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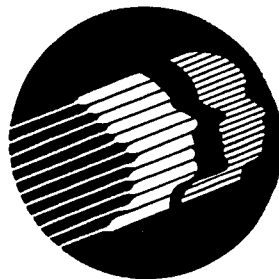
Growing *Together* **HEALTH JOURNAL**



DELAWARE HEALTH
AND SOCIAL SERVICES

CHILD'S NAME

**Delaware
Health and**



Social Services

Growing *Together*



DELAWARE HEALTH
AND SOCIAL SERVICES



Part H
Birth to 3

CLINTON LIBRARY PHOTOCOPY

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**Learning About Your . . .
NEWBORN****Dear Parents:**

Congratulations! You are beginning one of the most challenging and important jobs you will ever have — parenthood. It's normal to feel a bit nervous or scared, especially if this is your first child. Each monthly issue of *Great Beginnings* will give you tips to help make the job of parenting easier and more rewarding. To receive the issues in the mail, return the form on the last page of this newsletter.

By understanding your child's needs, you are likely to be able to relax a little and enjoy your ever-changing baby. Savor these precious moments!

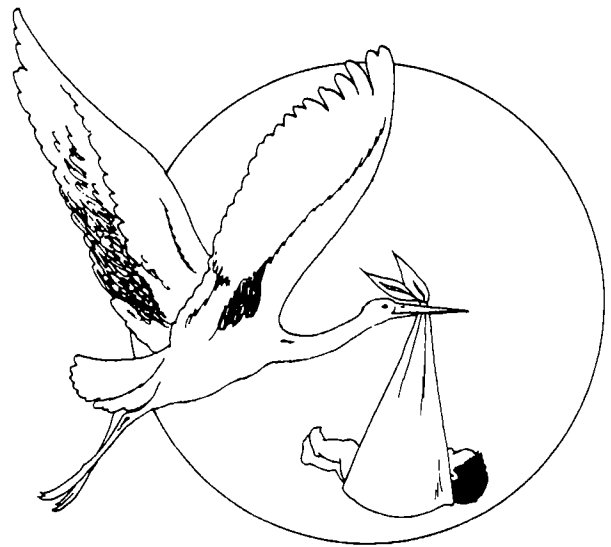
Sincerely,

Pat Nelson

Patricia Tanner Nelson, Ed.D.
Family and Child Development Specialist

What It's Like to Be a Newborn

- ☐ I need someone to love me, feed me, hold me, and play with me.
- ☐ I like to feel warm, and I don't like lots of noise.
- ☐ I like to be held gently and very close.
- ☐ I like to sleep a lot.
- ☐ I am hungry every few hours.
- ☐ I may be fussy and cry a lot.
- ☐ I am usually red and wrinkly.
- ☐ My head is large and my arms and legs are short. When you hold me, place your arm under my neck to help support my head.
- ☐ I keep my arms and legs curled up and my fists closed.
- ☐ My skin may be flaky.



Great b e g i n n i n g s

A Series for Parents of Infants and Young Children

Helpful Phone Numbers



DELAWARE HEALTH
AND SOCIAL SERVICES

1/94

For referrals to services, agencies, and programs

Helpline — can provide information about parenting programs and services, such as AFDC and Medicaid, in the state of Delaware.

8 a.m. to 5 p.m. - Monday through Friday

1-800-464-4357

For support and information about parenting challenges

WARMLINE — CHILD, Inc.'s confidential telephone support service for parents of young children offers support and ideas for handling concerns, information about the growth and development of children and referrals to community agencies.

9 a.m. to 9 p.m. - Monday through Friday

1 p.m. to 5 p.m. - Saturday and Sunday

New Castle County **762-8938**

Kent and Sussex Counties **1-800-874-2070**

P.A.T.H. (Preventive Action Telephone Hotline) — Delawareans United to Prevent Child Abuse (DUPCA) has a 24-hour helpline for parents in need of support, parenting information, and crisis counseling.

New Castle County **654-1102**

Kent County **674-1112**

Sussex County **856-1737**

Contact — 24-hour helpline for anyone under stress. Trained listeners can offer support and make referrals to community agencies.

New Castle County **761-9100**

Kent and Sussex Counties **1-800-262-9800**

TDD **761-9700**

For information about the services available for children with developmental delays and disabilities

Parent Information Center of Delaware — has staff to identify community services, help families solve problems, and offer emotional support. They also have a library of books, videos, and catalogs, and offer informational workshops for families with children having a developmental delay or disability.

366-0152

TDD **366-0178**

For help in finding child care

Child Care Connection - New Castle County **479-1660**

Child Care Connection - Kent and Sussex County **422-5810**

For Information about Immunizations **1-800-282-8672**

For legal assistance

Community Legal Aid Society, Inc. — provides free legal assistance to disabled, low-income, and elderly citizens in civil areas of law. Voice/TTY available in each office.

New Castle County **575-0660**

Kent County **674-8500**

Sussex County **856-0038**

For information on evaluating and assessing a child for a developmental delay or disability

Child Development Watch — evaluates young children, birth to age 3.

New Castle County **1-800-671-0050**

Kent and Sussex Counties **1-800-752-9393**

Child Find — is a program, available in all school districts which identifies children up to the age of 21, who are in need of special services. Call the Administration office of your school district. For further information contact the Department of Public Instruction Exceptional Children's Team at **739-4667**.

Delaware Early Childhood Center — evaluates children, ages 3 to 5.

New Castle County **323-5370**

Kent County **739-4707**

Sussex County **398-8945/856-5909**

For information about breastfeeding

LaLeche League **1-800-525-3243**

Nursing Mothers **733-0973**

For help in finding a doctor

New Castle County/New Castle Medical Society **658-3168**

Kent and Sussex Counties/Medical Society of Delaware **658-7596**

For information about the Women, Infant and Children (WIC) Nutrition Program

WIC Nutrition Program provides participants with nutritious foods and nutrition education. Pregnant, post-partum and breastfeeding women, infants and children up to their fifth birthday are eligible if they qualify.

New Castle County **995-8684**

Kent and Sussex Counties **422-1343**

Statewide **1-800-222-2189**

Emergency Phone Numbers:

Fire _____ Doctor _____

Police _____ Poison Control Center **1-800-722-7112**

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Growing *Together*



DELAWARE HEALTH
AND SOCIAL SERVICES





**DELAWARE HEALTH
AND SOCIAL SERVICES**

DIVISION OF
MANAGEMENT SERVICES

Dear Parent:

Congratulations, you are a parent of a new baby!. You are beginning one of the most important jobs you will ever have.

We have prepared this information to help you. In this package of information, you will find:

- ☐ **A Calendar** which describes how children grow and learn from birth through age 5. The calendar has information about your child's health, about activities to do with your child, and about safety concerns. Hang this calendar on the wall of your baby's room or someplace where you can look at it often. At the back of the calendar, you will find information about:

- **How to handle a baby who is fussy and crying.**
- **What to do if you are concerned about your child's development.**
- **Immunizations for your baby.**

- ☐ **A Health Journal** to keep all of the important health records for your child. As your child grows, you will be asked many questions, such as:

When did your child have this immunization?

Did your child ever have ear aches?

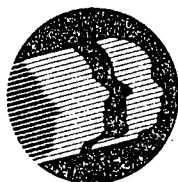
Has anyone in your family had high blood pressure?

Having the answers in one place will save time and worry. **Take this book with you each time you go to the doctor or clinic — or whenever your child receives health care.**

- ☐ **A List of Phone Numbers** of organizations that can be helpful to parents. Hang this list by your telephone or place it in your telephone book so you can quickly find it when you are looking for a phone number. Add phone numbers that are important to you.
- ☐ **The Newborn issue of the *Great Beginnings* newsletter series.** Fill out the *Great Beginnings* request form on the last page of the newsletter with your name and mailing address. After you mail the form, you will begin receiving one issue each month. The newsletters explain how babies grow and ways you can help your baby learn.

Please use this packet to keep important information about your child. Life is very busy when you have a child. Keeping important information in one place where you can find it easily will help you and your child.

Being a parent is a big responsibility. There are no perfect parents. There are a lot of parents trying to do the very best job they can. **Join that group and be the best parent your child can have!**



**DELAWARE HEALTH
AND SOCIAL SERVICES**

Carmen R. Nazario, Secretary

DELAWARE "CARD-ONE"

CONCEPT PAPER

AUGUST 1993

DELAWARE "CARD-ONE"

CONCEPT PAPER

AUGUST 1993



**DELAWARE HEALTH
AND SOCIAL SERVICES**

OFFICE OF THE SECRETARY

August 2, 1993

Mr. Ralph Picone
Acting Regional Administrator
USDA Food and Nutrition Service
Mercer Corporate Park
300 Corporate Blvd.
Robbinsville, NJ 08691-1598

Dear Mr. Picone:

The Delaware Department of Health and Social Services (DHSS) is aggressively pursuing the planning, the development, and the implementation of an Electronic Benefit Transfer (EBT) system. Delaware believes EBT is the answer to the concerns of clients, governments, and communities that public benefits be issued more efficiently and with greater dignity to the users.

Delaware's objectives are:

- (1) Improve client convenience in receiving and redeeming benefits.
- (2) Improve security in receiving and redeeming benefits.
- (3) Decrease social stigma, enhance self esteem, and further preserve a client's privacy and dignity.
- (4) Provide One-Stop shopping and a Seamless System for all programs and benefits.
- (5) Simplify DHSS's administrative and operating procedures in authorizing, distributing, and tracking benefits.
- (6) Virtually eliminate fraud and abuse.

Delaware has elected to use the Laser Optical Memory Card with the combining of a magnetic stripe. Laser Optical Memory is new technology which is yet untested in the EBT environment. Its unique characteristics and properties qualify it as a standard of its own. The piggy backing of the magnetic stripe allows Delaware to pursue exciting possibilities of integrating both On-Line and Off-Line technologies to deliver multiple programs' benefits on one card. The "One Card" concept greatly enhances the opportunity to provide "One-Stop Shopping" for services and improve "Convenience, Dignity, and Security" in redeeming benefits.

The enclosed Delaware Card-ONE Concept Paper explains in great detail the tremendous advantages of Laser Card technology, the test plan DHSS proposes in fully exploring and evaluating this technology, and the advantages of Delaware as a demonstration site in carrying out this truly unique and innovative program.

Also enclosed are three sample Laser Cards which show how the Laser and Magnetic Stripe technologies combine on one card along with a brief description of the card's characteristics. If you would like, my staff is prepared to make a formal presentation on the Laser Card technology for USDA FNS at your convenience. The presentation consists of a slide show, a video tape, and a question and answer period. It normally takes an hour or so.

Delaware is asking FNS for an indication of interest in receiving a Full Application to obtain \$100,000 funding for the application, feasibility study, and planning steps for a demonstration pilot as outlined in the Concept Paper. I am sure you will find the Laser card concept as exciting as does DHSS.

I look forward to your comments and any questions you may have.

Sincerely,

A handwritten signature in black ink, reading "Carmen R. Nazario". The signature is fluid and cursive, with the first name "Carmen" being more prominent.

Carmen R. Nazario
Secretary

Attachment



**DELAWARE HEALTH
AND SOCIAL SERVICES**

**DIVISION OF
MANAGEMENT SERVICES**

Delaware Card-ONE

Unsolicited Demonstration Project Proposal

Concept Paper

This paper is being submitted to the USDA Food and Nutrition Service as a brief overview of Delaware's proposal to utilize laser card technology for the delivery of client benefits. This paper is being submitted to determine FNS interest in receiving a full application for a Federally financed demonstration project.

August 2, 1993

For additional information contact:

Wayne Stultz, Delaware Card-ONE Project Manager
Room 201 Administration Building
Delaware Health and Social Services
1901 N. DuPont Highway
New Castle, DE 19720

phone: (302) 577-4537 fax: (302) 577-4629

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I. General Description of the Test to be Conducted

Delaware's Department of Health and Social Service has been one of the pioneers in service integration through its single database philosophy for all its programs, and its one-stop shopping philosophy which has provided integrated services to its clients through its State Service Centers. When it comes to delivering benefits, however, the systems are not integrated. Checks are mailed to clients for AFDC and GA, paper documents are mailed to clients to be exchanged at banking institutions for food-stamps, separate checks are mailed to clients for their child-support payments, a card is provided for authorization for Medicaid services and prescriptions, a voucher is provided for specific food items under the WIC program, and if the clients make use of other state programs such as unemployment insurance benefits still other checks are provided them.

In addition, this complicated issuance and redemption procedures create difficulties for the providers, the banks, pharmacies, grocery stores, physicians and others who participate in these programs as a service to clients and the state. Finally administering these programs requires considerable effort at the State level and has potential for abuse and fraud by those handling the paper at its various stages.

Delaware therefore looked at alternatives to these varied paper-intensive ways of delivering benefits. The goals were to simplify the process for the client and integrate all the benefit and service programs on one card.

The Mag-stripe card which is used in Maryland and is similar to the credit or debit card was investigated. The chip-card as used in Wyoming was investigated. Each of these had serious short-comings for Delaware in its goal to integrate its many benefit programs and health services cost-effectively in a single client-card.

Finally, however, the investigation turned up a third type of card widely used in Europe for both governmental and private-sector programs which met the State's objectives in a cost-effective manner. This third type of card is the Laser card or Optical Memory Card, and the purpose of this concept paper is to describe how Delaware plans to implement its **Delaware Card-ONE** using this new technology and to solicit the support of the USDA Food and Nutrition Service in its initial implementations. Since this would be the first use of this technology in the United States to deliver benefits to social service clients, Delaware is asking that this project be a Demonstration Project eligible for 100% Federal funding.

While Delaware's plans for this technology are ambitious, and will eventually encompass most of the programs under the Department of Health and Social Services as well as programs in several other state agencies, support is only being asked for the first phase of the project which will be to pilot the use of the laser-card for Food Stamps and WIC benefits.

Problems With Existing Technologies

There are three basic ways that benefits can be delivered using existing technologies:

1. **Paper benefits** (checks, vouchers, printed eligibility cards, etc.)
2. Benefits via a **Mag-Stripe card** (debit/credit card model, used in Maryland and other states)
3. Benefits via a **Chip-card** (used in Wyoming)

While each of these has its benefits, none met the State of Delaware's requirement for a simple, integrated, client-oriented, cost-effective solution.

Paper Benefits are the way Delaware currently delivers benefits to clients. This is inefficient and ineffective for virtually all parties involved -- the state agencies administering the programs, the providers of the services, and the clients and the general tax-paying public. Banks complain about the large number of clients who consume teller resources and crowd lobbies at issuance times each month. Stores complain about the handling cost of food stamp coupons and WIC vouchers and delays clients cause in check-out lines. State employees complain about the high cost of all the paper-work involved. Clients complain that the redemption process is often degrading and has a social stigma to it. And finally tax-payers complain when the paper systems cannot be made fool-proof and fraud and abuse take place. There simply has to be a better way.

Mag-Stripe card systems overcome some of these problems but create a few more. Under the **Mag-Stripe** systems benefits are issued much like the credit and debit cards carried by many people. However, instead of having an individual credit-line or bank-account, the **Mag-stripe card** identifies the individual and allows cash benefits to be withdrawn from ATM machines or in the case of food stamps, allows product to be purchased and credits to be issued to the stores selling the food. These systems are connected to large mainframe computers via expensive communications networks which severely limit the cost effectiveness of the technology.

Chip-Card systems contain much of the data on the card itself and thereby reduce the need for large mainframe support and expensive communications networks. However, in so doing, they lose the capacity to tie into large databases as easily as the **Mag-card** systems. The expense of these systems cannot be shared over as many programs as might be desired because of the storage limitations of the cards themselves.

Neither the **Mag-Stripe** nor the **Chip Card** would be the most cost effective alternative to paper in Delaware because these cards lack capacity to serve multiple programs without expensive mainframe and telecommunications support. **Laser Cards** are a new technology which offers considerable potential.

Laser-Cards -- A New Technology with Significant Benefits

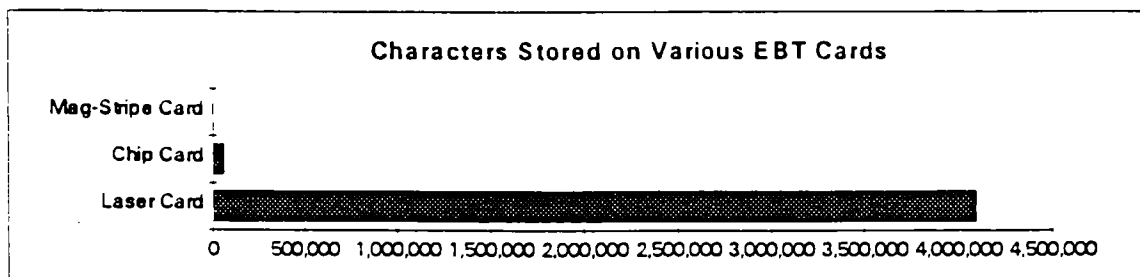
Laser cards utilize a technology very familiar to those who buy their music on compact discs. Like the compact discs a shiny surface is part of the card. With a compact disc, music is digitally recorded on that shiny surface by a laser beam. With a laser card used in a social services setting, information about the client and the benefits the client is to receive are digitally recorded on the card. Both the compact disc and the laser card are very rugged, and not affected by electro-magnetic fields, x-rays, or surface scratching. Once music or data is written to the recording surface, it cannot be erased.

Several million cards are now used in Europe. England is pioneering the laser card for delivering and monitoring medical services. Italy uses the Laser Card to identify authorized access to assets held by financial institutions. Baylor University in Texas is piloting the Laser Card for medical services.

The Ontario (Canada) provincial library system (1400 libraries) is testing the Laser Card under four separate applications:

1. A patron ID card testing various methods of internal/external photo IDs, bar codes, and encoded passwords.
2. A service access and debit card for patrons using a "network juke-box" system to listen to compact disks.
3. A data base storage system.
4. A library catalog for special collection libraries and for libraries located in small communities.

The data that can be stored on the laser card is much greater than what can be stored on the Mag-stripe card or the chip card. A Mag-stripe card can hold only about 1,500 characters of information. The chip-card can hold 64,000 characters of information. The laser-card can hold 4,100,000 characters of information. These capacities translate into less than one page of type-written information on the Mag-stripe card, 30 type-written pages of information on the chip-card, and 2,000 type-written pages of information on the laser-card.



This tremendous capacity of the laser-card is significant for two reasons:

1. There is capacity to use the card for many **programs**, thereby spreading the cost and making the technology **more cost-effective**.
2. Part of the capacity can be used to improve the data integrity and security of the card through such possibilities as digitized signatures, thumb-prints, voice prints or pictures making it **virtually impossible for anyone but the card owner to use the card**.

The Laser-Card utilizes WORM (Write Once Read Many) technology. Information entered into the card can be amended but not altered nor erased. WORM provides for a complete, practically indestructible history (audit trail) of all activity entered on the card. Unlike the Magnetic Stripe and the Chip-Card, the laser card is impervious to data loss from the effects of static electricity. Any unauthorized attempt to enter or modify information results in an automatic disabling of the card's functional capacity, making it useless for accessing any benefits left on the card.

Additionally, the card has Calendar-Releasing capacity. This means benefits on the card can be turned on or turned off based on programmed dates within the card itself. Examples of potential uses are:

- Cash and food stamps can be turned on automatically on prescribed dates and accumulated until redeemed
- WIC benefits can be turned on automatically and then also be turned off automatically upon reaching expiration date. Unused expired benefits would no longer be redeemable by the holder
- Children reaching a certain age can be automatically discontinued for benefits.
- Benefits issued through the card could be integrated with other programs, i.e., the card can be made to check the status of whether a positive condition of client compliance exists prior to releasing benefits.

Unlike the Chip-card, the laser-card dimensions are such that they can fit in the Mag-stripe readers. The Delaware plan is to include a Mag-stripe on the card so that it can be used in existing ATM machines to issue cash benefits. Until banks move to the laser-card to reduce their own liability for fraud and abuse of credit and debit cards (an area that is getting a lot of discussion recently), the laser card when used in an ATM machine will not be able to take advantage of the potential for things like signature verification or thumb-print verification to improve security. This will not, however, negate the use of those security features for Food Stamp and WIC redemptions.

Laser Card Technology Can Enable Cost-Effectiveness Through Multi-Program Use

The laser card's large memory capacity provides the potential for storing a life-time worth of information, including:

- Complete history of AFDC, FS, WIC transactions
- Complete individual and family medical history
- Complete history of immunizations
- Pharmaceutical records of each prescription issued
- Unemployment benefits, Section 8 Housing, Social Security, etc.
- Radiology records with x-ray images (a large number of x-ray images could fill the card)

Obviously, with the potential to store this amount of data and support the vast array of programs that the capacity enables, the cost of the card and its supporting infrastructure can be amortized over more programs and greatly contribute to the cost-effectiveness of the technology. This is particularly important for a state like Delaware where the number of participants in any single program is not sufficient to employ other types of electronic benefit transfer technologies cost-effectively.

It is anticipated that the card would take one of two possible directions after its full implementation in the Department of Health and Social Services. It could become a social services and health card that would be used not only for public-sector programs but also for private-sector social service and health programs. In this case the public-private partnership already forged with the Nemours Foundation would be a likely first use within the private sector.

Another possible direction is for the card to encompass other governmental programs. An individual's card could contain the information necessary to interact with other agencies of Delaware state government. It could for example also be the card-holder's automobile license and contain his driving record. It could be used to issue unemployment benefits, serve as a library card, or contain pre-paid toll fees for using the state's toll roads.

Each of these directions will be explored in greater detail as the State's experience with this new technology develops. The initial efforts will be to prove the utility in delivering Food Stamp and WIC benefits.

Since the card will also include a Mag-stripe, a possible second phase of the project will be to issue AFDC and GA benefits through the existing ATM networks.

Laser Card Technology Can Virtually Eliminate Unauthorized Use

PROGRAM INTEGRITY:

The LASER CARD can incorporate the standard Personal Identification Number (PIN) and the external photograph ID. However, the Laser Card also provides advanced technology for preventing fraud and abuse. When implemented, this technology makes it virtually impossible for unauthorized use.

First, a few of the many types of personal ID not available on the Magnetic Stripe nor the Chip Smart Card:

- A color, unalterable color photograph ID digitally encoded into the card for display on a computer CRT at time of use.
- A thumb or finger print digitally encoded into the card for an automated comparison of the print of the card user.
- A digitally encoded signature for an automated and or visual comparison of the signature of the user.

Such personal ID's can be universally implemented on a population-wide basis or restricted to card holders having a pattern of card loss, theft, and/or suspected abuse. The LASER CARD addresses the question of how to issue benefits to suspected abusers without having to revert to a two issuance system, namely electronic and paper. Another viable opportunity, under a State-wide demonstration, is to implement variable ID options in selected test areas for comparison with cards having no ID requirements and standard PINs in control areas. We believe such tests and controls, in a State-wide project, provide excellent opportunity, in a real world setting, to evaluate the margins of effectiveness and costs of ID options in controlling fraud and abuse.

Second, the use of the Universal Product Code (UPC), used on products eligible under the WIC, Food Stamp, and many Medicaid services, encoded into the card enhances the correct delivery of benefits. By issuing and redeeming benefits by UPC, agencies can assure recipient purchases and vendor payments are based on exact program specifications. This feature is not available on the Magnetic Stripe Card.

Third, there is an available feature of a periodic, perhaps monthly, access code provided to the recipient requiring user interaction to download the benefits from a Central Data Base. This access code, which is in addition to the PIN, is provided to the recipient separate from automated systems. For example, delivering the access code via the mail could verify residency requirements.

The Laser Card and Regulation E

A major concern to States involved with EBT is the impact of proposed changes in applying Regulation E requirements to EBT programs. Regulation E, as established by the Federal Reserve Board, presently applies to commercial credit and debit cards. The regulation limits card holder liability for unauthorized use of a lost or stolen credit/debit card provided its loss is reported in a timely manner. When a card is reported as missing within two working days the card holder's risk is limited to the first \$50 of unauthorized purchases with the liability of risk in excess of \$50 assigned to the card issuer.

Currently, EBT projects are exempt from Regulation E. This exempt status places all risk for unauthorized benefit card usage on the card holder. However, the Federal Reserve Board is now considering including EBT under the Regulation with a decision due in the next few months which would transfer substantial liability from the client to the State agency issuing the EBT card. Some states, including Maryland, have indicated that without some relief from these risks, their EBT programs may be in danger.

This is a cause for concern because with a Magnetic Stripe or a Chip Smart card, access to ATM and POS benefits is controlled by the use of the Personal Identification Number (PIN). EBT card issuers are worried that their clients will somehow compromise the PIN in a way that the EBT card can be used in an unauthorized way, with the liability to replace the lost benefits assigned to the state.

The Laser Card, using the potential security features discussed previously, greatly reduces the risks associated with Regulation E.

Delaware Long-Term Plan. & Scope of Phase I

Delaware's long-term plan is best represented by the tentative schedule established for the **Delaware Card-ONE** project and indicated below:

PHASE I: Food Stamps and WIC

The **scope of Phase I** includes only Food Stamp and WIC benefits. In this phase, both Food Stamp and WIC benefits would be delivered through the laser portion of the card. The Mag-stripe portion of the card would be used in Phase II when cash benefits would be added and delivered through ATM machines. While this concept paper details Phase I only, it should be viewed in the context of the entire plan.

Concept Paper: July - August 1993.

Formal Application Document: September - October 1993.

Feasibility Study: November 1993 - January 1994.

Decision Point: Proceed or Not.

Request For Proposals: January 1994 - July 1994.

Implementation APD: August - October 1994.

Development: November 1994 - April 1995.

Implementation in Area 1 (Cards Used By Clients) April 1995 - January 1996.

Evaluation: (Continuous) June 1993 - February 1996.

Decision Point: Proceed or Not.

Implementation of Areas 2, 3, and 4 Will Follow With Modification to the Implementation Plan Being Made Based on Previous Area's Evaluation.

PHASE II: AFDC, GA, and Child Support

PHASE III: Medicaid and Immunization History

PHASE IV: Private Sector Health agencies or other State agencies

A policy decision would have to be made before Phase IV to decide if the card should be a health and social services card or a Delaware government services card.

Advantages of Delaware as a Demonstration Site

Delaware has two primary advantages for being a pilot site for technologies such as the laser card. First, Delaware is widely recognized for its ability to integrate its systems, both in terms of the storage of the data and in terms of the actual delivery of services through common service delivery sites. This demonstrates the desire and ability of Delaware's different programs to work together for the good of the client. In many states achieving such cooperation would be a major political undertaking. Delaware has already made these linkages at the data and the service delivery level and most importantly at the management and staff communication levels. The importance of this cooperation from a client perspective is shown in the following figures:

For every 100 WIC clients in Delaware:

44 also receive Food Stamps

35 also receive AFDC

63 also receive Medicaid benefits

Second, because of Delaware's size, an incremental pilot can be conducted at minimal cost and risk. Even when the final phase of the test is being conducted and actual Statewide issues are being tested the small size of the whole State allows this test of Statewide issues to be done on a "county-sized" client population.

History of Program Integration:

Since 1984 all major new DHSS systems have used the Master Client Index system in which each client receives one identifying number when first entering the system. All programs use this number, thereby allowing the Department to cross-reference its clients across programs. This provides for a level of program integration practically unheard of in any other state.

For example, a caseworker who is screening a client for the WIC program can easily see via this system if the client is receiving or has received AFDC and Child Support services, and may even be able to access those systems for detailed information on benefits and payments. Likewise, when the WIC case is opened, caseworkers from other agencies are able to view WIC participation. This promotes coordination of services across program and reduces data redundancy. Furthermore, using the common identifier, DHSS is able to analyze service utilization patterns across all programs.

The Master Client Index system and related systems are supported by a network of 2000 personal computers (1500) and terminals (500) at over 40 locations. These devices are integrated through a communications network of LANs that spans the entire state and allows managers, administrators, and direct service staff to exchange electronic mail, share applications, and access host and LAN-based systems regardless of their physical location.

Test State-Wide Issues On a "County-Sized" Population

Another advantage of using Delaware for this demonstration project is that a reasonable sized pilot can be conducted but it can test all the features of a full state-wide implementation. In most instances where a pilot is done with only one county in another state, the population covered may be as large as the population in Delaware, but only the county aspects of the system are tested. By using the full state in this pilot, state-level issues are tested as well as county-level issues. Policy decisions, commitment to the project, the use of management information are all issues that have a slightly different perspective at the state level than they do at the county level. Delaware is small enough to have a manageable project that addresses these state-wide issues. The advantages of Delaware's size are highlighted by the fact that the Governor has already expressed his support for the project, the State Legislature and Senate have already passed a Joint Resolution supporting the project, and the State Chambers of Commerce have expressed their support and requested briefings on the project. Delaware Card-ONE is already off to a good start on a statewide basis.

II. Food Stamp Procedures To Be Changed Or Waived

As a Demonstration Project a waiver of certain requirements in 7 CFR 274.12 and 277.18 is anticipated. The Delaware Card-ONE demonstration project will seek waivers to 7 CFR Sections:

277.18 Establishment of an Automated Data Processing (ADP) and Information Retrieval System. DHSS is requesting a general waiver in the expectation that USDA FNS will provide demonstration project guidelines as to which specific sub sections under 277.18 the State will be required to meet in qualifying for a demonstration pilot. Additionally, it is anticipated additional assistance in determining waiver needs will be received from outside contractors for the Formal Application and Feasibility and processes.

274.12(c)(3) and (c)(5) Requiring Cost Effectiveness. Delaware believes the proposed Laser Card EBT system, in a longer term environment, will be cost neutral when compared with issuing paper benefits. At the same time it is recognized that getting a new, untested technology implemented and operational requires time for proper evaluation and fine tuning. Therefore, a waiver of the requirement that Federal cost for EBT not exceed its cost for a coupon system is requested until all four project areas are implemented and evaluated.

274.12(f)(3) - POS Receipt Information. This rule does not permit the names of household members to be displayed at the terminal except when a signature is necessary to complete a manual transaction when the system is down. One of the project areas in Delaware's proposed demonstration includes the testing and evaluation of enhanced security features. One of these features is an electronic signature validation which compares the clients signature imaged in the Laser Card with the live signature of the individual using the card. It is not expected that the name will be displayed any more than the signature is displayed when signing for a purchase via a standard credit card. In order to test and evaluate the signature security feature, a waiver of this rule to permit the names of household members using the card to be signed on an electronic pad is requested.

274.12(g)(3) and (4)(ii)(C) Border Stores. Under this rule the State is required to negotiate with border stores (in an neighboring state or outside the EBT project area) a mutually agreed level of POS terminal deployment. The rule's implication is to avoid the disruption of shopping patterns for households residing in the project area but shopping outside either the project area or outside the State's boundaries. Delaware Health and Social Services agrees that food retailers bordering on the EBT area and which are necessary for recipient food access must be equipped regardless of State boundaries or project boundaries. DHSS also believes the decision to equip food retailers should be based on meeting household needs and not necessarily household convenience. As part of the demonstration project, a concurrent survey of food stamp households will be conducted to determine shopping patterns of households living within the EBT area. It is also intended to use the results of concurrent evaluations to implement ways not to disrupt household access to food retailers or increase their food or transportation costs. During the demonstration, DHSS requests a conditional waiver of equipping border stores based on not disrupting necessary shopping patterns nor increasing household costs in acquiring food.

274.12(h)(1) System Processing Speeds. It is believed the completed Laser Card EBT system will meet and beat the processing speed standards established by this rule. However it is also felt that during the implementation and testing phases, there may be times when the system will be slower than the standards. Accordingly, DHSS requests a waiver of this rule for the periods of time each project area is being implemented. It is expected that the processing speeds standards will be met in each area before implementing the next project area.

These waiver requests for 7 CFR 274.12 represent those which are readily identifiable during the Concept Paper design. Other requests for waivers may be made at the Formal Application and/or Feasibility Study stages when there is opportunity to gather additional information from other EBT projects based on specific requirements.

III. Test Plan

FOOD-STAMP/WIC AREA AND POPULATION

Delaware operates a single state-run program with relatively small Food Stamp and WIC populations. The Food Stamp caseload is 19,600. The WIC caseload is 3,100 Women and 12,400 Infants and Children.

In Delaware's Food Stamp Program, the average case size is 2.9 clients with an average case gross monthly income of \$542. The FS population is served by 511 retailers with the following monthly redemption values:

- 440 stores @ \$0 - \$10,000;
- 53 stores @ \$10,001 - \$50,000;
- 15 stores @ \$50,001 - \$100,000; and,
- 3 stores over \$100,000.

The WIC Program is served by 77 retail vendors and 15 pharmacies statewide.

While a statewide test is the most appropriate way to implement laser card technology in Delaware, risk will be managed by phasing in the implementation of Delaware Card-ONE in portions of the state over a period of several months.

PROJECT AREA PROPOSALS

The test plan for Delaware Card-ONE is to break the total test into 4 pieces, each being conducted in a different area of the State and each testing a different aspect of the technology. A brief description of the different areas and items being tested are included in the table below:

AREA	DESCRIPTION	TEST OBJECTIVE
1	Most Of Kent County	Provider Acceptance, Client Acceptance, Basic Technology Feasibility
2	Sussex County	Compatibility and Interface With Border State Vendors
3	New Castle County Except Wilmington	Enhanced Security Features (Imaged Pictures, Electronic Signature Validation or Thumb Print
4	Wilmington	Viability of Technology in Inner-City Area Characterized by Small "Mom and Pop" Corner Grocery Stores. Application of Systems to State-Wide Management Information Systems and Policy Development.

The program demographics for the four areas are included in the table below:

	Area 1 Kent County	Area 2 Sussex County	Area 3 Hudson and De La Warr	Area 4 Balance New Castle County	TOTAL
	14%	24%	23%	38%	100%
POPULATION TO BE SERVED					
Food Stamp Cases	2,818	4,783	4,512	7,476	19,589
WIC Cases (Extrapolated)	2,226	3,778	3,563	5,904	15,471
WIC -- Vendors					77
WIC -- Pharmacies					15
Avg. Food Stamp Case Size	2.64	2.63	2.47	2.39	2.49
Avg. FS Case Gross Income	\$562	\$605	\$519	\$495	\$542
Total FS Stores	90	112	99	210	511
with \$0-\$10,000 redemptions	78	92	86	184	440
with \$10,001 - \$50,000 redemptions	8	16	9	20	53
with \$50,001 - \$100,000 redemptions	3	4	3	5	15
with over \$100,000 redemptions	1	0	1	1	3

In addition to testing these area-specific items, there is an overall evaluation plan on page 19.

Delaware Health and Social Services proposes doing an extensive evaluation after the first implementation stage in Area 1(Kent County). A decision to continue the project, terminate it, or delay it will be made at this point. If the first implementation stage is deemed successful, the project will be phased into the other counties in accordance with the recommendations from the preliminary evaluation.

TERMINAL DEPLOYMENT

At a minimum, terminal deployment in stores will meet requirements found in 7 CFR 274.12(g)(4)(ii). Specifically, all lanes shall be equipped for those retailers for whom food stamp redemptions comprise more than 15 percent of their total food sales. For those stores having food stamp sales below 15 percent of total food sales, supermarkets will be equipped with one terminal for every \$11,000 of monthly food stamp redemption up to the number of lanes per store. Supermarkets are those food retailers which identify themselves as such when applying to USDA-FNS to participate in the Food Stamp Program. All other food retailers will receive one terminal for every \$8,000 of monthly food stamp redemption activity up to the number of lanes per store.

This proposed minimum terminal deployment to meet CFR requirements is not meant to preclude the State of Delaware from submitting an alternative deployment formula for FNS approval (as provided under 7 CFR 274.12(g)(4)(ii)) as long as the alternative does not provide fewer terminals than the FNS formula. Also the proposed minimum terminal deployment does not preclude food retailers from adding terminals at their own expense.

Evaluation Plan

Both a process and outcome evaluation will be performed by an external evaluator. There will be two parts to the evaluation. 1) A preliminary evaluation will be conducted at the end of the first phase of implementation (in Kent County). If the project is deemed successful, the project will be phased into the other counties in accordance with the recommendations from the preliminary evaluation. 2) A final evaluation report will assess the entire project.

Purpose:

To describe EBT system design, development, and operations as compared with current issuance system.

Assess the impacts of the test system

on all program stakeholders. (Program stakeholders are identified as Food Stamp and WIC program participants, retailers, and Food Stamp and WIC program staff. Additionally, the input of Advisory Committees representing participant and provider constituency/advocacy groups will be actively sought.)

Compare the cost effectiveness of the test system and current issuance system.

Provide assistance in defining and exploring alternatives.

Evaluation Questions (Immediate impacts).

Does the laser card:

- 1) improve convenience in receiving and redeeming benefits?
- 2) improve security in receiving and redeeming benefits?
- 3) eliminate the need to deliver Food Stamps by mail and reduce cost of postage?
- 4) decrease social stigma, enhance self esteem, and further preserve a client's privacy and dignity?
- 5) simplify DHSS's administrative and operating procedures in authorizing and distributing benefits?
- 6) improve redemption and payment activities for retailers participating in the Food Stamp and WIC programs
- 7) reduce costs of Food Stamp coupon storage
- 8) reduce audit costs
- 9) reduce fraud and abuse

(Long term impacts - if the system is expanded to other benefit programs)

Does the card:

- 1) reduce traffic flow in banking institutions and provide one-stop shopping for all programs and benefits?
- 2) provide a seamless system for clients to receive and redeem benefits through one medium simultaneously?

To further manage the risk one task of the feasibility study will be to carefully evaluate the feasibility of the phase-in schedule and the planned statewide test.

IV. Preliminary Cost/Benefit analysis

There are many programmatic benefits to Delaware Card-ONE. Listed below are some of the more obvious benefits:

Phase I Programmatic Benefits

- The laser card has the capacity to store WIC benefits in the form of Universal Product Codes (the bar-codes that appear on food labels). At the time of purchase, the retailer's scanner compares the purchased product UPC against the authorized benefit UPC. When the UPCs exactly match, the local terminal reduces the benefits available from the card and credits the benefit to the vendor's local data base. This UPC match requirement assures benefits meet exact program specifications.
- Through the use of the UPC, the laser card can assure Food Stamp benefits do not supplant WIC benefits. The card comparatively discriminates by first checking the UPC for availability under WIC prior to checking the product's eligibility under Food Stamps.
- Since the UPC is universal and consistent for a specific product, it would be possible for the WIC recipient to redeem benefits at any provider carrying that product. This would allow the client to shop with a provider of choice based on convenience or based on product availability. Alternatively, the card could contain provider codes that must match to ensure that WIC recipients only shop at contracted retailers.
- Because the laser card has the ability to track the addition and redemption of benefits, and maintain accurate balances, recipients can use WIC benefits as needed. This is an improvement over the fixed benefit voucher system which requires, at the time of redemption, any listed benefits on the voucher not used are lost to the client.
- The laser card benefits the Food Stamp client by providing improved benefit security over paper vouchers which can be stolen or lost or trafficked all of which may result in unauthorized use. Additionally, the Food Stamp recipient gains greater convenience and sense of dignity at the checkout by using the same payment technology enjoyed by mainstream customers.
- * Service providers will find the card system more convenient and more efficient in serving customers and in processing reimbursements. Reimbursements will be prompt and secure.

Future Programmatic Benefits

- For the Medicaid client the card provides a portable health record and assured documentation of eligibility. The Medicaid population may also directly benefit from the potential expansion of providers willing to participate in an automated system.

- The AFDC client will find the card offers greater security in both the delivery and the redemption of benefits. First, the delay or loss of a paper check in the mail is eliminated. Second, cash benefits can be drawn as needed rather than all at one time when a check is cashed.

Cost Benefits When Compared With Existing Issuance System

Delaware Health and Social Services recognizes that cost effectiveness from a single program is questionable and real cost savings from any form of Electronic Benefit Transfer would be realized in a multi - program environment. A laser card with a Mag-stripe, as envisioned for **Delaware Card-ONE**, is the most cost-effective EBT system. Because of its capacity and security features, it can effectively and efficiently process all programs' benefits from the most complicated prescriptions to the simplest cash transaction.

A detailed Cost Benefit Analysis will be conducted in the feasibility study. Analysis of costs provided by Maryland (On-Line- Mag -Stripe) and Wyoming (Off-Line Chip Card) WIC pilot demonstration was done. This is summarized in the table below:

Issuance Cost reported in previous cost benefit analysis:

	Paper Benefit Cost per Food Stamp case- month	On-Line Mag-Stripe Cost per Food Stamp case-month	Off-Line Chip Card Cost per Food Stamp case month
Maryland	\$5.53	\$3.44	
Wyoming	\$3.71	\$2.05 Projected	\$1.46 Projected

A primary cost savings factor in the Wyoming analysis was telecommunication costs. Total On-Line telecommunications cost was \$317,600 as compared with \$32,900 for Off-Line.

Preliminary Estimates of Delaware Card-ONE Costs

The projected per store lane cost of setting up a base-line system is \$3000. This includes the card reader-writer, personal computer, and software. There is an economy of scale based on the fact that one personal computer can service numerous reader-writers in one store. Given an estimated amortization of 60 months and imputing equipment and software maintenance cost, a monthly cost of about \$60 is projected. This compares favorably with Maryland's Off-Line per lane costs (based on offers to lease Maryland compatible EBT equipment to Delaware border stores) of \$50 per month.

Table I on the following page shows the Food Stamp and WIC populations to be served, equipment needed, and a preliminary project budget. The information is Statewide, broken down into the proposed test areas. The preliminary budget is based on the best estimated costs available using past contractual experiences and information provided by other states in the EBT process.

Based on the information developed in Table I. The projected Food Stamp and Per Case Month cost of **Laser - Card EBT** (excluding equipment and development) is \$2.04. Including the equipment and development as amortized over five years, the cost is \$3.57. These costs assume a Food Stamp card monthly use of 7 as reported by Ramsey County, MN and/or the Wyoming experience of 3.4 monthly usage of WIC EBT card.

Table I summarizes the cost for the entire test by implementation area. The application and feasibility step will cost \$100,000. The test in area 1 has an estimated cost of \$885,328. The full test has a total estimated cost of \$4.4 million.

Table I
Phase I Delaware Card - ONE
Statistical & Budget Data

	Application & Feasibility	Area 1 Kent County	Area 2 Sussex County	Area 3 Hudson and De La Warr	Area 4 Balance New Castle County	TOTAL
		14%	24%	23%	38%	100%
POPULATION TO BE SERVED						
Food Stamp Cases		2,318	4,783	4,512	7,476	19,500
WIC Cases (Extrapolated)		2,225	3,778	3,563	5,904	15,470
WIC -- Vendors						
WIC -- Pharmacies						
Avg. Food Stamp Case Size		2.64	2.63	2.47	2.39	2.50
Avg. FS Case Gross Income		\$562	\$605	\$519	\$495	\$550
Total FS Stores		90	112	99	210	511
with \$0-\$10,000 redemptions		78	92	86	184	440
with \$10,001 - \$50,000 redemptions		8	16	9	20	53
with \$50,001 - \$100,000 redemptions		3	4	3	5	15
with over \$100,000 redemptions		1	0	1	1	3
EQUIPMENT NEEDED						
Laser-Card Reader/Writer		131	162	133	284	710
PC's		90	112	99	210	511
Security Devices			112			112
PRELIMINARY PROJECT BUDGET						
Contractor assistance with Planning	\$100,000					\$100,000
Contractor software development		45,000	10,000			\$55,000
Contractor marketing, training, set-up		28,771	48,834	46,066	76,329	\$200,000
Contractor evaluation		\$20,000	\$7,500	\$7,500	\$15,000	\$50,000
Annual Contractor fiscal agent costs		\$65,503	\$111,179	\$104,880	\$173,777	\$455,339
Annual cost for 24-hour hotline & field support		\$7,193	\$12,208	\$11,517	\$19,082	\$50,000
Equipment for Stores		\$424,580	\$525,780	\$438,955	\$935,870	\$2,325,185
Security Devices			\$112,000			\$112,000
Annual Maintenance on Equipment 7%		\$29,721	\$36,805	\$30,727	\$65,511	\$162,764
Annual Telecommunications Cost		\$21,578	\$36,625	\$34,550	\$57,247	\$150,000
Client Cards 25,000		\$10,789	\$18,313	\$17,275	\$28,623	\$75,000
Contractor Training for clients		\$7,193	\$12,208	\$11,517	\$19,082	\$50,000
State Staff Salaries and Benefits		\$200,000	\$100,000	\$100,000	\$100,000	\$500,000
Travel, supplies, misc.		\$25,000	\$15,000	\$10,000	\$25,000	\$75,000
TOTAL	\$100,000	\$885,328	\$1,046,452	\$812,987	\$1,515,521	\$4,360,288

V. FNS Action Requested

INITIAL FUNDING

A Revised Demonstration Project Budget will be submitted with the Formal Request For Application. Initial Demonstration Project funding of \$100,000 will be requested to cover:

- Contractor costs for assistance in submitting a Full Application, estimated at \$20,000.
- Contractor costs for the Feasibility Study, estimated at \$40,000.
- The first year costs for the Project Evaluation is estimated at \$15,000.
- Initial travel, equipment, and supplies are estimated at \$25,000.

ACTION REQUESTED

Delaware is asking FNS for an indication of interest in receiving a Full Application to obtain \$100,000 funding for the Application and Feasibility Study steps of Phase I of the **Delaware Card-ONE** project.

Appendices:

Electronic Benefits Transfer Task Force

Joint Senate-House Resolution #36

Delaware Card-ONE - Potential Technical Approach

DHSS EBT System Data Flow Diagrams



**DELAWARE HEALTH
AND SOCIAL SERVICES**

OFFICE OF THE SECRETARY

ELECTRONIC BENEFITS TRANSFER TASK FORCE

Established: May 1, 1993
Termination: January 15, 1996



Secretary, Delaware Health And Social Services

BACKGROUND A review of the opportunities of Electronic Benefits Transfers (EBT) technologies indicates Delaware Health and Social Services could benefit by the use of an Off-Line electronic benefit issuance system. The intent of establishing a system is to improve the access to and the delivery of health and social services throughout Delaware.

DHSS is placing itself to take earliest opportunity of Laser Card, Off-Line technology by establishing a Steering Committee to initiate a joint Food Stamp-WIC pilot demonstration project. Eventually, the technology is targeted to deliver all benefits and health records for every eligible family on one electronic benefits card.

The significant issues are: (1) Improving the delivery of services; (2) Getting the providers (retailers, etc.), and the stakeholders (clients, etc.) to form partnerships/consensus; (3) Establishing training programs for DHSS staff, clients, and providers; (4) Getting a 100 per cent federal grant.

GOAL The purpose of this Committee is to establish a Laser Card, Off-Line joint Food Stamp-WIC Electronic Benefits Transfer pilot project with the capability for future expansion into other programs.

EVALUATION The Committee shall establish a formal evaluation process for the purpose of identifying and comparing impacts of the test system and for the purpose of obtaining assistance in terms of defining and exploring alternatives.

CHARGE The Committee is charged to:

- * Implement a Smart Card, Off-Line joint Food Stamp-WIC EBT pilot demonstration project with the first client use on or about April 1, 1995. The technology selected should lend itself to future expansion for delivering all benefit services (public and private), to the right family, at the right time, efficiently, on one card.
- * Establish a project organization consisting of a working committee and several advisory committees.
- * Obtain a 100 per cent federal demonstration grant.

ELECTRONIC BENEFITS TRANSFER TASK FORCE

- Establish provider partnerships.
- Obtain stakeholders' consensus.
- Establish training programs.

MILE STONES

- Concept Paper: June 1993
- System Design: August 1994
- Development: March 1995
- Implementation: April 1995
- Final Evaluation: January 1996

TERMINATION The functions of this Committee will terminate on or about January 15, 1996 with the completion of the final evaluation report.

**DELAWARE HEALTH AND SOCIAL SERVICES
ELECTRONIC BENEFITS TRANSFER TASK FORCE**

Committee Composition

Name	Affiliation	Phone
Wayne L. Bergner, Chair	Director, DMS DHSS Campus New Castle	302-577-4515
Barbara A. Paulin	Director, DCSE DHSS Campus New Castle	302-577-4807
Phyllis T. Hazei	Director, DSS DHSS Campus New Castle	302-577-4400
Charles Konigsberg, MD, M.P.H.	Director, DPH Jesse Cooper Bldg. Dover, DE	302-739-4700
Thomas K. Pledge, Ph.D.	Director, DMR Jesse Cooper Bldg. Dover, DE	302-739-4452
Carol Sipe	Director, Program Support DSCYTF Wilmington, DE	302-633-2503



SPONSOR: Sen. Bair & Sen. Holloway,
Sen. Connor, Reps.
Maroney, Di Pinto,
Schroeder

DELAWARE STATE SENATE

137TH GENERAL ASSEMBLY

SENATE CONCURRENT RESOLUTION NO. 36

REQUESTING THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES TO CONTINUE DEVELOPING DELAWARE'S ELECTRONIC BENEFITS TRANSFER SYSTEM AS A MEANS OF DISTRIBUTING BENEFITS TO CLIENTS AND REPORT ITS PROGRESS TO THE DELAWARE GENERAL ASSEMBLY.

1 WHEREAS, Electronic Benefits Transfer (EBT) is state of the art technology
2 designed to simplify the access of benefits for people receiving food stamps,
3 AFDC, Medicaid, WIC, etc.; and

4 WHEREAS, EBT provides more efficient, effective, theft-proof and convenient
5 method of distributing benefits for both the client and local merchants; and

6 WHEREAS, EBT involves giving each client a "smart card", a credit card
7 coded with the benefits that the client is entitled to receive; and

8 WHEREAS, EBT eliminates the need for food stamps and other paper
9 authorizations for benefits, provides the merchant with daily credits for
10 items purchased, and gives the client more flexibility with purchasing; and

11 WHEREAS, EBT is an effective tool in eliminating the unauthorized selling
12 and buying (trafficking) of food stamp coupons; and

13 WHEREAS, EBT is supported by the Food Marketing Institute and is in place
14 in many states; and

15 WHEREAS, neighboring states of Maryland and New Jersey are going to the EBT
16 system and Delaware merchants would lose business if they are not part of the
17 EBT system; and

18 WHEREAS, the Department of Health and Social Services is currently working
19 to establish "smart card" EBT in Delaware for the goal of efficient and secure
20 benefits.

21 NOW, THEREFORE:

22 BE IT RESOLVED by the Senate of the 137TH General Assembly of the State of
23 Delaware, the House of Representatives concurring therein, that the Department
24 of Health and Social Services, in cooperation with the Mid-Atlantic Food

1 Dealers Association, be encouraged to continue Delaware's "smart card" EBT
2 system.
3 BE IT FURTHER RESOLVED that the Department is hereby requested to
4 report its progress with the EBT system no later than August 15, 1993.

SYNOPSIS

This Resolution requests the Department of Health and Social Services to continue developing Delaware's electronic benefits transfer system as a means of distributing benefits to clients and report its progress to the Delaware General Assembly.

Author - Senator Bair

Delaware Card-ONE

Potential Technical Approach

A. Introduction

This document covers how laser-card technology could be used by DHSS to implement electronic benefits transfer (EBT) in its Delaware Card-ONE project. It attempts to lay out a complete and internally consistent outline of the EBT process. The document makes certain assumptions and these are noted for future verification. The purpose of the document is to promote understanding and consensus on a potential technical approach for the Delaware Card-ONE project.

B. Overview Of DHSS EBT Pilot

The Secretary of DHSS has established the goal of a joint food stamp/WIC pilot using EBT and available for clients by April 1, 1995. The pilot will electronically deliver and redeem benefits associated with these programs. Each client household participating in the pilot will be issued a laser-card with an encrypted personal identification number (PIN) and a magnetic stripe¹. The laser-card will be used to record transactions representing benefits allocated and benefits used. Vendors participating in the pilot will have one or more laser-card reader/writers integrated with their point of sale² (POS) systems. This integration will allow the use of existing financial networks both to transfer funds from client accounts to vendor accounts and to provide feedback to DHSS on benefit use.

C. Rationale For Using LASER-CARD Technology

A question that recurs in discussions of the DHSS LASER-CARD pilot is why are we looking at new technology instead of following models such as Maryland (magnetic stripe cards and an online central system). One answer is that laser-card storage capacity makes it possible to "piggyback" on existing commercial POS capabilities. The US Office Of Technology Assessment publication 'Electronic Delivery Of Public Assistance Benefits' (1988) defines a piggybacked system as "... one in which major elements of the system ... are shared with commercial systems (bank ATM networks, retail debit-card/POS systems, etc.)." It refers to "... lower total costs per transaction because of increased network utilization and shared capital costs ..." as a potential benefit of piggybacking.

In the DHSS EBT pilot the food stamp balance, as well as the more complex product balances needed for WIC benefits³, would be maintained on each EBT card, and would thus be available for real-time verification. This increases the likelihood that DHSS could reduce costs by piggybacking on commercial POS networks, even though where

transactions are batched for later settlement through an automated clearinghouse. A custom developed 'third party' system (online and real-time during retail business hours) for administration of the program would be avoided. This means the highly visible down time and slow response time situations inherent in operating such a system would also be avoided.

D. How The DHSS EBT Pilot Would Work

This section provides a description of the main processing steps in the DHSS EBT system. The five data flow diagrams provided at the end of this document supplement the material in the section. The first diagram provides a processing overview and the remaining four correspond to the four steps described below.

1. Client Enrollment

When clients are first enrolled in a program, their initial benefits are downloaded at the time the cards are issued. These benefits would be in the form of transactions written on the laser-card. At a minimum, each transaction would include the following items:

- Type (food stamp or WIC)
- Universal product code (UPC) for WIC
- Date & time benefit available
- Date & time benefit expires
- Benefit amount (dollars for food stamps; product quantity for WIC)

Since a time period is associated with each benefit amount, future benefits could be allocated during the enrollment process.

ASSUMPTION: timed control of future benefits provides sufficient security?

At the point of downloading of initial benefits, an account with a fiscal agent would be established with funds allocated corresponding to the benefits.

2. Benefit Use

When making a purchase, the client would present the laser-card for a visual check by the clerk. The card would be inserted in the reader/writer and the client would enter the PIN. Custom POS software would then perform the following functions:

- a. Confirm client identity by matching the entered PIN with the PIN on the LASER-CARD.
- b. Determine the client's current food stamp balance, as well as the current WIC balance for each product category. This is done by reading from the LASER-CARD the original benefit transactions for the time period, along with any matching transactions representing benefit use.
- c. As purchases are scanned, use the UPC to identify food stamp and WIC products by category and maintain a running total of the dollar amount for each category (and of the quantity used for WIC product categories), up to the benefit limits on the card. This step would include applying WIC benefits first.

ASSUMPTION: every UPC maps to at most one WIC type and sub-type?

- d. Write a transaction for each product category on the LASER-CARD. At a minimum, each transaction would include the following items:

- Type (food stamp or WIC)
- Current date & time
- Product quantity (for WIC)
- Universal product code for WIC
- Dollar amount

- e. Simultaneously record these transactions, along with case identification information, at the local POS sale system.
- f. Flag the specific products from step c on the printed cash register receipt. Print the total dollar amount, the dollar amounts from step c for food stamps and for WIC and the net cash due. Print the remaining food stamp dollar balance for the period and the quantity balances for each WIC product category. Also print the dates when these balances expire.

ASSUMPTION: existing procedures for invalidating lost and stolen cards in 'batched' POS systems are adequate?

3. Settlement

The local POS software would use the information saved in step 2.e to generate standard POS settlement transactions and merge these with similar transactions generated by the store's magnetic stripe based system. The only unique aspect would be separating WIC from food stamps, further splitting WIC by product category and using one of the two reference fields provided in the standard POS settlement record⁴ for WIC product quantity. The existing financial network would provide for the debiting of client accounts and crediting of vendor accounts. DHSS would obtain the food stamp and WIC POS transactions in electronic form from the fiscal agent.

ASSUMPTION: at least one reference field would be available in POS systems used in Delaware?

ASSUMPTION: this provides DHSS food stamp staff and WIC staff sufficient information on benefit use?

4. Benefit Replenishment

As the initial benefits allocated in step 1 are used, the system must provide for replenishing these benefits. For food stamp benefits, the replenishment method will depend on the mix of real-time versus 'batched' POS systems used in Delaware. In the ideal case, real-time systems would be generally available to the extent that all clients would have access to a vendor with such a system at the time replenishment was necessary. Transfer of the new allocation of benefits could then take place through a real-time POS system.

Until real-time POS systems are generally available, clients would need to visit locations (such as service centers) where special reader/writers, directly connected to DHSS's central system, would be available to download the new allocation of benefits.⁵

For WIC benefits, clients would periodically return to their clinics for benefit replenishment. By initially downloading future benefits as described above, the 'period' could be of any length and could vary by client, but a visit to the clinic on some cycle for every client would be necessary. Since WIC benefits cover multiple categories and are not expressed in dollar quantities, it is unlikely they could be transferred through the financial network.

ASSUMPTION: the client visit requirements described in this section
are acceptable?

For both food stamp and WIC benefits, funds matching the replenished benefits would be allocated to the fiscal agent involved.

E. Summary

The computer software supporting the process outlined above involves three segments:

1. Outbound interfaces are needed for existing DHSS food stamp and WIC systems.

These interfaces would replace issuance of paper benefits with downloading of these benefits to the LASER-CARDS of clients in the pilot.

2. Inbound interfaces are also needed for these systems to accept and process information from the fiscal agent on the use of benefits.

3. POS software is needed to provide the functions described above.

ASSUMPTION: vendors will accept DHSS-provided POS software or will agree to modification of their existing software?

The process thus attempts to preserve existing DHSS WIC and food stamp software, limiting modification to interfaces. The process also uses the capabilities of the existing financial network to 'close the loop' in terms of fund settlement and benefit usage history. Vendors would not need a separate data communications link connected directly or indirectly to DHSS. As long as their POS software provided the required functions, they would not even have to be using the same POS system. While DHSS gives up some control by piggybacking, it is hoped that the advantages make this a favorable trade-off.

¹ The magnetic stripe gives the option of distributing cash benefits through ATM machines. This process, if instituted at some point in the future, would have to be completely separate from the food stamp and WIC benefits. To see why, suppose I have \$100 in my cash account. I use my OMC for a purchase that requires \$15 in cash. If the DHSS OMC system generates a \$15 transaction for settlement, there will be a time delay until my cash balance is reduced to \$85. This would give me a window during which I could withdraw the full \$100 from an ATM machine. This restriction could be eliminated when all POS systems operate in a real-time mode (see next footnote).

² The following is taken from a US Office Of Technology Assessment publication entitled 'Electronic Delivery Of Public Assistance Benefits' (1988)

"... there are two distinct types of online POS systems. In a real-time online POS system, all the information to verify, reconcile and settle the transaction is collected and recorded at the time the transaction is made. In principle, therefore, settlement between the customer's and provider's accounts can be done in real time. By contrast, in the batch or 'electronic check' type of online POS system, information to verify and reconcile a transaction is collected at the time the transaction is made. Batches of transactions are subsequently ... processed for settlement by an ACH." (automated clearing house)

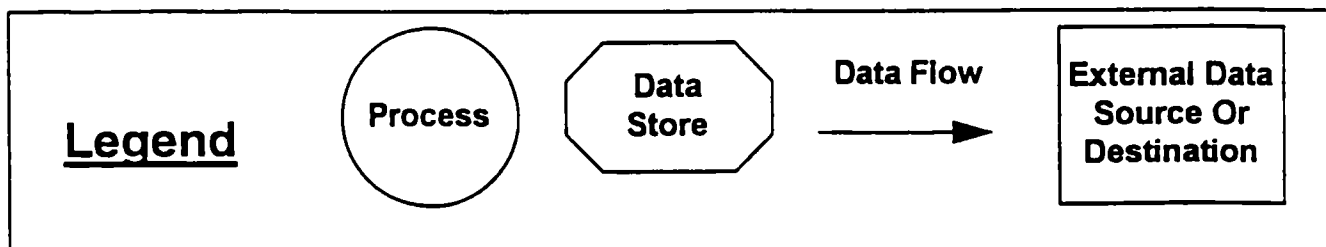
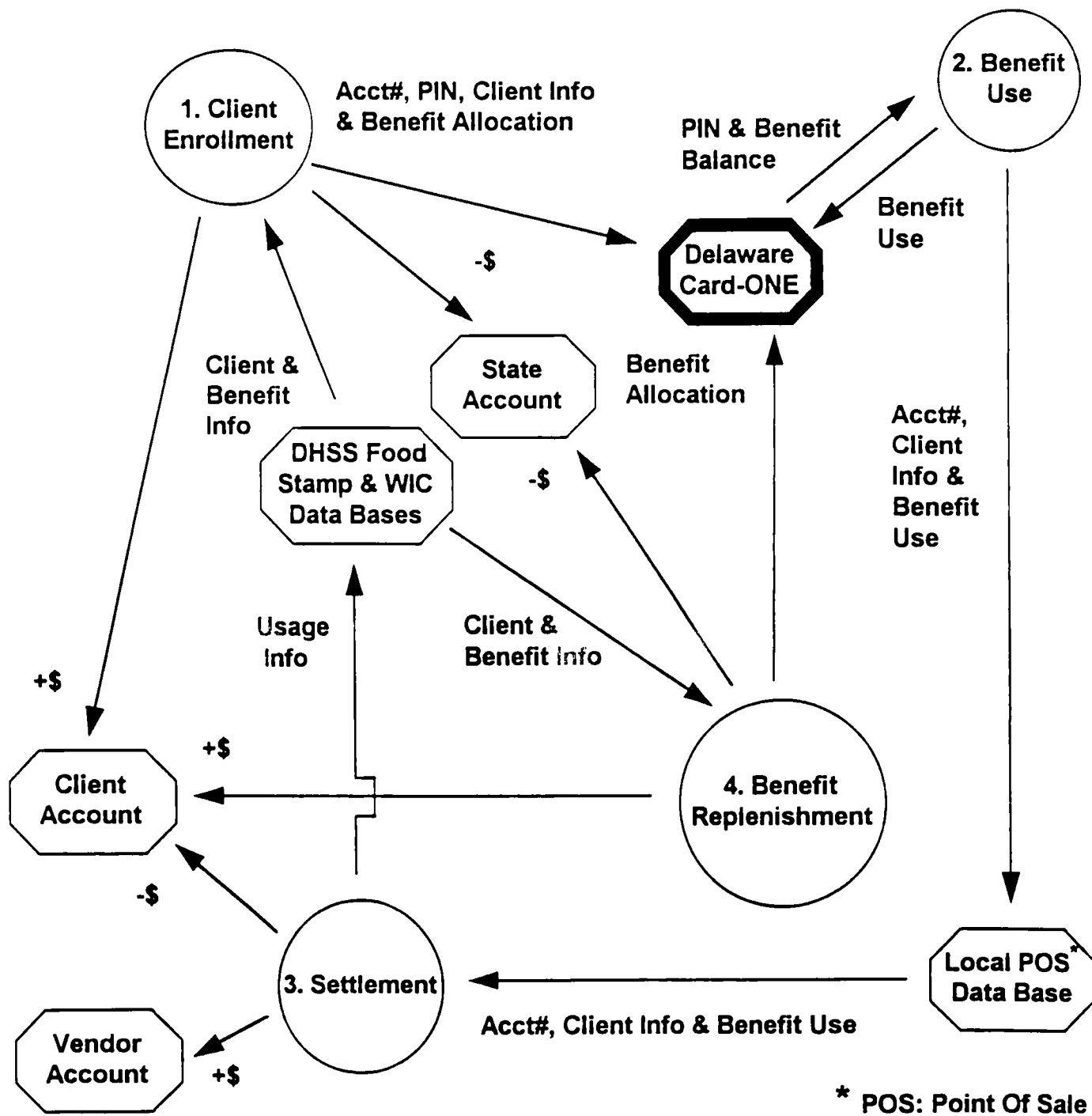
³ WIC benefits cover a four week cycle of packaged quantities of milk, cheese, cereal, juice, peanut butter, eggs and baby formula expressed in various units of measure

⁴ ACH Rules: A Complete Guide To Rules And Regulations Governing The ACH Network, 1993.

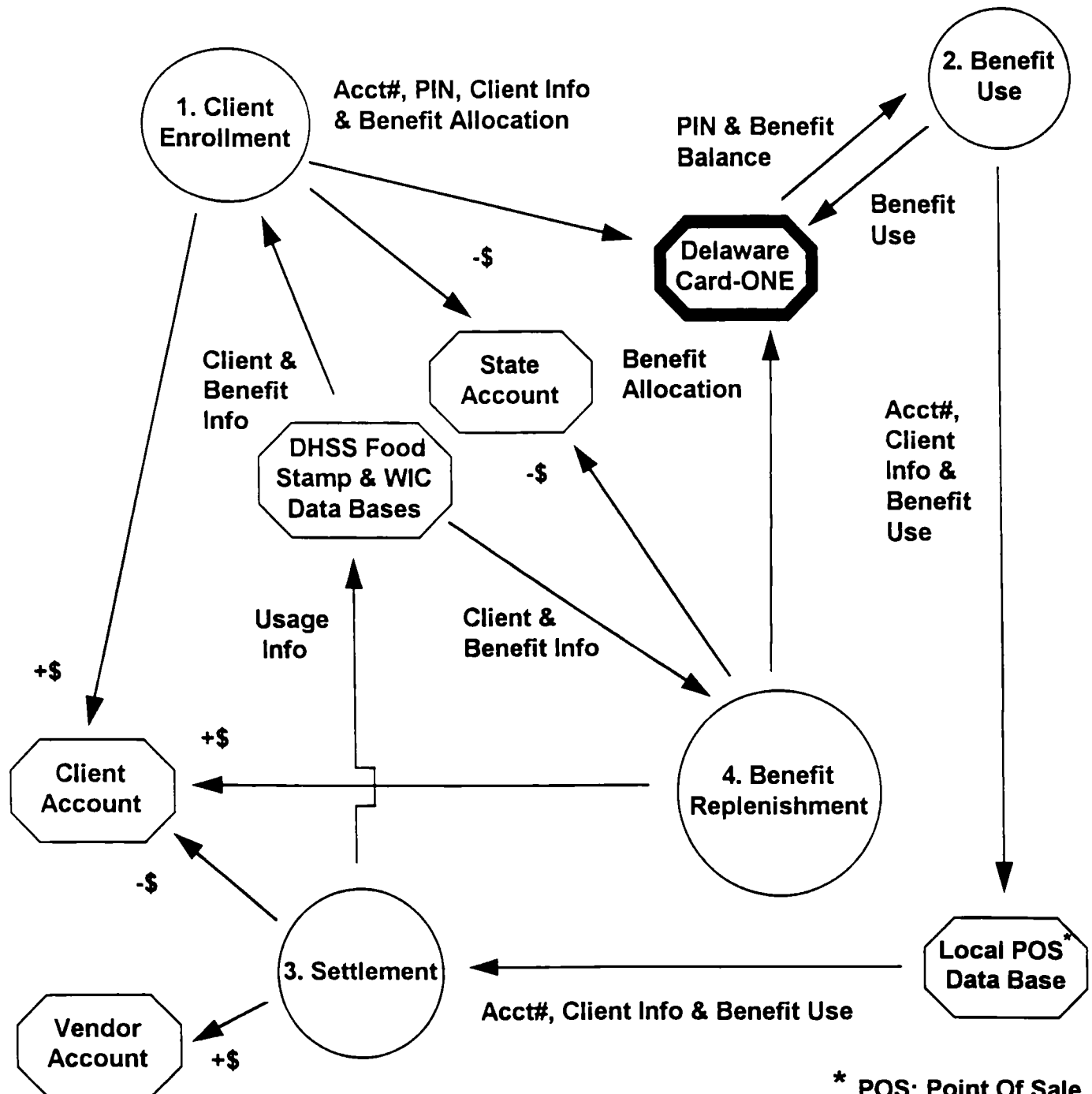
⁵ This departs from the original concept that clients could go to any reader/writer and have their benefits replenished from information previously downloaded. Such a capability would require that benefit information for all clients be downloaded to all vendor locations.

DHSS EBT SYSTEM

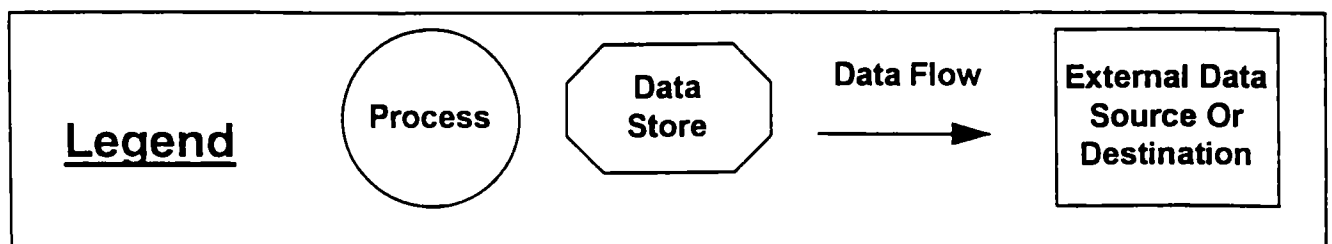
Data Flow Diagram Overview (7/30/93)



Data Flow Diagram Overview (7/30/93)

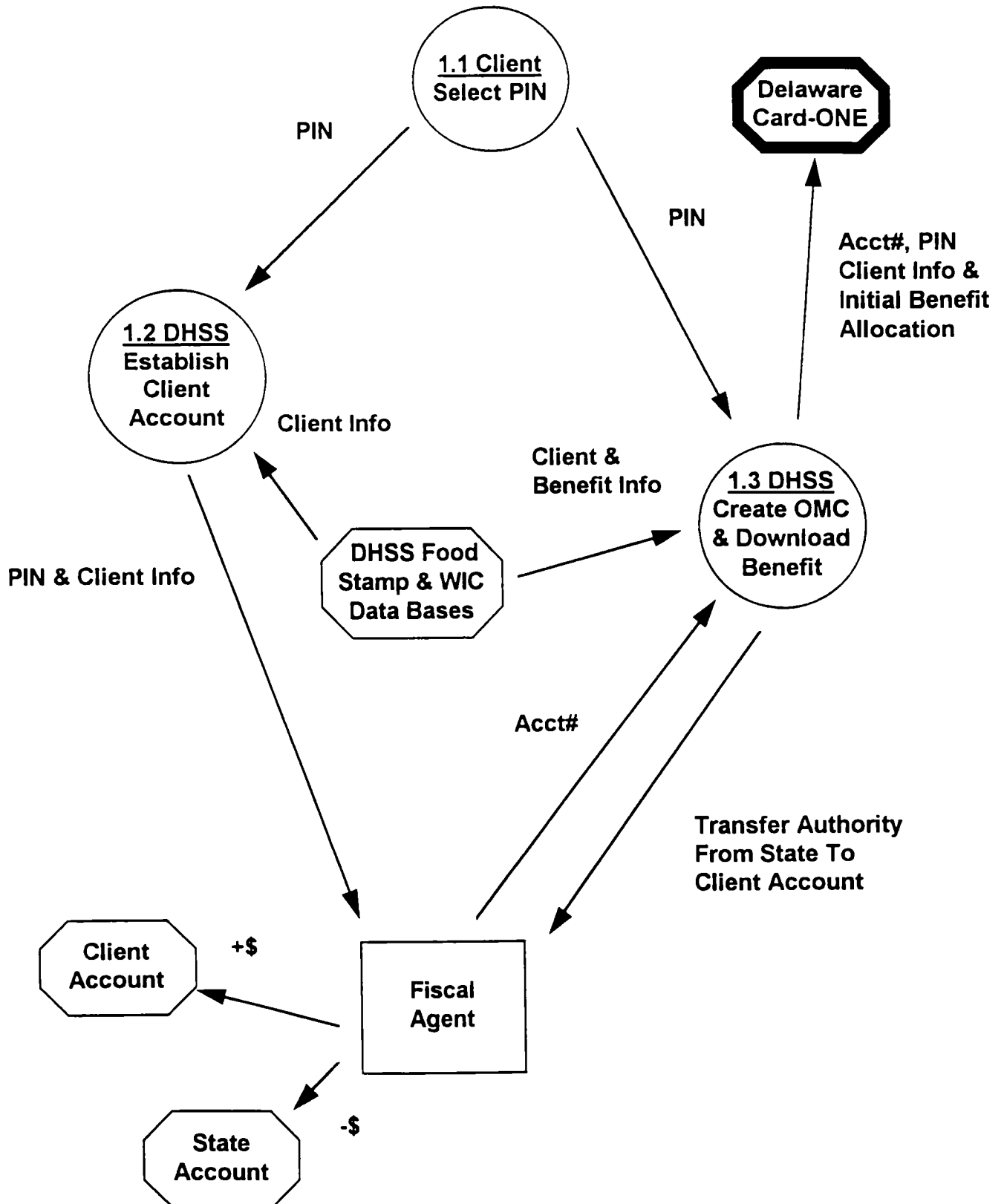


*** POS: Point Of Sale**



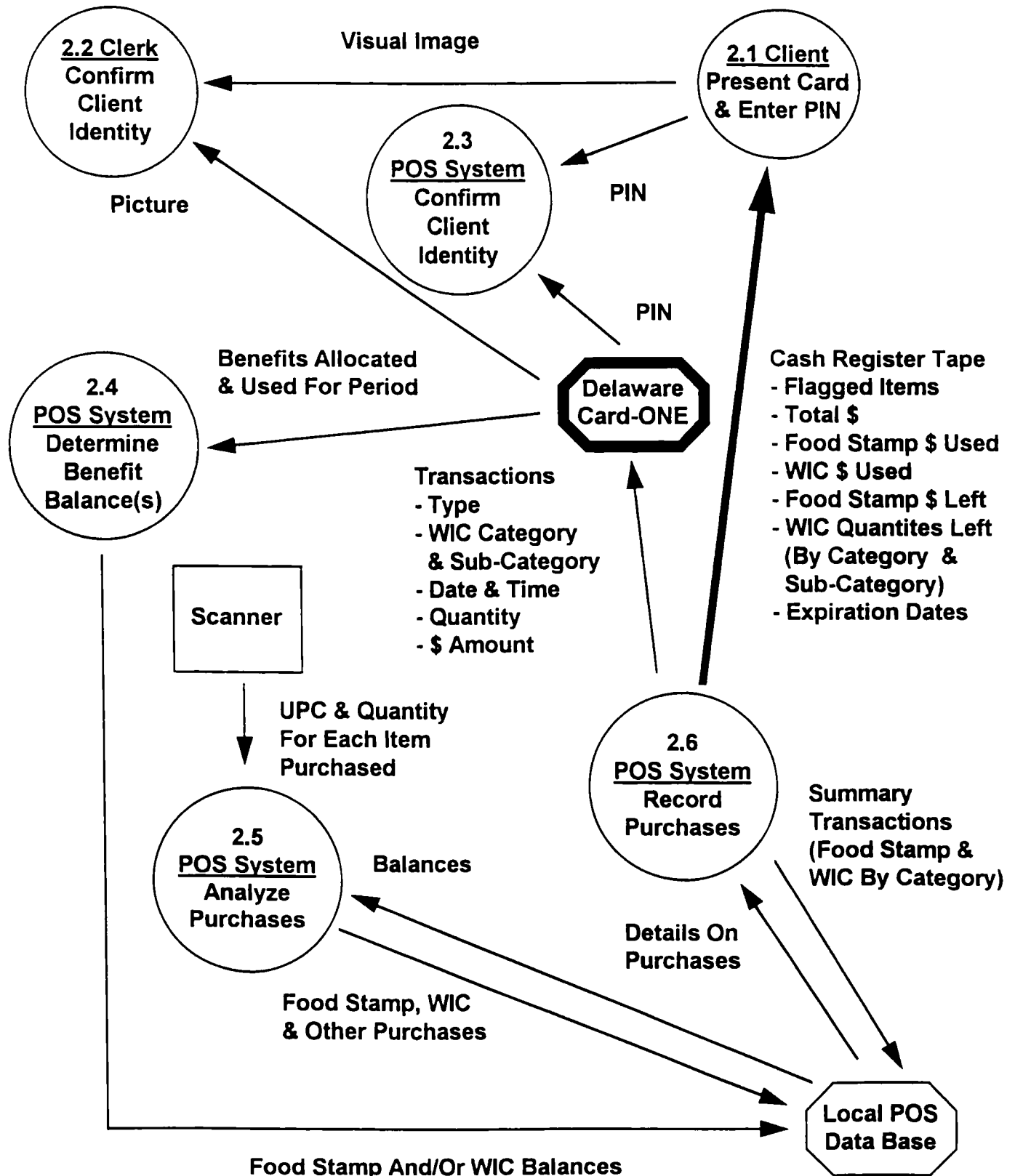
DHSS EBT SYSTEM

1. Client Enrollment



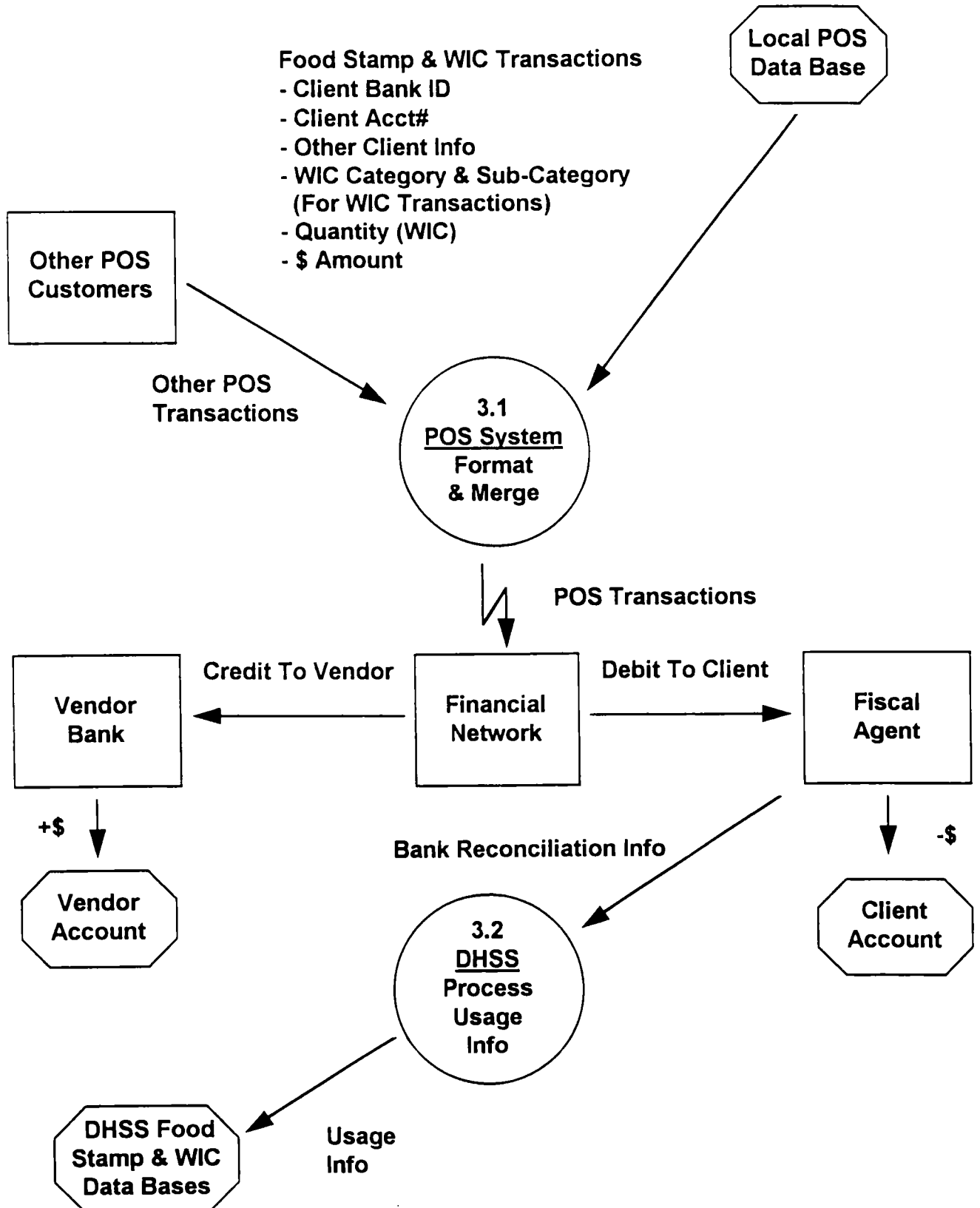
DHSS EBT SYSTEM

2. Benefit Use



DHSS EBT SYSTEM

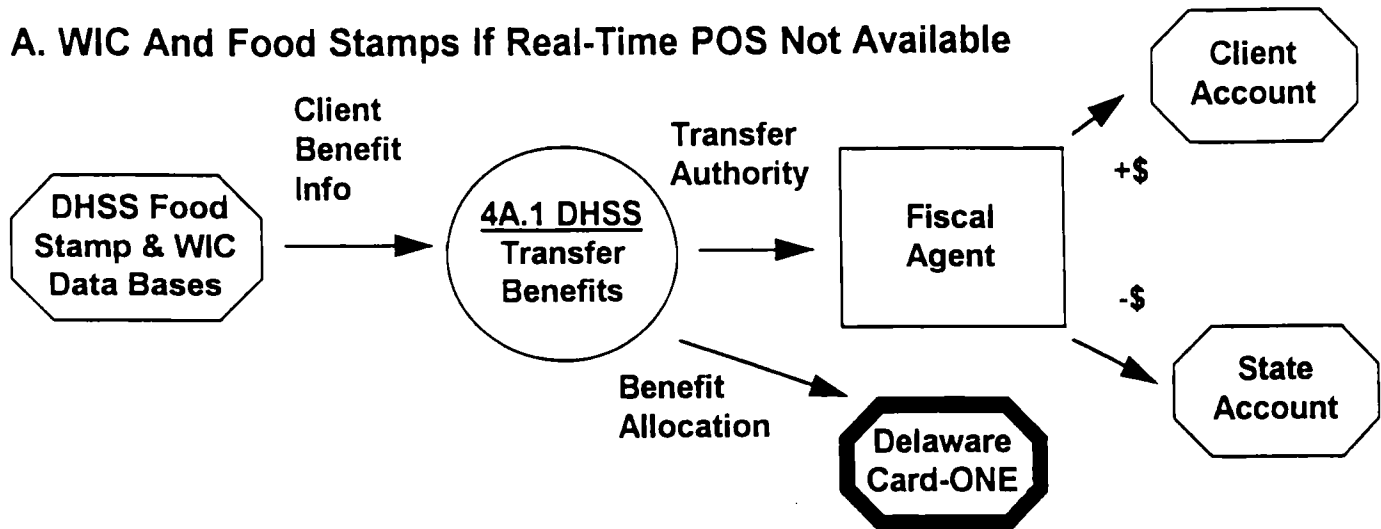
3. Settlement



DHSS EBT SYSTEM

4. Benefit Replenishment

A. WIC And Food Stamps If Real-Time POS Not Available



B. Food Stamps If Real-Time POS Available

