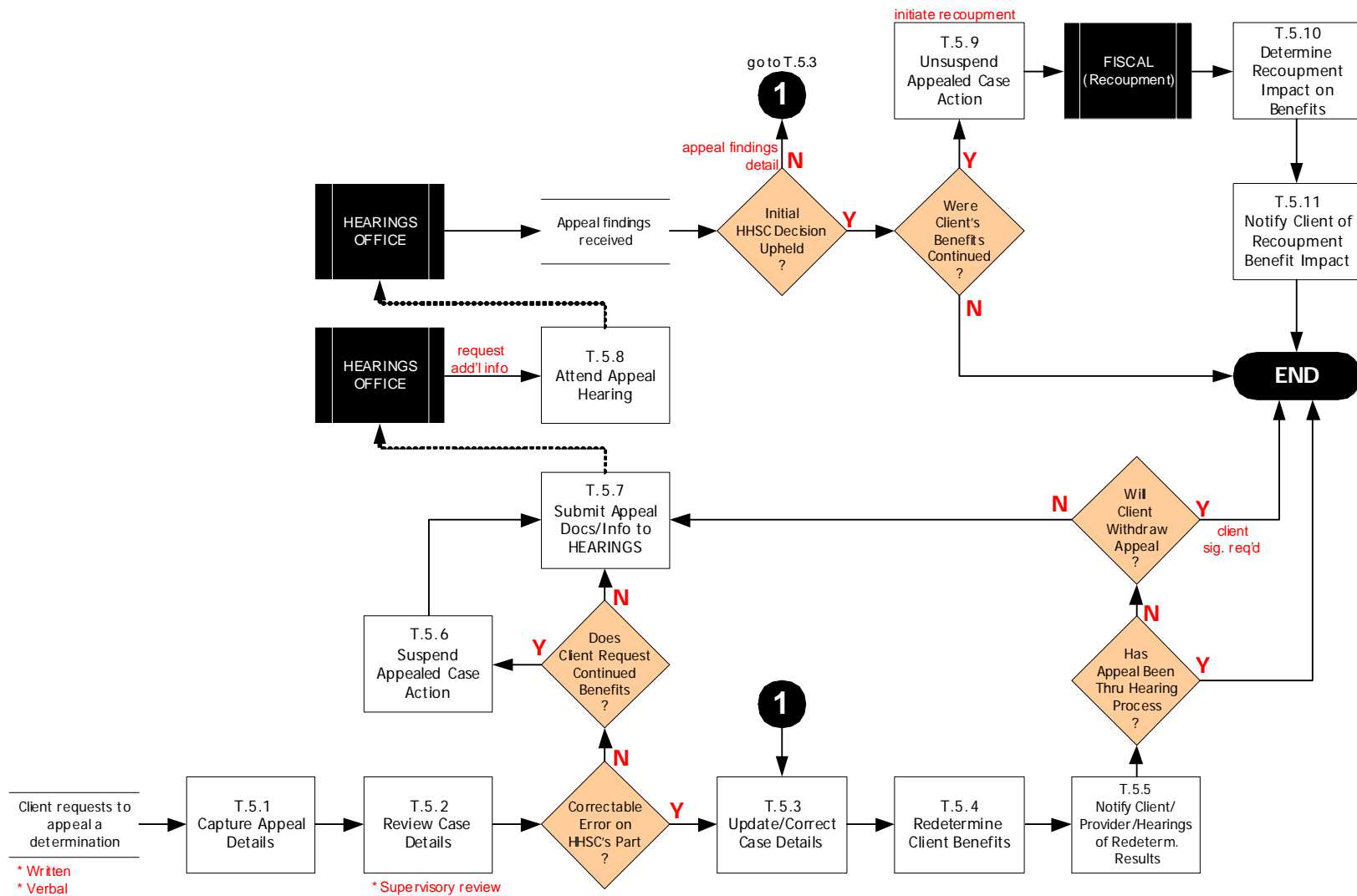
## 1.4 CERTIFY & ISSUE BENEFIT INSTRUMENTS



**1.5 PROCESS MANUAL/ELECTRONIC DOCUMENTS**



**1.6 CHANGES**



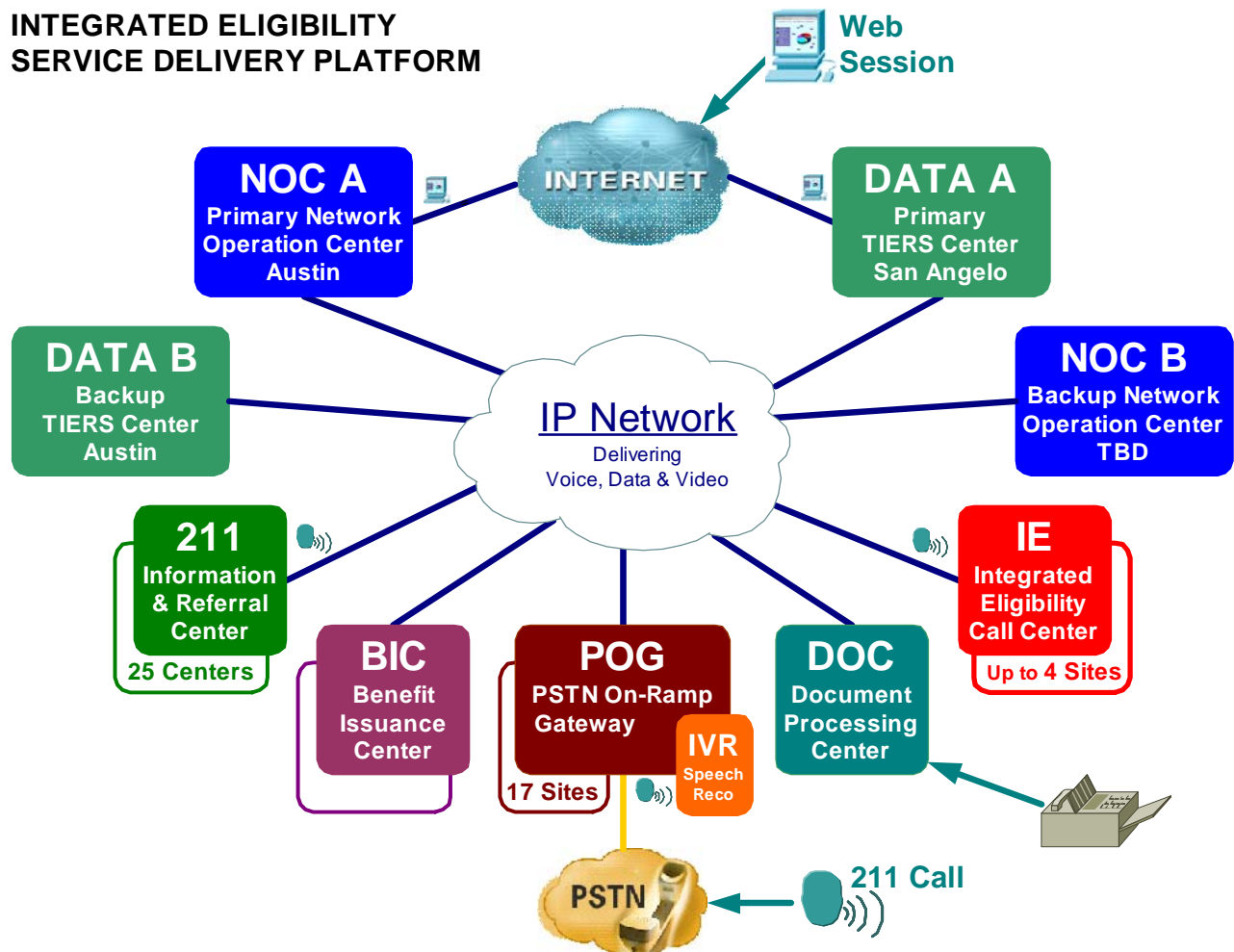
## 1.7 APPEALS

## APPENDIX C – PROPOSED TECHNICAL ARCHITECTURE

The diagram below illustrates how the proposed technical architecture would support the Business Case with the capabilities it offers. Among the benefits and capabilities of the proposed architecture are:

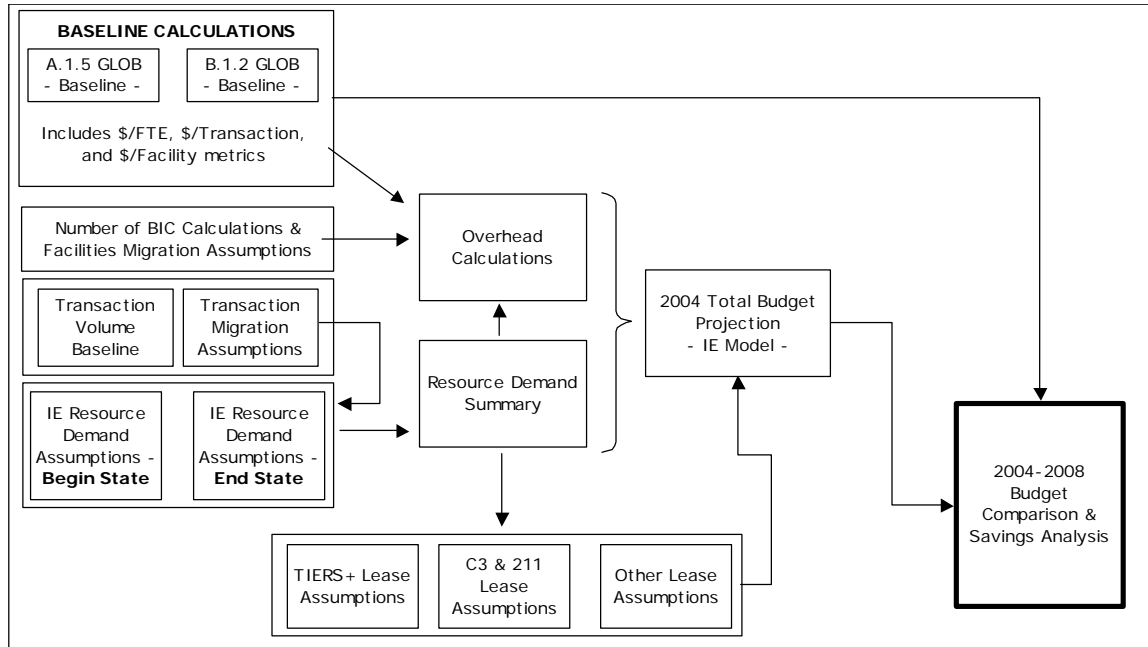
- ◆ Improved access to the system via a number of other technologies, including the Internet and phone;
- ◆ Ability to leverage other State assets, which increases the value of State’s infrastructure (e.g., 2-1-1);
- ◆ Better capability to enact quality assurance programs and incorporate continuous improvement efforts;
- ◆ Flexibility in staffing, thus allowing for cross-training of staff;
- ◆ Adaptable platform for adjusting to changing business requirements and processes; and,
- ◆ Ability to outsource and scale as necessary.

### INTEGRATED ELIGIBILITY SERVICE DELIVERY PLATFORM



## APPENDIX D – METHOD USED TO MODEL FUTURE COSTS

The diagram below depicts the components of the financial model that is used to project future costs, investment requirements, and staffing needs. The overall approach was to determine a baseline budget and transaction volume, and then develop a projected budget to compare against the baseline in order to determine potential savings. The method for determining the projected costs is described, along with each component of the model, below:



- ◆ **Baseline budgets:** With data from the Office of Budget and Data Management from the Department of Human Services, a baseline budget for 2004 – 2008 was estimated. The appropriated budget for 2004 is known, and 2005 was estimated with reasonable certainty. The budget for 2005 was then extended through 2008 as the baseline. However, the money associated with certain line items in both the 2004 and 2005 budgets had to be reallocated to isolate certain staff and overhead items that cannot be affected by this project (e.g., hospital-based staff).
- ◆ **Transaction volume baseline:** The model uses actual transaction counts (case actions) from 2003, rather than “case loads,” in order to develop a more accurate demand forecast by type of transaction (e.g., application). The model assumes no growth or decline in transactions. Therefore, the number of transactions in 2003 is forecasted through 2008. This assumption has significant operational and financial implications, but was made because there is no accurate means of forecasting them. Additionally, it could be argued that transaction volume may drop under certain conditions that cannot be predicted. If the number of transactions continues to increase, additional resources would be necessary to fulfill client demands.
- ◆ **Transaction migration assumptions:** The timeline for migrating transactions is driven primarily by HB 2292 and triggers the subsequent migration of field offices and staff.
- ◆ **Integrated eligibility process and resource assumptions for Beginning- and End-state:** The main purpose of the financial model is to determine savings and investment requirements under the new, converged call center model. A secondary purpose is to aid the Business Process Team in evaluating their assumptions about the future processes. Analyzing field office labor is central to both tasks and accounts for over 50 percent of the operating budget. As such, the model contains several tables designed to break down the business processes and activities within each process so that resource demands can be estimated for each business activity in the proposed model.

- ◆ **Resource demand summary:** This table computes the total resources required of the proposed model and is driven by the business process assumptions. In turn, the resource loads in this table drive the direct and indirect operating costs within the projected budget. Lease requirements are also driven, in part, by the amount of resources required.
- ◆ **Facilities (field office) migration assumptions:** The rate at which field offices are closed or converted to Benefit Issuance Centers (BIC) is an independent assumption, but considers the rate at which cases are migrated to the proposed model. This is due, in part, to the fact that field office decisions must be made on a case-by-case basis and cannot be generalized. Thus, in the absence of these decisions, the financial model makes projections based on land geography, assumptions about the desired distance of travel for clients, and the rate of case migration. The number of field offices drives certain overhead costs in the model.
- ◆ **Overhead calculations:** Through intensive data analysis, overhead is broken-down into components that are driven by one of four variables: the number of FTEs, field offices, transactions, or other. As these variables scale up or down with the Business Case, so do the associated overhead components by proportional amounts. The Business Case assumes overhead for three (3) call centers.
- ◆ **Capital & Lease – TIERS Platform:** This table contains the marginal cost of extending TIERS to meet the business requirements of the proposed model. The majority of cost is associated with software development, which is difficult to accurately project.
- ◆ **Leases – C3 and 2-1-1:** This table accounts for the cost of implementing one or more C3 facilities and expanding 2-1-1 as necessary. The primary inputs for this table are the resource demand requirements calculated earlier in the model.
- ◆ **Leases – Other:** Certain implementation costs, such as capacity building for community organizations, are estimated in this table.
- ◆ **Projected budget:** This is the aggregation of all other tables into a familiar budget format. It shows the projected operating costs, which include the lease requirements over the next five years.
- ◆ **Budget comparison and savings analysis:** This table compares the projected budget with the baseline budget in order to determine cost savings and lease requirements.

The actual contents of the model can be found in a separate document titled *IE\_BusinessCase\_FinancialModel.pdf*. Due to technical limitations, only partial components of the model can be included in this report.

## APPENDIX E – FINANCIAL MODEL ASSUMPTIONS & PROJECTIONS

### A. Proposed Transaction Migration Timeline

The table below reflects the assumptions driving the migration of transactions (cases) into the proposed model. The timeline is primarily driven by the requirements of HB 2292.

Number of Transactions in IE Model ( <i>Fiscal Year</i> )											
<b>Transaction Type</b>	<b>Q1 04</b>	<b>Q2 04</b>	<b>Q3 04</b>	<b>Q4 04</b>	<b>Q1 05</b>	<b>Q2 05</b>	<b>Q3 05</b>	<b>Q4 05</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Applications	-	-	-	-	-	289,819	724,547	966,063	3,864,250	3,864,250	3,864,250
Recertifications	-	-	-	-	276,245	552,489	828,734	1,104,979	4,419,915	4,419,915	4,419,915
Changes	-	-	-	-	303,805	607,609	911,414	1,215,219	4,860,874	4,860,874	4,860,874
Appeals	-	-	-	-	-	2,161	5,402	7,202	28,808	28,808	28,808
Quality Assurances	-	-	-	-	-	14,491	36,227	48,303	193,213	193,213	193,213

Number of Transactions in SAVERR Model ( <i>Fiscal Year</i> )											
<b>Transaction Type</b>	<b>Q1 04</b>	<b>Q2 04</b>	<b>Q3 04</b>	<b>Q4 04</b>	<b>Q1 05</b>	<b>Q2 05</b>	<b>Q3 05</b>	<b>Q4 05</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Applications	966,063	966,063	966,063	966,063	966,063	676,244	241,516	-	-	-	-
Recertifications	1,104,979	1,104,979	1,104,979	1,104,979	828,734	552,489	276,245	-	-	-	-
Changes	1,215,219	1,215,219	1,215,219	1,215,219	911,414	607,609	303,805	-	-	-	-
Appeals	7,202	7,202	7,202	7,202	7,202	5,041	1,801	-	-	-	-
Quality Assurances	48,303	48,303	48,303	48,303	48,303	33,812	12,076	-	-	-	-



## B. Resource Demands

Resource	Unit	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
Internet	Sessions	-	-	-	-	-	138,192	1,081,302	3,175,535	25,864,254	25,864,254	25,864,254
	Page Views (#/ss'n)	4.0	-	-	-	-	552,768	4,325,208	12,702,141	103,457,017	103,457,017	103,457,017
C3 - Mail (Doc. Center)	INBOUND Pages	-	-	-	-	3,612,709	9,153,187	16,110,144	21,784,081	90,149,313	90,149,313	90,149,313
	OUTBOUND Pages	-	-	-	-	4,201,317	11,399,055	19,406,742	24,894,506	96,034,232	96,034,232	96,034,232
C3 - Fax (Doc. Center)	Pages	-	-	-	-	7,814,026	20,552,242	35,516,886	46,678,588	186,183,546	186,183,546	186,183,546
	Pages	-	-	-	-	382,679	2,995,488	6,232,974	8,262,371	29,222,902	29,222,902	29,222,902
IVR via 2-1-1	Calls	-	-	-	-	1,546,588	4,068,683	7,166,317	9,828,469	39,169,914	39,169,914	39,169,914
	Hours (@ X min/call)	3.0	-	-	-	77,329	203,434	358,316	491,423	1,958,496	1,958,496	1,958,496
C3 - CSR	Calls	-	-	-	-	225,341	668,303	1,080,723	1,227,643	4,175,888	4,175,888	4,175,888
	Phone Hours (min/call) <sup>1</sup>	7.0	-	-	-	26,290	77,969	126,084	143,225	487,187	487,187	487,187
	Phone FTEs (hrs/wk) <sup>2</sup>	32.0	-	-	-	68	203	328	373	317	317	317
	C3-Phone Demand (FTEs)	-	-	-	-	68	203	328	373	317	317	317
	Resource GAP (Qtrs Delayed)	-	-	-	-	-	-	-	-	-	-	-
	Staff Hours	-	-	-	-	32,836	106,730	266,509	486,191	2,205,920	2,205,920	2,205,920
	Staff FTEs (hrs/wk) <sup>2</sup>	32.0	-	-	-	86	278	694	1,266	1,436	1,436	1,436
	C3-Staff Demand (FTEs)	-	-	-	-	86	278	694	1,266	1,436	1,436	1,436
	Resource GAP (Qtrs Delayed)	-	-	-	-	-	-	-	-	-	-	-
	I&R Agent	Calls	-	-	-	-	166,416	371,445	555,707	639,999	2,559,996	2,559,996
Hours (min/call) <sup>1</sup>	7.0	-	-	-	-	19,415	43,335	64,832	74,667	298,666	298,666	298,666
	FTEs (hrs/wk) <sup>2</sup>	32.0	-	-	-	51	113	169	194	194	194	194
I&R Agent Demand (FTEs)	-	-	-	-	51	113	169	194	194	194	194	
Resource GAP (Qtrs Delayed)	-	-	-	-	-	-	-	-	-	-	-	-
Comm Orgs & Svc Pros	Minutes	-	-	-	-	1,153,321	2,999,086	7,211,170	11,840,513	60,172,897	60,172,897	60,172,897
	Hours	-	-	-	-	19,222	49,985	120,186	197,342	1,002,882	1,002,882	1,002,882
	Volunteer FTEs (hrs/wk)	32.0	-	-	-	48	125	300	493	627	627	627
	Volunteer Demand (FTEs)	-	-	-	-	48	125	300	493	627	627	627
	Resource GAP (Qtrs Delayed)	-	-	-	-	-	-	-	-	-	-	-
BIC Agent	Minutes	-	-	-	-	7,494,853	36,840,928	56,565,613	42,592,919	75,616,664	75,616,664	75,616,664
	Hours	-	-	-	-	124,914	614,015	942,760	709,882	1,260,278	1,260,278	1,260,278
	FTEs (hrs/wk) <sup>2</sup>	32.0	-	-	-	325	1,599	2,455	1,849	820	820	820
	Additional FTEs to fill GAPs above	-	-	-	-	-	-	-	-	-	-	-
	Total Field Office FTEs	-	-	-	-	325	1,599	2,455	1,849	820	820	820
TIERS	Transaction	-	-	-	-	4,697,504	13,729,848	24,781,545	33,118,343	128,719,948	128,719,948	128,719,948

Continued on next page

**Field Office FTE Count under SAVERR Model<sup>3,4</sup>**

FTEs for Applications (mins per app)	59	2,262	2,262	2,262	2,262	2,257	1,583	565	-	-	-	-
FTEs for Recertifications (mins per recert)	52	2,280	2,280	2,280	2,280	1,710	1,140	570	-	-	-	-
FTEs for Changes (mins per chg)	40	1,932	1,932	1,932	1,932	1,449	966	483	-	-	-	-
FTEs for Appeals (mins per appeal)	80	23	23	23	23	23	16	6	-	-	-	-
FTEs for QA (mins per QA)	60	115	115	115	115	115	81	29	-	-	-	-
Estimate for Support/Admin FTEs	10%	735	735	735	735	617	421	184	-	-	-	-
Total FTEs under SAVERR Model		7,347	7,347	7,347	7,347	6,171	4,207	1,837	-	-	-	-

**Field Office Count (under both Models)**

C3 Staff (IE Model)	-	-	-	-	-	154	481	1,022	1,639	1,753	1,753	1,753
Field Office (BIC & Support/Admin in IE Model)	-	-	-	-	-	379	1,830	2,841	2,236	1,106	1,106	1,106
Field Office (SAVERR Model)		7,347	7,347	7,347	7,347	6,171	4,207	1,837	-	-	-	-
Total		7,347	7,347	7,347	7,347	6,704	6,518	5,701	3,875	2,860	2,860	2,860
Field Office Staff Reductions for the Period		-	-	-	-	797	513	1,359	2,442	1,130	-	-
Cumulative Field Staff Reduction		-	-	-	-	797	1,310	2,669	5,111	6,240	6,240	6,240
<b>Net Staff Reduction</b>		-	-	-	-	<b>643</b>	<b>829</b>	<b>1,646</b>	<b>3,471</b>	<b>4,487</b>	<b>4,487</b>	<b>4,487</b>

**NOTES:**

1 - 7 minutes per call is conservative, based on the tasks being handled. Note that the average *inbound* call length is under 4 minutes for 2-1-1 and under 5 minutes for TWC.

2-1-1 data was analyzed for the week of Feb 2, 2004 for three 2-1-1 centers in Austin, Ft. Worth, and Tip of Texas.

It should be noted that the Ft. Worth center also provides benefits counseling for Area Agency on Aging.

TWC data was taken from tele-center ACDs for the period from March 1, 2003 through Feb 29, 2004.

2 - Productivity is assumed to be 80%, which yields 32 hours of productive work during a 40-hour week.

3 - This is an estimate based on 1:10 ratio of support/admin personnel to staff workers.

4 - The average time to process an application, recert, etc. is used here to yield a match with the FTE count shown in the baseline.

In this way, the model can logically project the number of FTEs needed as case actions (transactions) are moved out of the SAVERR model.

The times are approximated based on the analysis published in the Discovery report.

That data was taken from the Work Measurement Time Studies for Texas Works and LTC. Accordingly, the data was

weighted based on the ratio of Texas Works transactions to those in LTC and then adjusted slightly to yield a matching number of FTEs in the current budget.

### C. Field Office Reductions

The table below contains the assumptions made regarding facility reductions. Translating the high-level assumptions contained in this table into specific recommendations will require additional consideration by management.

#### TEXAS WORKS

Field Office Type	Number <sup>1,2,3</sup>	FISCAL YEAR										
		Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
<b>Offices paying rent</b>	187											
Nbr at beginning of period		187	187	187	187	178	160	144	123	104	95	95
Percent consolidated per period		0%	0%	0%	5%	10%	10%	15%	15%	9%	0%	0%
Nbr at end of period		187	187	187	178	160	144	123	104	95	95	95
Cost (\$/yr in 000s)	\$ 46,768	\$ 2,191,408	\$ 2,191,408	\$ 2,191,408	\$ 2,081,838	\$ 1,873,654	\$ 1,686,289	\$ 1,433,345	\$ 1,218,343	\$ 4,434,770	\$ 4,434,770	\$ 4,434,770
<b>Offices with 0-rent</b>	75											
Nbr at beginning of period		75	75	75	75	60	45	34	25	19	17	17
Percent consolidated per period		0%	0%	0%	20%	25%	25%	25%	12%	0%	0%	0%
Nbr at end of period		75	75	75	60	45	34	25	19	17	17	17
Cost (\$/yr in 000s)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Hospital-based</b>	211											
Nbr at beginning of period		211	211	211	211	211	211	211	211	211	211	211
Percent change		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Nbr at end of period		211	211	211	211	211	211	211	211	211	211	211
SUB-TOTAL FIELD OFFICES - Tx Works		262	262	262	238	205	178	148	123	112	112	112
SUB-TOTAL INCLUDING HOSPITAL BASED		473	473	473	449	416	389	359	334	323	323	323
COST		2,191,408	2,191,408	2,191,408	2,081,838	1,873,654	1,686,289	1,433,345	1,218,343	4,434,770	4,434,770	4,434,770

#### LONG TERM CARE

Field Office Type	Number	FISCAL YEAR										
		Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
<b>Offices paying rent</b>	94											
Nbr at beginning of period		94	94	94	94	89	80	72	61	52	47	47
Percent consolidated per period		0%	0%	0%	5%	10%	10%	15%	15%	9%	0%	0%
Nbr at end of period		94	94	94	89	80	72	61	52	47	47	47
Cost (\$/yr in 000s)	\$ 36,853	\$ 862,116	\$ 862,116	\$ 862,116	\$ 819,010	\$ 737,109	\$ 663,398	\$ 563,888	\$ 479,305	\$ 1,744,670	\$ 1,744,670	\$ 1,744,670
<b>Offices with 0-rent</b>	25											
Nbr at beginning of period		25	25	25	25	20	15	11	8	6	6	6
Percent consolidated per period		0%	0%	0%	20%	25%	25%	25%	12%	0%	0%	0%
Nbr at end of period		25	25	25	20	15	11	8	6	6	6	6
Cost (\$/yr in 000s)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Hospital-based</b>	211											
Nbr at beginning of period		211	211	211	211	211	211	211	211	211	211	211
Percent change		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Nbr at end of period		211	211	211	211	211	211	211	211	211	211	211
SUB-TOTAL FIELD OFFICES - LTC		119	119	119	109	95	83	70	58	53	53	53
SUB-TOTAL INCLUDING HOSPITAL BASED		211	211	211	211	211	211	211	211	211	211	211
COST		862,116	862,116	862,116	819,010	737,109	663,398	563,888	479,305	1,744,670	1,744,670	1,744,670

#### SUMMARY

	FISCAL YEAR											
	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008	
BASELINE FIELD OFFICES	381	381	381	381	381	381	381	381	381	381	381	381
Beginning Number of Field Offices	381	381	381	381	347	300	261	218	182	164	164	164
Reduction per Period	-	-	-	34	47	39	44	36	17	-	-	-
<b>Total Field Offices</b>	<b>381</b>	<b>381</b>	<b>381</b>	<b>347</b>	<b>300</b>	<b>261</b>	<b>218</b>	<b>182</b>	<b>164</b>	<b>164</b>	<b>164</b>	<b>164</b>
Cumulative Reduction	-	-	-	34	81	120	163	199	217	217	217	217

#### NOTES:

1 - The target number of Field Offices is determined on a separate tab (Nbr of BICs).

The resulting optimal number of BICs, as derived in that tab, is used to determine the number of Field Offices remaining after consolidation.

It is assumed that Field Offices would be converted to BICs.

2 - Facilities costs for the proposed C3 would be additional to these costs, which only cover existing Field Offices. C3 Facilities costs are calculated in Overhead.

3 - There are 381 non-hospital facilities that house either Texas Works or LTC programs. The exact split between programs is approximated here.

The assumed split across programs will not have a material impact on overall savings. It should also be noted that only

281 of the 381 field offices pay rent, and 151 of the 181 are known to be 'stand alone' (not co-located). This analysis is based on data received from the Discovery Report.

This analysis accounts for the fact that 'free' field offices may be closed, which would not generate savings from rent.

## D. Overhead Projections

Presented below is a *partial* snapshot through 2006. The full table can be found in *IE\_BusinessCase\_FinancialModel.pdf*.

STANDARD OVERHEAD ITEMS FROM THE BASELINE BUDGET												
Overhead Item	% Driven by:	%	04 Baseline	05 Baseline	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
Fuels and Lubricants	FTEs	100.0%	22,756	22,595	5,689	5,154	5,011	4,383	2,980	8,795	8,795	8,795
Consumable Supplies	Transactions	100.0%	1,824,531	1,811,878	456,133	452,970	452,970	452,970	452,970	1,811,878	1,811,878	1,811,878
Utilities	Fld Offices	100.0%	3,594,069	3,564,007	818,217	702,173	610,908	508,748	424,543	1,538,234	1,538,234	1,538,234
Travel	FTEs	100.0%	2,531,295	2,491,861	632,804	568,412	552,651	483,361	328,592	969,949	969,949	969,949
Rent - Machine and Other	Fld Offices	100.0%	1,421,935	1,410,214	323,714	277,837	241,725	201,303	167,984	608,652	608,652	608,652
Professional Fees and Services	FTEs	33.0%	9,295,670	9,345,075	766,869	703,455	683,949	598,197	406,659	1,200,389	1,200,389	1,200,389
	Fld Offices	18.0%			380,921	331,406	288,332	240,115	200,373	726,004	726,004	726,004
	Transactions	1.0%			23,239	23,363	23,363	23,363	23,363	93,451	93,451	93,451
	Fixed	48.0%			1,115,480	1,121,409	1,121,409	1,121,409	1,121,409	4,485,636	4,485,636	4,485,636
Other Operating Expense	FTEs	33.0%	27,009,832	26,953,116	2,228,241	2,028,909	1,972,650	1,725,324	1,172,888	3,462,168	3,462,168	3,462,168
	Fld Offices	18.0%			1,106,818	955,843	831,608	692,541	577,916	2,093,945	2,093,945	2,093,945
	Transactions	1.0%			67,525	67,383	67,383	67,383	67,383	269,531	269,531	269,531
	Fixed	48.0%			3,241,180	3,234,374	3,234,374	3,234,374	3,234,374	12,937,496	12,937,496	12,937,496
<b>TOTAL OVERHEAD PROJECTED</b>					<b>11,166,830</b>	<b>10,472,688</b>	<b>10,086,333</b>	<b>9,353,470</b>	<b>8,181,432</b>	<b>30,206,129</b>	<b>30,206,129</b>	<b>30,206,129</b>

ADDITIONAL OVERHEAD ITEMS FROM THE IE EFFORT											
Overhead Item	Driven by:	\$/Unit	Note	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
C3 Facilities for C3 Staff <sup>2</sup>	C3 FTEs	\$ 1,300	per yr	-	50,041	156,321	332,273	532,709	2,279,322	2,279,322	2,279,322
C3 Support: Phone staff <sup>3</sup>	C3 Phone FTEs	\$ 18	per mth	-	4,621	13,966	25,226	33,815	130,552	130,552	130,552
C3 Support: Back-office	C3 Back-office FTEs	\$ 13	per mth	-	3,335	10,840	27,067	49,379	224,039	224,039	224,039
BIC Support: Agents	BIC FTEs	\$ 18	per mth	-	17,566	86,346	132,576	99,827	177,227	177,227	177,227
IE TEX-AN Network Increase <sup>4</sup>	Agents (C3 & 211)	\$ 390,000	per mth	100,000	468,000	702,000	1,170,000	1,170,000	4,680,000	4,680,000	4,680,000
IE TEX-AN Network Mgmt	Scope	\$ 140,000	per mth	-	420,000	420,000	420,000	420,000	1,680,000	1,680,000	1,680,000
Long Distance (800 #)	# Calls	\$ 150,000	per mth	-	450,000	450,000	450,000	450,000	1,800,000	1,800,000	1,800,000
Outsourced 211 Agents <sup>5</sup>	Cost of 211 agent	\$ 25,600	per yr	-	323,587	722,254	1,080,540	1,244,443	4,977,771	4,977,771	4,977,771
Outsourced Doc Mgmt - Inbound <sup>6</sup>	Inbound Pages	\$ 0.13	per page	-	481,032	1,218,747	2,145,066	2,900,550	12,003,381	12,003,381	12,003,381
Outsourced Doc Mgmt - Faxes	Inbound Pages	\$ 0.07	per page	-	26,788	209,684	436,308	578,366	2,045,603	2,045,603	2,045,603
Internal Doc Mgmt - Outbound <sup>7</sup>	Outbound Pages	\$ 0.07	per page	-	294,092	797,934	1,358,472	1,742,615	6,722,396	6,722,396	6,722,396
Mgmt of Community Orgs <sup>8</sup>	Hrs of Work	\$ 3.00	per hr	-	57,666	149,954	360,558	592,026	3,008,645	3,008,645	3,008,645
Public Education & Marketing <sup>9</sup>	#Impressions per New App	\$ 5.00	@ \$50/CPM	-	241,516	241,516	241,516	241,516	966,063	966,063	966,063
Annual H/W & S/W Fees for C3	Cost of H/W & S/W	13,618,251	@ 15%	-	-	-	-	2,042,738	2,042,738	2,042,738	2,042,738
Wireless 2-1-1 Access <sup>10</sup>	# Calls	\$ 20,000	per mth	-	60,000	60,000	60,000	60,000	240,000	240,000	240,000
Contingency (Disaster)	C3 Facilities	10%		-	5,004	15,632	33,227	53,271	227,932	227,932	227,932
Lease/Rental Services Fee <sup>11</sup>				164,085	633,928	2,837,199	3,663,377	4,618,443	34,510,177	30,598,562	9,735,772
Total Additional Overhead from IE				264,085	3,537,175	8,092,391	11,936,206	16,829,698	77,715,845	73,804,230	52,941,439

### NOTES:

- The drivers of current overhead categories was derived by analyzing line item summaries of the 2003 actual expenditures.
- Facilities per FTE is calculated as follows: \$10/sq/yr, assuming 130 sf per FTE, equals \$1300/FTE/Yr, or \$108/FTE/month.
- Includes more than just C3 Phone-based FTEs. Includes 20% of C3 Back-office as well.
- Estimate based on network specifications that consider the number of FTEs, call centers, redundancy, and data volume.
- The salary of 211 staff was based on a TeleManagement Search (TMS) survey of 771 call centers in the U.S., combined with data from existing 211 operations. Salary is based on \$15/hr. In addition to salary, an allowance was made for facilities at a rate of \$10/sq/yr, assuming 130 sf per FTE. These costs will be passed to the state.
- This is a weighted-average cost based on the assumption that 17% of inbound docs are applications and recertifications docs, which contain data that needs to be captured (via OCR). This is more expensive process than simply scanning an image, which costs about \$0.10 per page. Using form 1010, an 8-page application for Texas Works, one vendor quoted \$2.36 to scan and OCR each field assuming a 5-person household. This comes out to approximately \$0.30 per page.
- The cost listed here represents labor only because the materials (paper) and postage are already in the baseline budget. Therefore, this cost really represents the labor involved in gathering the documents and putting them in envelopes, etc.
- The hourly rate for volunteers is not salary. It is a calculation based on approximately \$6,000 per volunteer that will be needed each year to cover marketing and outreach, as well as additional infrastructure that organizations may need (e.g. computers and internet access).
- "Impressions" is an advertising term used to measure the number of times clients are exposed to an advertising message. As a general rule, we assume a cost of \$50 per 1,000 impressions (CPM) to conduct a marketing campaign, which is standard for the industry.
- There is an ongoing fee for making the 2-1-1 service available to wireless users (e.g. those calling from a cell phone).
- The one-time expenses associated with the project would be paid for under an operating lease whereby the state would not take ownership of any assets.

## E. Lease Estimates

The lease estimates are shown through FY 2008 below. For a full description, see *IE\_BusinessCase\_FinancialModel.pdf*.

### LEASE ESTIMATES FOR DEVELOPMENT & IMPLEMENTATION (Fiscal Year)

	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
<b>One-Time Expenses to be Leased</b>											
<b>TIERS Platform</b>											
Platform Extensions	-	-	-	2,000,000	2,000,000	5,250,000	5,250,000	5,000,000	11,000,000	-	-
Implementation	-	-	-	600,000	2,143,454	1,243,454	3,300,000	3,300,000	900,000	-	-
<b>C3s &amp; 2-1-1</b>											
Design & Implementation	-	-	-	-	500,000	6,500,000	-	-	-	-	-
Hardware	-	-	-	-	-	13,618,251	-	-	-	-	-
Training	-	-	-	-	-	1,947,769	-	-	-	-	-
Facilities & Equipment	-	-	-	-	409,068	8,082,742	1,194,749	1,284,671	228,441	-	-
<b>Other</b>											
Personnel Severance	-	-	-	-	1,594,239	1,025,789	2,717,144	4,884,010	2,259,413	-	-
Public Education & Marketing	-	-	-	-	450,000	450,000	450,000	450,000	450,000	-	-
Transitional Development	-	-	-	-	-	500,000	500,000	500,000	2,000,000	2,000,000	-
Community Org Capacity Building	-	-	-	-	24,028	62,481	150,233	246,677	313,401	313,401	313,401
Wireless 2-1-1 Access	-	-	-	-	500,000	-	-	-	-	-	-
Mobile Units	-	-	-	-	-	-	54,545	54,545	218,182	218,182	54,545
Facility Closing Costs	-	-	-	170,250	233,475	195,128	218,422	180,034	85,489	-	-
Amount to be Leased (36-mth period) <sup>1</sup>	-	-	-	2,501,738	9,665,209	43,257,492	55,853,855	70,415,329	86,379,663	86,551,441	27,538,714
Full Lease Payments (3-yr term)	-	-	-	218,781	845,237	3,782,932	4,884,502	6,157,924	30,537,834	30,598,562	9,735,772
Lease Payments during Pilot <sup>2</sup>	-	-	-	164,085	633,928	2,837,199	3,663,377	4,618,443	-	-	-
Lease Payments Post-Pilot	-	-	-	-	-	-	-	-	34,510,177	30,598,562	9,735,772
Total Lease Payments	-	-	-	164,085	633,928	2,837,199	3,663,377	4,618,443	34,510,177	30,598,562	9,735,772

**NOTES:**

1 - The one-time expenses associated with the project would be paid for under an operating lease whereby the state would not take ownership if any assets.

2 - Lease payments are reduced until system has completed pilot and is proven operational. After the pilot, the lease payments will be brought up to date.

## F. Projected Budget for 2004-2008

PROJECTED BUDGET FOR IE MODEL	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05	2006	2007	2008
Field Office Salaries	53,024,138	53,024,138	48,472,778	47,128,701	41,219,811	28,021,524	82,714,864	82,714,864	82,714,864
Prof Fees & Services	2,323,894	2,286,510	2,179,633	2,117,053	1,983,084	1,751,803	6,505,480	6,505,480	6,505,480
Facilities	3,053,524	2,900,848	2,610,763	2,349,687	1,997,234	1,697,649	6,179,441	6,179,441	6,179,441
Utilities	898,517	818,217	702,173	610,908	508,748	424,543	1,538,234	1,538,234	1,538,234
Consumable Supplies	456,133	456,133	452,970	452,970	452,970	452,970	1,811,878	1,811,878	1,811,878
Travel	632,804	632,804	568,412	552,651	483,361	328,592	969,949	969,949	969,949
Rent - Machine/Other	355,484	323,714	277,837	241,725	201,303	167,984	608,652	608,652	608,652
Other Op Expenses	6,758,077	6,649,453	6,291,663	6,111,026	5,724,005	5,055,540	18,771,935	18,771,935	18,771,935
<b>Additional Op Expenses from IE</b>	<b>-</b>	<b>264,085</b>	<b>3,537,175</b>	<b>8,092,391</b>	<b>11,936,206</b>	<b>16,829,698</b>	<b>77,715,845</b>	<b>73,804,230</b>	<b>52,941,439</b>
Sub-total Operating Expense	67,502,570	67,355,900	65,093,403	67,657,112	64,506,721	54,730,303	196,816,278	192,904,663	172,041,872
<b>Adjustment for Benefits (28%)<sup>2</sup></b>	<b>14,846,759</b>	<b>14,846,759</b>	<b>13,572,378</b>	<b>13,196,036</b>	<b>11,541,547</b>	<b>7,846,027</b>	<b>23,160,162</b>	<b>23,160,162</b>	<b>23,160,162</b>
<b>TOTAL</b>	<b>82,349,328</b>	<b>82,202,659</b>	<b>78,665,781</b>	<b>80,853,148</b>	<b>76,048,268</b>	<b>62,576,330</b>	<b>219,976,440</b>	<b>216,064,825</b>	<b>195,202,034</b>
Baseline Number of FTEs	7,347	7,347	7,342	7,342	7,342	7,342	7,342	7,342	7,342
<b>Number of FTEs in IE Model</b>	<b>7,347</b>	<b>7,347</b>	<b>6,704</b>	<b>6,518</b>	<b>5,701</b>	<b>3,875</b>	<b>2,860</b>	<b>2,860</b>	<b>2,860</b>
FTE Reduction for the Period	-	-	643	186	817	1,825	1,015	-	-
Cumulative FTE Reduction	-	-	643	829	1,646	3,471	4,487	4,487	4,487

### NOTES:

1 - Field Office staff includes advisors, supervisors, and clerical. Does not include Hospital based or State Office.

The Functional Assessment staff (1,357 FTEs) within LTC have been omitted from the baseline entirely. Their salaries totaled approximately \$41 million.

2 - Percentage of salaries for Field Office and Other Personnel. Could be as high as 33%, depending on what is included in the Baseline budget.

If a higher percentage is used, it would increase the savings associated with each FTE reduction.

Therefore, to maintain a conservative position, this assumes the lowest known benefit rate.

3 - The cost for these items is either unknown, included in another program's budgets, and/or possibly included in Other Operating Expenses within this budget.

4 - TIERS Baseline budget is not included here. Therefore, this is not the total projected budget for the proposed IE Model.

A complete budget for the proposed IE Model (presented on a Fiscal Year), is shown in the "Savings Analysis" tab.

5 - The cost for this is calculated and accounted for in Additional Overhead.

## APPENDIX F – WHO HAS ACCESS TO THE INTERNET?

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This financial model assumes that 15% of new applications and changes will take place via the Internet. For accurate information about Internet and computer use it is critical to find the very latest information. A Harris poll found the total of adults online to be 56 percent in 1999; by 2002 that number had risen to 66 percent.<sup>12</sup> In March of 2004 Nielsen//NetRatings reported that nearly 75 percent of Americans have access to the Internet from home.<sup>13</sup>

Much of the data about computer and Internet use tracks the rate of increased use in various sectors of the population. In “A Nation Online: How Americans Are Expanding Their Use of the Internet,” September 2001 census data indicated two million new Internet users each month. The same report stated that Internet use was increasing for all people regardless of income, education, age, ethnicity, or gender.<sup>14</sup>

The very latest information about computer and Internet usage generally comes from organizations that do market research for Internet businesses. According to Plunkett Research, 72 percent of Americans surf the net on a regular basis.<sup>15</sup> And 6.4 million new high-speed Internet connections were made in 2002 for a total of 17.4 million high speed Internet connections in the US. By 2007 nearly 49 million high speed connections are projected.<sup>16</sup> Perhaps most surprising is that US Government websites attracted 38.3 million visitors in October of 2002 - more than either Google or Amazon.<sup>17</sup>

Current information specific to Texas Internet and computer use is more difficult to find. A June, 2000 report from the Telecommunications and Information Policy Institute (TIPI) at the University of Texas in Austin is referenced by almost all e-Government reports from the Texas Comptroller, Legislature and other State government sources. That report found that 67 percent of Texans sampled in 2000 used a computer and 60 percent used the Internet.<sup>18</sup> That is slightly higher than the national average at that time. Data from 2001 comparing the percent of households with computers in each state indicated that Texas was one percentage point lower than Pennsylvania, home of the COMPASS online eligibility screening and application system.

The TIPI report indicated that in 2000, people in Texas who did not have a home or work computer were most likely to go the libraries or schools to get access, rather than to malls or other community centers.<sup>19</sup> A national study reported that of the American adults online, 15% access the Internet from schools, libraries, cyber cafes, or other places.<sup>20</sup>

The TIPI study found that although computer and Internet use among Texans is high overall, older people, poorer people, and members of minority groups reported lower use of computers and the Internet.<sup>21</sup> Both the TIPI report and A Texas OnLine Survey of Texans in 2001 found that Internet use was roughly the same in rural and urban areas.<sup>22</sup> These same profiles are found in all national studies. In “A Nation Online”, the percentage of rural and urban Internet users was almost identical, but households with lower incomes and less education had significantly lower computer use. Asian Americans and Pacific Islanders had the highest use rate of Internet access of all races, followed by Whites, Blacks, and Hispanics.<sup>23</sup>

The gap does seem to be closing in many cases, however. A Nation Online also reported that between 1998 and 2001, Internet use by individuals in the lowest income households (\$15,000 and less) increased by 25 percent annually, compared to an 11 percent rate of increase for the highest income households. At the same time Internet use among Blacks and Hispanics increased at rates of 33 and 30 percent annually compared to 20 percent for whites.<sup>24</sup> Computers at schools were found to substantially narrow the gap in computer usage rates for children from low income families.<sup>25</sup> And the highest growth rate among household types was for single mothers with children.<sup>26</sup> The most encouraging data comes from a study by the National Academy for State Health Policy. This 2003 study of online Medicaid and SCHIP enrollment systems in the US reported that “...enrollees at all income levels are ready and willing to use the Internet.”<sup>27</sup>

Business journals report that seniors are closing the Internet gap at unprecedented rates. People over 65 were the fastest growing segment of the online population between 2002 and 2003; people between 50 and 64 were right behind them.<sup>28</sup> In early 2003, 46 percent of US seniors reported using the Internet for over five years and an additional 41 percent reportedly have been online for between two and five years.<sup>29</sup> Nearly eighty percent of the seniors taught themselves to use the Internet and 37 percent took an Internet class<sup>30</sup>.

People with disabilities tend to follow general demographic trends in computer and Internet use.



## APPENDIX G – GLOSSARY

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### Glossary

The terms below appear frequently in this Business Case and, in this context, have the following definitions:

- ◆ **2-1-1 (aka 2-1-1 Texas)** – A new abbreviated dialing code for free information and referrals to health and human services and community organizations. It links individuals and families to critical health and human services provided by nonprofit organizations and government agencies in their own community. The aim of 2-1-1 is to promote self-sufficiency by increasing access to these services.
- ◆ **Applications** – New applications from clients not receiving benefits
- ◆ **Benefit Issuance** – This TIERS application functional area generates benefits based on the results the worker authorized. Benefits can be issued online, or overnight in a batch process. This functional area can also interface with banks and other programs, such as Food Stamps Electronic Benefits Transfer on a daily and monthly basis. It can determine if benefits have been picked up and paid to the client or vendor. This process also maintains all the records for reconciliation processing and production reports.
- ◆ **BIC** – Benefits Issuance Center
- ◆ **C3** – Converged Call Center, the core of the proposed model for integrating eligibility. This term refers to one or more physical locations that perform several functions which range from document processing to client call handling to eligibility determination.
- ◆ **Case Action** – synonymous with Transaction.
- ◆ **CBS** – Centralized Benefit Services
- ◆ **COMPASS** – Online screening tool used in Pennsylvania
- ◆ **EBT** – Electronic Benefits Transfer – a system that uses electronic technology to complete some or all of a benefit program’s functional requirements. EBT involves computers, a variety of cards or types of cards, Electronic Funds Transfer (EFT) techniques, ATMs, POS terminals, or other types of terminals, and software to complete the EBT process without the loss of program integrity or client confidentiality.
- ◆ **Inquiry** – This TIERS application functional area provides a user with online access to current and historic screening, application, case, assistance group, individual information, and eligibility status. Inquiry would inform the user whether an individual is new or known to the system. Inquiry also informs the user where the client has applied, what they applied for and who the assigned worker is. Inquiry can locate information for an individual by entering a name, SSN, Client Identifying Number, or alien number. The system would search for potential matches based on information entered.
- ◆ **IVR** – Integrated Voice Response
- ◆ **Provider** – A person, firm, partnership, corporation, agency, association, institution, or other entity that was or is approved by the appropriate state agency to provide services under contract or provider agreement with the department.
- ◆ **Recertifications** – Periodic review and re-determination of eligibility. Recertification is the evaluation of client information to renew or redetermine eligibility. Redetermination is the act of recertifying that a client is eligible or ineligible to receive benefits.
- ◆ **RFO** – Request for Offers
- ◆ **RFP** – Request for Proposal (essentially the same as an RFO)
- ◆ **Rules** – In expert systems, a conditional statement that tells the system how to react to a particular situation.

- ◆ **SAVERR** – System for Application, Verification, Eligibility, Reports and Referrals
- ◆ **Service Provider** – A public agency, private nonprofit organization, or private for-profit entity that delivers a benefit to an individual or service group. This benefit may be education, training or supportive services.
- ◆ **TIERS** - Texas Integrated Eligibility Redesign System, a rules- and web-based eligibility determination software program that is currently in operation. Specifically, TIERS interfaces with other State agencies and third party providers to authorize benefit issuance and service authorization for clients applying to multiple programs.
- ◆ **Transaction** – synonymous with Case Action.

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## ENDNOTES

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- <sup>1</sup> <http://www.nascio.org/scoring/files/2003Pennsylvania4.pdf>
- <sup>2</sup> <http://www.govtech.net/magazine/story.phtml?id=48264>
- <sup>3</sup> <http://www.nascio.org/scoring.files.2003Idaho4.doc>
- <sup>4</sup> Commonwealth of Australia, National Office for Information Economy. "E-Government Benefit Study." April 2003. pg ix.
- <sup>5</sup> National Academy for State Health Policy. "A State Guide to Online Enrollment for Medicaid and SCHIP." January 2003. page 2
- <sup>6</sup> "A State Guide to Online Enrollment for Medicaid and SCHIP," page 2
- <sup>7</sup> "E-Government Benefit Study," page 9.
- <sup>8</sup> "E-Government Benefit Study, April 2003, National Office for Information Economy," pg 44.
- <sup>9</sup> "E-Government Benefit Study," pg 42.
- <sup>10</sup> <http://www.nwfusion.com/power/2003/1222userexny.html>
- <sup>11</sup> <http://www.nwfusion.com/power/2003/1222userexny.html>
- <sup>12</sup> Robyn Greenspan "Two-Thirds Hit the Net." April 17, 2002  
[http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1011491,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1011491,00.html)
- <sup>13</sup> [http://www.nielsen\\_netrating.com/PR/pr\\_040318.pdf](http://www.nielsen_netrating.com/PR/pr_040318.pdf)
- <sup>14</sup> U.S. Department of Commerce. "A Nation Online: How Americans Are Expanding Their Use of the Internet." February 2002., page 10. <http://www.ntia.doc.gov/ntiahome/dn/index/html>
- <sup>15</sup> [http://plunkettresearch.com/technology/ecommerce\\_trends.htm](http://plunkettresearch.com/technology/ecommerce_trends.htm) Business-to-Business trends in Computer
- <sup>16</sup> <http://www.nua.ie./surveys> Liechtman Research: More High Speed Net Subscribers in US, April 02, 2003
- <sup>17</sup> <http://www.nua.ie./surveys> Nielson NetRatings: Net Users flock to US Government Websites, Nov 25, 2002
- <sup>18</sup> University of Texas, Austin. "E-Government Services and Computer and Internet Use in Texas, A Report from the Telecommunications and Information Policy Institute." June, 2000. page 3
- <sup>19</sup> "E-Government Services and Computer and Internet Use in Texas," page 5
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- <sup>21</sup> "E-Government Services and Computer and Internet Use in Texas", page 3

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<sup>22</sup> Texas Department of Information Resources. "From Main Street to E-Street What Do Citizens Want?", June 26, 2001. [www.fgipc.org/presentations/Carolyn\\_Purcell.ppt](http://www.fgipc.org/presentations/Carolyn_Purcell.ppt), slide 4.

<sup>23</sup> "A Nation Online," page 21.

<sup>24</sup> "A Nation Online," page 21.

<sup>25</sup> "A Nation Online," page 1.

<sup>26</sup> "A Nation Online," page 2.

<sup>27</sup> "A State Guide to Online Enrollment for Medicaid and SCHIP," page 10.

<sup>28</sup> Robyn Greenspan. "Senior Surf Surges." January 2, 2004, [www.clickz.com/stats/big\\_picture/geographics/article.php/5911\\_1011491](http://www.clickz.com/stats/big_picture/geographics/article.php/5911_1011491)

<sup>29</sup> eMarketer: Most US Seniors are Veteran Net Users, Jan 13 2003, <http://www.nua.ie/surveys>

<sup>30</sup> eMarketer: Most US Seniors are Veteran Net Users, Jan 13 2003, <http://www.nua.ie/surveys>