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INDIANAPOLIS (AP) — Problems with Indiana's landmark automation of welfare eligibility have cost some disabled residents food stamps and other benefits they need to survive, the American Civil Liberties Union alleges in a lawsuit that seeks class-action status.

In one case, a woman with hearing problems and other disabilities lost her Medicaid and food stamps after being told she could not meet in person with a state case worker, the lawsuit alleges. In another, a mother of two lost her food stamps and subsidized health care for her children when the tax return she provided didn't include one attachment.

"There are a thousand of these stories," Gavin Rose, an ACLU of Indiana attorney, said Monday. "I'm sure there are cases out there where people are quite literally facing a life-or-death situation."

Secretary Mitch Roob of the Indiana Family and Social Services Administration, the lead defendant in the case, said the state was complying with the law in denying or eliminating benefits to clients whose applications were lacking necessary information. He said the state would seek to have the lawsuit thrown out.

Roob also said the state's rollout of the automated system under a \$1.16 billion, 10-year contract with IBM Corp., Affiliated Computer Services Inc. and other companies reached 20 additional counties in northeastern and southwestern Indiana on Monday.

The case was amended Friday in Marion Superior Court in Indianapolis to include members of six households, all residents of the 12-county region where FSSA inaugurated the privatized welfare system by which clients can use the Internet, call centers and fax machines to apply for and renew benefits.

Rose said that automation creates obstacles for people with mental disorders and other disabilities, or those with limited schooling, further complicating an eligibility process with dozens of hurdles for each of Indiana's 1.1 million welfare recipients.

Central to the case are Indiana's welfare changes, which are being watched closely by policy makers and advocates in Washington. A House version of the recently passed federal farm bill had Indiana-inspired language barring privatization of food stamps until it was removed in conference committee.

Before privatization, Indiana welfare clients had individual case workers who closely monitored a household's eligibility for benefits and intervened when necessary, Rose said.

Now, a household's welfare records are stored electronically and available to any case worker in the state.

The lawsuit claims FSSA denied or terminated benefits to each of the plaintiffs when the agency was missing some document such as a birth certificate or a medical record — documents that the plaintiffs had delivered previously. In each case, benefits were cut off with a letter citing "failure to cooperate," with no further explanation.

“You cannot deny someone for ‘failing to cooperate.’ They get this letter, and they have absolutely no idea what they did wrong,” Rose said.

Federal rules bar state agencies from denying food stamps for failing to cooperate, and Medicaid rules require the state to tell clients how they have fallen short, the lawsuit says. The complaint also alleges FSSA violated the Americans with Disabilities Act by not providing needed assistance to disabled clients. The lawsuit seeks an injunction barring the practice.

FSSA Secretary Roob said the problems cited in the lawsuit predate Indiana’s welfare changes. He also said the state would seek to dismiss the case because it restored benefits to the original plaintiffs in the case once they provided the necessary paperwork.

“If they don’t comply with the law, we don’t have a lot of choices,” Roob said.

The problems are rooted in welfare practices that varied from county to county and caused benefits to be lost when a family relocated, Roob said. The automation and other changes that FSSA is making under the IBM-ACS contract are intended to fix that old system.

“We have a fundamentally broken system,” he said. “Anytime you install a new system, you are going to have bumps in the road.”

Food stamp advocate Ellen Vollinger of the Washington, D.C.-based Food Research and Action Center said that if the allegations in the lawsuit were true, families entitled to benefits weren’t receiving them.

“The concerns they’re raising are disturbing,” Vollinger said.

Government-subsidized health insurance advocate David Roos of Covering Kids & Families of Indiana said problems with clients losing their Medicaid coverage over paperwork problems existed long before the administration of Republican Gov. Mitch Daniels took office in 2005 and introduced welfare changes.

However, Roos said those problems appear to be more common since the state first introduced the automation in March.

“The new system is not yet working properly,” said Roos, recalling a meeting at a new welfare service center in Marion where nonprofit representatives who work with clients peppered state and vendor representatives with complaints.

Roos noted documents from across the state are being faxed to the service center and scanned electronically. If someone misplaces those faxes, an eligibility clerk “can just push a button and it’s failure to cooperate.”

“In theory it’s good, but the system still needs to be debugged,” Roos said.