facsimile
TRANSMITTAL

U.S. Department of Agriculture
Food and Consumer Service
State Administration Branch
3101 Park Center Drive, Room 905
Alexandria, Virginia 22302

to: Diana Fortuna

fax #: 202-456-7028

re: Florida letter + info on meeting + 2 page summary

date: 3/24/98

pages: 8 **including this cover sheet.**

From the desk of:

name: Susan Carr Gossman - FSD

telephone number: Call Carolyn Foley at 703-305-2473 for any fax info

Message:

RE-DRAFT as of 3/24/98

Mr. Edward A. Feaver
Secretary
Florida Department of Children & Families
1317 Winewood Boulevard
Tallahassee, Florida 32399-0700

Dear Secretary Feaver:

This is in response to your January 27,1998 request to waive section 11(e)(6) of the Food Stamp Act of 1977, as amended, to allow non-merit public employees to perform food stamp eligibility determinations. Under State law, the Florida State agency must conduct a demonstration by entering into competitively-bid contracts to test the feasibility of privatizing all services associated with the Florida WAGES Program.

The State of Florida's proposal is significant. Not only could the demonstration project affect Food Stamp Program services, integrity and costs, it represents a departure from current Federal policies which are based on the premise that the determination of program eligibility for Federal benefits must be the responsibility of a public work force. Given this significance, there are a number of program, financial, and research issues that need further clarification.

A number of these issues were discussed during our recent meeting on March 19, 1998, with Don Winstead of the Florida Department of Children and Families. Because of time constraints, we were not able to fully discuss all of the following issues. Some of the issues that were clarified are restated below to allow the State of Florida to respond fully.

General

- **Status of Demonstration Project:** Please describe the current status of the implementation of WAGES program in the five counties (three pilot sites). It is our understanding that the State has already entered into a contract with vendor(s) to privatize Temporary Assistance to Needy Families (TANF) households.

- **Pilot Administration:** How would the private vendor(s) operate? Would the vendor be required to operate from the same locations as the Department of Children and Family Services or will the vendor(s) be permitted to move service locations? If the food stamp waiver is approved, please describe how the vendor(s) will implement it and serve food stamp households. If the waiver is not approved, how would TANF/food stamp households be served in the three pilot sites?

- **Treatment of Applicant Food Stamp Households/Screening Services:** If the vendor(s) are allowed to establish separate offices, how would applicant households know where to apply? If an applicant household applies at the "incorrect" office, how would the household be transferred to the correct office? How would be vendor ensure that the household receives benefits as of the date of application? If the intent

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is to conduct a screening to direct applicants to the correct office, would the employees conducting the screening be private or public employees? Would screening take place in the State-run comparison counties or would this represent a programmatic difference that must be accounted for in the evaluation design?

- **Treatment of Mixed and Transition Food Stamp Households:** It is our understanding that the waiver would affect only those TANF/food stamp households that are required to comply with TANF work requirements (WAGES program) and TANF time limits. Please explain how mixed food stamp households would be handled. For instance, assume that three adults and two children receive food stamp benefits as one household and one adult and two children from this household participate in the TANF program. If the adult TANF recipient is required to participate in WAGES, would the certification and all other decisions affecting the food stamp household's benefit level and eligibility be determined by a private employee or by a public employee? Would the mixed household be required to go to one office in the pilot site, and the PA household to another?

  Similarly, how would a food stamp household be handled when circumstances change (e.g., household composition, age of child changes affecting WAGES requirements) and the a non-public assistance household becomes subject to WAGES, or vis versa? Again, would the household be required to be served by one office while subject to WAGES and another office when circumstances changes. If so, how would the household be advised of which office to contact.

- **Cost Allocation and Accountability of Program Administration Costs:** Please describe the accounting procedures that would be in place to ensure that the private vendor is properly reimbursed for activities related to providing WAGES services. How would costs associated with the screening process be allocated among the different assistance programs?

- **State Retained Program Responsibilities:** Please describe the Food Stamp Program responsibilities that would be retained by the State agency if the Food Stamp waiver request is approved. For instance, who would conduct fair hearings, Quality Control, or issuance? How would reporting requirements be met?

- **Organizational Structure:** Please explain in detail the organizational structure that will exist between the vendor (private offices), local offices (public), State Offices, and the Federal Government (FNS). Does the State accept that FNS will hold the State responsible for all program requirements and for any liabilities that may occur (e.g., Quality Control sanctions)? Thus, FNS will not consider any negotiations between the State and vendor to be sufficient cause for any delay in any action that is required by law and regulation.

- **Monitoring Procedures:** If the Food Stamp Program waiver request is approved, what, if any, special or additional monitoring procedures will be implemented? For

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instance, what monitoring procedures would be in place to ensure that applicants have access to the Food Stamp Program and that client confidentiality would be maintained within the pilot sites? What monitoring procedures would implemented to ensure that food stamp applicants or participating households which are not subject to the WAGES program continue receive timely and accurate service? How would the State monitor contract performance?

- **Status of Public Employees:** What would happen to the current public employees in the three pilot areas during the demonstration?

- **Termination of Demonstration:** Please describe the State's transition plans after the demonstration is over.

Evaluation Issues

Given the nationwide implications for testing privatization of the food stamp certification process, we believe that a rigorous evaluation would have to be designed to fully determine the effect privatization has on food stamp administration and operations. Due to the significance of the demonstration evaluation, there are a number of points in the proposed State evaluation plan that need further clarification.

- **Study Design:** Given that the State has not proposed an experimental design, please explain how the impact of privatization of the food stamp eligibility process will be properly isolated and measured in the evaluation. Will a pre-post design and/or comparison county design be used for all outcome variables? Has the State considered other evaluation designs? Other than for their urban/suburban/rural characteristics, why were the demonstration sites selected? How representative of the State are the demonstration counties? When and on what basis will comparison sites be selected? What will be the level of analysis for the evaluation – by site, county, local office, household or other? Besides the difference in who is operating the WAGES program (State versus private vendor), are there any differences in the WAGES program between the demonstration and comparison sites?

- **Outcomes of Interest:** What variables will be examined regarding cost, customer service and program integrity in the evaluation of food stamp privatization? If a pre-post design is used, what baseline data exist or will be collected regarding these variables? Is the relevant population within the demonstration sites sufficiently represented in this baseline data? Is the relevant population within the comparison sites sufficiently represented in this baseline data? How will the costs of the eligibility process be isolated from the other costs for purpose of evaluation? How will the costs be measured and compared between the demonstration and comparison sites?

- **Independent Evaluation:** By law, the evaluation is the responsibility of the Office of Program Policy Analysis and Governmental Accountability, which is separate from the Department of Children and Family Services and the Department of Labor and Employment Security. Does the Office of Program Policy Analysis and Governmental

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Accountability intend to obtain the services of an independent evaluator? If not, please describe the evaluation and research abilities of the Office of Program Policy Analysis and Governmental Accountability staff. What is the experience of this office in conducting studies and evaluations? Would the State be willing to consider obtaining an independent evaluator?

- __Timing:__ It is our understanding that the pilots would run for three years, or until 2001. However, State law requires the Office of Program Policy Analysis and Governmental Accountability to submit an evaluation of startup and early implementation to the State House and Senate by December 31, 1998 and an evaluation of the pilot outcomes by December 31, 1999. Would any additional analysis be conducted after December 31, 1999? Is there any reason that the State would want to finalize the demonstration outcome evaluation before the demonstration is over? Please provide additional details regarding your schedule for the evaluation process.

We are available to meet with you and your staff to discuss these issues. Please contact me if I can be of further assistance.

Sincerely,

Susan Carr Gossman
Deputy Administrator
Food Stamp Program

cc: Karen Hogan, Governor Chiles Office, Washington, DC
Don Winstead, Department of Children and Families, Tallahassee, FL
David Cade, HHS, HCFA, Balimore, MD
Virgil Conrad, USDA, FNS, SERO, Atlanta, GA
Steven Carlson, USDA, FNS, OAE, Alexandria, VA
Abigail Nichols, USDA, FNS, FSP, Alexandria, VA
Gary Maupin, USDA, FNS, FM, Alexandria, VA

j:FLWAIVER: FNS/FSP/PAD/CFoley & FNS/OAE/KHyatt (draft 3/17/98;redraft 3/20/98)

Meeting with Florida Officials on Food Stamp Program Privatization Waiver

- On March 19, 1998, at the State of Florida's request, Federal officials from the Departments of Health and Human Services (DHHS) and the Food and Nutrition Service (FNS) met with Florida officials to discuss the State's waiver requests to privatize the eligibility determinations under the Food Stamp and Medicaid Programs.

- Karen Hogan from the Governor's Office and State agency Director Don Winstead represented the State of Florida. FNS officials included Susan Carr Gossman, Deputy Administrator of the Food Stamp Program and other Food Stamp Program and Office of Analysis and Evaluation staff. DHHS officials included David Cade from the Health Care Financing Administration (HCFA) and HHS Intergovernmental Affairs.

- Don Winstead provided an overview of the State's legislation that mandates the demonstration. The demonstration would operate in three sites and would affect food stamp households receiving Temporary Assistance to Needy Families (TANF) that are required to participate in the State's WAGES work program. Non-public assistance households or households not subject to TANF work requirements would not be included in the demonstration.

- Under State law, the State must begin implementation of the demonstration as of April 1, 1998. The State has progressed with the selection of two vendors who will begin implementation of some contracted responsibilities on April 1, 1998.

- Other issues discussed were State plans to implement a simplified program if the food stamp waiver is not approved, screening services, State retained responsibilities, and evaluation plans.

- While the discussion was productive in clarifying a number of issues, FNS continues to have a number of programmatic, financial and research issues that need to be clarified.

- We advised the State of our intention to send a letter requesting clarification no later than April 6, 1998. told them

J:FLAMEET

Florida Privatization Waiver Request – Summary

Background

In Spring 1996, Florida's Legislature passed welfare reform and created the Work and Gain Economic Self-Sufficiency (WAGES) Program – their version of TANF. WAGES was due to be operational on January 1, 1997. Key aspects of WAGES include:

- one-stop service delivery
- no increase in cash assistance with additional children
- time limits for new residents
- time limit of 48 months in a lifetime; 24 months in 60; 36 months in 72
- immediate work requirements
- assistance for qualified non-citizens
- sanctions of entire cash award for not working
- denied/reduced benefits if minor not in school, immunized or not CSE

WAGES is run by a State Board of Directors which has chartered 24 local WAGES coalitions. It is implemented by the Department of Children and Families (DCF) and the Department of Labor and Economic Security (DLES).

Privatization Pilot

Florida law requires a demonstration of privatization in the WAGES Program in three sites – one rural, one suburban and one urban. Florida has requested a waiver of the State merit employees rule in food stamps and Medicaid so that the private contractors may provide assistance in all three programs in one location.

Private certification and eligibility determination will only take place for those food stamp households who are receiving public assistance and are subject to the WAGES work requirements. Food stamp-only and food stamp/public assistance households not subject to WAGES work requirements will continue to be served by the Florida Department of Children and Families. Florida estimates that approximately 13 percent of the TANF/FSP/Medicaid caseload in the 5 selected counties will be served by the private contractor. This is roughly 1 percent of the State caseload.

— why not simplify?

The pilot is requested to run three years.

The three sites contain five counties: Lake and Sumter Counties; Palm Beach County; and Volusia and Flagler Counties.

Privatization Timeline

September 30, 1997	Begin quarterly progress reports
December 31, 1997	RFP for private contractor in each of three sites
March 1, 1998	Select private contractors
April 1, 1998	Begin implementation of privatization demonstration
December 31, 1998	OPPAGA implementation report due
December 31, 1999	OPPAGA outcomes report due

Evaluation Plan

Evaluation of WAGES with outcome variables related to workforce development. Solicits input of consumers, community organizations, service providers, employers and general public.

Evaluation of privatization of WAGES (and the Food Stamp Program) by the Office of Program Policy Analysis and Governmental Accountability (OPPAGA) – legislative branch. Required to submit an implementation report after 8 months of running and an outcome report 20 months after running. A pre-post evaluation of customer satisfaction in the pilot areas will also be conducted.

FLORIDA DEPARTMENT OF
CHILDREN & FAMILIES

Governor

Edward A. Feaver
Secretary

January 27, 1998

Virgil L. Conrad
Regional Administrator
Food, Nutrition and Consumer Services
77 Forsyth Street, S. W.
Suite 112
Atlanta, Georgia 30303

Dear Mr. Conrad:

As you know, in recent years Florida has operated a number of welfare reform demonstration projects in several Florida counties under federal waiver authority approved by various agencies. In 1997, the Florida Legislature directed the Department of Children and Families to enter into contracts to test the feasibility of privatizing all services, including eligibility determination for food stamps and Medicaid, associated with the WAGES Program.

A request for proposal (RFP) has been developed and publicly advertised for privatizing services in three regions of the state which include Lake, Flagler, Volusia, Sumter and Palm Beach counties. Our goal is determine if privatization will result in better services to recipients in addition to greater efficiency and effectiveness of service delivery.

We are enclosing Florida's waiver request for privatizing eligibility determination for food stamps. We are anxious to proceed with our waiver request as expeditiously as possible. We are seeking to minimize both the administrative burden and the processing time for consideration of our request. I have designated Don Winstead (850) 921-5567 as our point of contact for this issue.

Thank you for your support of our efforts to assist welfare recipients transition from dependence to self-sufficiency. We will look forward to hearing from you.

Sincerely,

Edward A. Feaver
Secretary

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FLORIDA DEPARTMENT OF
CHILDREN
& FAMILIES

Lawton Chiles
Governor

Edward A. Feaver
Secretary

January 27, 1998

Mr. Steven Golightly
Regional Administrator
Administration for Children and Families
101 Marietta Tower, Suite 821
Atlanta, GA 30303

Dear Mr. Golightly:

The purpose of this letter is to provide you a copy of our department's waiver application to FNCS and HFCA and to seek your support, advice and guidance.

Our department has been directed by the legislature to test the feasibility of privatizing all service delivery functions, including eligibility determination for food stamps and Medicaid. Privatization will be tested in five Florida counties, Lake, Flagler, Volusia, Sumter and Palm Beach.

As you know, Florida has operated a number of welfare reform demonstration projects in recent years, including several under waiver authority approved by your agency. We are aware that under current law a waiver is not required for Temporary Assistance for Needy Families (TANF). However, since the requested waivers would affect the operation of our cash assistance program, we wanted to keep you informed and to solicit your input and advice.

I have designated Don Winstead (850) 921-5567 as our point of contact for this issue. Your review and comment of our application and any future advice or support will be greatly appreciated.

Sincerely,

Edward A. Feaver
Secretary

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FLORIDA DEPARTMENT OF
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& FAMILIES

Governor

Edward A. Feaver
Secretary

January 27, 1998

Ms. Rose Crum Johnson
Regional Administrator
Health Care Finance Administration
101 Marietta Tower, Suite 701
Atlanta, GA 30303

Dear Ms. Johnson:

As you know, in recent years Florida has operated a number of welfare reform projects in several counties under federal waiver authority approved by various agencies. In 1996, Florida passed the Work and Gain Economic Self-Sufficiency (WAGES) Act in response to Public Law 104-193. In 1997, the Florida Legislature directed the Department of Children and Families to enter into contracts to demonstrate the feasibility of privatizing all service delivery, including eligibility determination for food stamps and Medicaid, associated with the WAGES Program in three regions of the state.

The Florida counties of Lake, Flagler, Volusia, Sumter and Palm Beach have been selected as demonstration counties for privatization of WAGES service delivery. The goal is to determine if privatization results in more efficient and effective service delivery and improves the overall quality of services delivered to recipients.

Enclosed is Florida's waiver request for privatizing the eligibility determination component of our demonstration project. As you will see in our request, it may be that we can proceed without a waiver, depending on the interpretation of federal law. We are anxious to proceed with the request process as expeditiously as possible. We are seeking to minimize both the administrative burden and the processing time for consideration of our request. I have designated Don Winstead (850) 921-5567 as our point of contact for this issue.

Why?

Thank you for your suppcrt of our efforts to assist welfare recipients transition from dependence to self-sufficiency. We will look forward to hearing from you.

Sincerely,

Edward A. Feaver
Secretary

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1.0 INTRODUCTION

1.1 Purpose of Waiver Application

Florida requests a waiver of the federal laws that require state merit employees to perform eligibility determinations for Medicaid and food stamps so that Florida may implement its Work and Gain Economic Self-Sufficiency (WAGES) privatization pilot project in five of Florida's 67 counties. These five counties are part of three separate WAGES regions. This privatization pilot project does not change the substantive eligibility criteria governing the Medicaid and Food Stamp programs.

1.2 Summary of Public Law 104-193

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193; H.R. 3734) is comprehensive legislation with far-reaching implications in a number of programs. The bill eliminated the open-ended federal entitlement program of Aid to Families with Dependent Children (AFDC) and created a new program called Temporary Assistance for Needy Families (TANF), which provided block grants for states to offer time-limited cash assistance. The comprehensive legislation also made far-reaching changes to child care, the Food Stamp Program, Supplemental Security Income (SSI) for children, benefits for legal immigrants, and the Child Support Enforcement program. Modifications to the child nutrition programs and a reduction in the Social Services Block Grant (SSBG) also were included in the act. However, current law was retained for child welfare and child protection programs. At the time of its passage, Congress estimated that the Act would save $54.5 billion over six years, with most of the savings due to changes in the Food Stamp Program and reductions in benefits for legal immigrants.

TANF differs from the federal provisions of the AFDC program in three ways that are particularly important in assessing how states will fare as they change from AFDC to TANF rules: funding, program requirements, and privatization. The first way in which the two differ is in the area of funding. Under TANF, the federal government provides each state an annual block grant, which is fixed for the next six years on the basis of that state's AFDC spending prior to the new law. Since states have always had the power to set benefit levels and income thresholds for AFDC eligibility and to define certain coverage parameters within federal guidelines, AFDC program expenditures span a wide range. Since the TANF block grants depend on a state's prior AFDC spending level, the higher the historic spending level the more generous the TANF benefit will be and the greater fiscal leeway the state will have.

The second area in which TANF and AFDC differ is program requirements. The new legislation restricts state use of federal TANF funds in ways designed to encourage work and discourage long-term welfare dependency:

- Families may not receive assistance for more than five years during their lifetime, with up to 20 percent of the caseload potentially exempt for reasons of hardship.

- The percentage of TANF families who are working must increase over time, and virtually all TANF families must work after receiving benefits for two years.

- Each state must maintain 80 percent of its own recent AFDC spending level (which can drop to 75 percent if the state meets the new federal work participation targets).

The third area in which TANF and AFDC differ is privatization. Under TANF, states and localities have significantly expanded authority to contract with the private sector for administrative and service activities which can be funded through that block grant. While privatization in human services has a long history, the Personal Responsibility and Work Opportunity Reconciliation Act gives states more flexibility to administer TANF and several other assistance programs through vouchers and contracts with private non-profit and for-profit organizations. For example, prior to the enactment of P.L. 104-193, only state employees could make eligibility and benefit determinations under the Aid to Families With Dependent Children and Food Stamp programs. The new law contains no such restrictions for TANF and permits them to be waived for the Food Stamp program. Many of the ideas and plans for privatization in welfare reform focus on services that, until now or recently, were performed solely by state or local governments. Non-governmental entities may increasingly be asked to handle functions such as case management that are critical to clients' lives, as well as to determine what services a client receives. This growing private sector role presents significant logistical, legal and philosophical issues.

1.3 Florida's State Plan

Because Florida enacted its welfare reform legislation (WAGES) in the spring of 1996, the Department of Children and Families was able to act quickly to seek block grant funds under TANF. Florida filed its State Plan on September 20, 1996 – less than one month after the Act was signed. DHHS determined the plan to be complete on October 8, 1996. Under the plan, Florida:

- denied additional benefits for a child born during receipt of TANF assistance;

- limited benefits available to new state residents based on the shortest time limitation between the two states with a maximum benefit limit of 48 months;

- limited benefits to no more than 24 months out of 60 consecutive months or 36 months out of 72 consecutive months for specified cases; 48 month lifetime limit;

- required participation in work activities immediately if caretaker is judged ready for work;
- decided to opt out of the TANF requirement that recipients participate in community service after receiving two months of assistance;
- opted to provide TANF benefits to qualified non-citizens;
- eliminated the entire cash grant as a sanction for failure to participate in work;
- denied or reduced benefits on the basis of conditions other than those specified above; specifically, reduced or terminated benefits if minor dependent child does not attend school or preschool child does not receive preventive health care (immunizations); and
- did not adopt the Family Violence Option provisions, but did include some domestic violence language or provisions.

1.4 Summary of Applicable Florida Legislation

Florida did not wait for Congress to act before implementing welfare reform. Instead, Florida led the nation with Project Independence. Building on the base provided by its JOBs Program, Project Independence, Florida created the Family Transition Program (FTP) in 1994. The program began with two pilot projects. These projects, based in Escambia and Alachua counties, provided a living laboratory for welfare reform. Although the projects had the same basic features -- intensive case management and enhanced assistance in locating work and time limitations to receiving benefits -- they differed in one major respect. In Alachua County, participation was voluntary; in Escambia County, participation was mandatory. FTP was expanded to nine additional counties the following year.

In June 1996, Florida received DHHS approval to operate the Family Responsibility Act, a statewide demonstration that included family cap and Learnfare requirements. The Family Responsibility Act was based upon FTP.

During the 1996 legislative session, the Florida Legislature enacted chapter 96-175, Laws of Florida. The purpose of the Work and Gain Economic Self-Sufficiency (WAGES) Act is to develop opportunities for families that provide for their needs, enhance their well-being, and preserve the integrity of the family free of impediments to self-reliance. Chapter 96-175 does not entitle any individual to assistance under the WAGES Program or Title IV-A of the Social Security Act, as amended.

The WAGES Program State Board of Directors is charged with overseeing the operation of the WAGES program and advising and assisting state agencies in administering the WAGES program. The WAGES Program State Board of Directors has 17 members, and the State Board is supported by a full-time staff.

The WAGES Program State Board of Directors has chartered a total of 24 local WAGES Coalitions. Every local WAGES Coalition has at least 11 members, half of which are from the business community. Assisted by full-time staff, each local WAGES Coalition plans and administers workforce development services for welfare recipients within its geographical boundaries.

But operation of WAGES is not left entirely to WAGES coalitions; both the Department of Children and Families and the Department of Labor and Employment Security (DLES) have specific and coordinated duties. The Division of Jobs and Benefits within DLES is charged in section 414.055, Florida Statutes (F.S.), 1996 Supplement, with establishing jobs and benefits offices. These offices are to function as one-stop centers at which services to WAGES applicants and participants will be delivered. Specifically, the one-stop centers are to accept applications and determine or re-determine eligibility for WAGES, subsidized child care, or emergency assistance (including housing assistance); and assign WAGES participants to a work activity.

1.5 Florida's Previous Waivers

On September 17, 1993, Florida applied for waivers of certain federal regulations for the Aid to Families with Dependent Children program under section 1115 of the Social Security Act. The waivers were requested to implement the Family Transition Act in two demonstration sites, which were Alachua and Escambia counties.

Subsequently, on April 6, 1995, another waiver was approved to expand the Family Transition Program to nine additional counties. The Family Transition Program expansion waiver was the first waiver in the country to be approved using the fast-track procedures initiated by the Clinton administration to facilitate welfare reform waivers.

On June 26, 1996, Florida was granted another section 1115 waiver to implement the provisions of the Family Responsibility Act of 1995. This statewide waiver implemented a modified family cap requirement and a learnfare provision.

On February 24, 1997, Florida requested waivers from the Work Requirement for Able-Bodied Adults without Dependents regulation specified in Section 824 of Public Law 104-193. The waivers apply to areas with high unemployment or areas with labor surplus.

3.0 REQUESTED WAIVERS

This chapter presents waiver authority Florida is seeking from the Department of Health and Human Services (DHHS) and the United States Department of Agriculture (USDA).

3.1 DHHS - HCFA Waiver

Florida is requesting all required waiver authority to allow a private contractor to perform eligibility determinations for Florida's Medicaid program for WAGES clients in each of the three pilot project sites (Lake, Sumter, Palm Beach, Volusia, and Flagler counties), if such waiver authority is necessary. As noted earlier in this waiver request, the scope of the request applies only to families who receive cash assistance and who are subject to the WAGES time limits and work requirements. These families largely derive their Medicaid eligibility from their eligibility for cash assistance (subject to the provisions of section 1931 of the Social Security Act, as amended by Public law 104-193). Further, it is not clear that a waiver is needed for the state to contract with a private organization to determine eligibility for Medicaid.

Section 104 of Public law 104-193 specifies that the state may provide certain services through contracts with charitable, religious, or private organizations. Subparagraph (b) defines the scope of this option as including any other programs established or modified under Title I or II of this Act, that permit certificates, vouchers, or other forms of disbursement to beneficiaries as a means of providing assistance. Since Medicaid eligibility provisions for low income families are established under section 114 of Title I of the Act, and since Medicaid is provided through a certificate (e.g., the Medicaid card) to beneficiaries as a means of providing assistance, it appears that the state may not need a waiver to determine Medicaid eligibility to the families covered under the scope of this request. This is an issue we would like to explore further in dialogue with HCFA.

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3.1.1 Current Provision

Federal law at 42 U.S.C. 1396a(a)(4) and 42 CFR 432.0 requires merit system public employees to perform Medicaid eligibility determinations.

3.1.2 Proposed Modification

Florida proposes to allow non-government personnel to determine Medicaid eligibility for WAGES applicants in each of the three pilot project sites. In each of the three pilot project sites, the local WAGES Coalition will contract with a private entity to operate the WAGES program. The private contracted entity will perform all functions needed to determine Medicaid eligibility for WAGES applicants and participants living in the county for which the entity has a contract to conduct the WAGES program. The contracted entity will:

- screen applicants for WAGES;
- conduct eligibility interviews;
- obtain and assess information to verify all Title XIX eligibility requirements; and
- transmit Medicaid eligibility information to the Department of Children and Family Services.

The private contracted entity shall continue to perform these listed functions until all time limits for a client's participation in WAGES have expired. The Department of Children and Family Services and the Department of Labor and Employment Security will provide preservice training for new employees and certain in-service training. The private entity employees who may authorize benefits must attend training specified by both departments, including that which will be required for implementation of Electronic Benefit Transfer (EBT), and must pass any tests or performance thresholds that are normally required of state employees performing the same functions. In addition to pre-service or in-service training required by either department, the private entity must provide ongoing training to its employees. Regardless of who provides training, private entities are responsible for meeting all federal and state operational and programmatic requirements of the program.

3.1.3 Rationale for Proposed Modification

Florida will test privatization in a limited number of pilot areas to determine if a private contractor can perform eligibility determinations and provide other services more efficiently and effectively than the Department of Children and Families and the Department of Labor and Employment Security. Section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 allows states to contract with charitable, religious, or private organizations to provide services funded under Title IV-A of the Social Security Act. In each pilot project site, the local WAGES Coalition will contract with a private entity to deliver WAGES services.

Florida is also proposing that the private entity determine eligibility for food stamps and cash assistance for WAGES applicants so that low income families can receive a full range of services from the private entity. Florida will test privatization to determine if it will encourage innovation, streamline service delivery, and lower administrative costs while still maintaining the integrity of the program. The private entity must offer significant savings in administrative expenses.

This waiver will allow the private entity in each pilot project site to determine Medicaid eligibility for WAGES applicants and participants in conjunction with their cash assistance program eligibility, food stamp eligibility, and employment assessment. This "one stop", environment will enable, the applicant to access all services instead of requiring an additional visit to a Department of Children and Families office for another interview for medical assistance and eligibility determination -- a very inefficient and duplicative system which would also be a hardship on families.

The waiver allows a private entity to partner with the local WAGES coalition, the Department of Children and Families, and the Department of Labor and Employment Security to develop innovative ways to meet the challenges and opportunities of moving families from welfare dependence to self sufficiency.

As of October 31, 1997, there were a total of 133,555 persons who received Medicaid through welfare recipients in all three pilot project areas. Palm Beach County reported that 68,546 people were determined eligible to receive Medicaid benefits. Lake and Sumter counties combined reported a total of 24,097 persons eligible, while Volusia and Flagler counties reported a combined total of 40,912.

3.1.4 Statute and Regulation to be Waived

42 U.S.C. 1396a(a)(4) and 42 CFR 432.10 and all other laws and regulations that the Secretary, US Department of Health and Human Services, determines applicable.

3.2 USDA - FNCS Waiver

Florida is requesting all necessary waiver authority to allow personnel in a private entity to perform eligibility determinations for the Food Stamp Program for WAGES applicants and recipients in each of the three pilot project sites (Lake, Sumter, Palm Beach, Volusia, and Flagler counties).

Type of Request: Initial

Primary Regulation Citation: Public Law 104-133

Secondary Regulation Citation: Section 850, Waiver Authority
Section 851, Response to Waivers

State: Florida

Region: Southeast

3.2.1 Regulatory Requirements

States must use merit system public employees to screen applicants for Food Stamp Program eligibility. The state agency personnel must be employed in accordance with the current standards for a merit system of personnel administration or any standards prescribed by the US Office of Personnel Management under Section 208 of the

Intergovernmental Personnel Act of 1970. Volunteers and other non-state agency employees are not permitted to conduct certification interviews or certify food stamp applicants.

3.2.2 Proposed Alternative Procedure

Florida will allow non-governmental personnel to determine eligibility for the Food Stamp Program for WAGES applicants and recipients in each of the three pilot project areas. In each of the three pilot project sites, the local WAGES Coalition will contract with a private entity to operate the WAGES program. The private entity personnel will perform the eligibility determination and certification functions for all WAGES applicants who live within the county for which the private entity has a contract to operate WAGES. The private entity will:

- screen applicants,
- conduct certification interviews,
- receive and assess information to verify household circumstances, and
- determine food stamp eligibility

in the county(ies) for which the private entity has a contract to operate WAGES. The private contracted entity shall continue to perform these listed functions until all time limits for a client's participation in WAGES have expired. The Department of Children and Family Services and the Department of Labor and Employment Security will provide preservice training for new employees and certain in-service training. The private entity employees who may authorize benefits must attend training specified by both departments, including that which will be required for implementation of Electronic Benefit Transfer (EBT), and must pass any tests or performance thresholds that are normally required of state employees performing the same functions. In addition to pre-service or in-service training required by either department, the private entity must provide ongoing training to its employees. Regardless of who provides training, private entities are responsible for meeting all federal and state operational and programmatic requirements of the program.

3.2.3 Justification for Waiver

The Secretary has authority to test innovative projects designed to increase the efficiency of the Food Stamp Program and improve the delivery of benefits to eligible households. Florida seeks this waiver in order to test the effectiveness of privatization of public assistance administration functions and to determine whether the private sector can perform eligibility determinations of food stamps in an accurate and timely manner, reduce costs, enhance efficiencies, and improve service delivery.

As permitted by P.L. 94-103, Florida plans to test privatization of the WAGES cash assistance program by contracting in each pilot project site with a private entity for operation of the TANF program for WAGES applicants and clients. As more fully described in previous chapters, Florida believes it is critical for the well-being of WAGES families that the private entity have the opportunity to operate a comprehensive assistance program, consistent with the new one-stop approach to helping persons in need. Approval of this waiver will also allow Florida to coordinate delivery of employment services under TANF and Food Stamp Employment and Training Programs for WAGES applicants and clients.

Under the proposed pilot project, in each pilot project site a private entity will provide multiple services to WAGES families. It will be much more difficult for WAGES families if they must deal with the staff of the Department of Children and Families to determine WAGES food stamp eligibility and with the private entity to receive employability skills and case management services. We believe that requiring WAGES families to work with staff from two different agencies would be unreasonably burdensome for those families.

The pilot project is an exceedingly cautious approach to privatization. Florida will test whether a private entity can, for a limited time, provide WAGES services more efficiently and effectively than a state agency. The project will test whether privatization of food stamp certification is a viable alternative. This waiver will give the private entity in each of the pilot project sites the opportunity to demonstrate whether the private sector can more efficiently and efficiently move people to self-sufficiency. The private entity must offer significant savings in administrative expenses.

3.2.4 Anticipated Impact on Households and State Agency Operations

This waiver will have a positive impact upon WAGES households. This waiver will allow WAGES applicants and participants to apply for food stamp benefits with the same provider that offers WAGES cash assistance, WAGES employability services, and WAGES case management. If the waiver is denied, Florida WAGES families will have to contact the Department of Children and Families for a food stamp interview and certification, and the private entity for all other WAGES services. If the waiver is granted, WAGES families will be able to work with staff of just one agency -- the private entity -- to receive all assistance related to WAGES.

The waiver will impact the Department of Children and Families food stamp operations in each of the pilot project sites. After the waiver has been granted, such staff will no longer work with WAGES applicants and clients. They will, however, continue to determine eligibility for and provide services to non-WAGES families that make-up 85+% of the total caseload.

3.2.5 Caseload and Quality Control Error Rate Data

In 1996, all three pilot project sites reported 115,517 food stamp recipients. Lake and Sumter Counties reported having a combined 21,499 recipients. Palm Beach County reported 58,661 recipients, while Volusia and Flagler counties reported having 35,357 recipients.

The state-wide error rate for 1996 was 9.70 percent. This represents a decrease from both 1995, during which the error rate was 11.07 percent, and 1994, during which the error rate was 13.59 percent.

3.2.6 Anticipated Implementation Date and Time Period for Waiver

Subject to federal approval, Florida plans to implement the WAGES privatization pilot project on April 1, 1998. This is the date specified in state law. Florida anticipates that the WAGES privatization pilot project would last three (3) years, during which time the waiver would be on-going and renewable.

3.2.7 Proposed Quality Control Review Procedures

Quality Control procedures will not differ significantly for WAGES cases processed in each of the pilot project sites by the private entity. Cases processed in the pilot project sites will be combined with the remainder of the cases processed in the state to produce the state sample pool, based upon the same rules as are currently in existence for developing the sample pool. Selection will continue to be made from the statewide pool with no preference given to cases either contained within or outside the pilot area. The Office of Economic Services, Department of Children and Families, will continue to perform quality control utilizing existing rules and procedures.

3.2.8 Statement of Approval or Denial

Section 850 and 851 amends section 17(b)(1) of the Food Stamp Act and requires the Secretary of USDA to respond to a waiver request under this section within 60 days. If the Secretary of USDA determines that the waiver request is denied, Florida would explore whether Florida's demonstration sites could be approved under the Simplified Food Stamp Program option under Title 2b of the Food Stamp Act. Florida believes this would be applicable because all of the food stamp households in the demonstrations are either households in which all members receive assistance under Part A of Title IV of the Social Security Act or households in which one or more members, but not all members receive assistance under Part A o Title IV of the Social Security Act. Both of these situations are within the scope of a Simplified Food Stamp Program.

80 / 160 / 240 million per percentage point miss on industry, zero on company
Koop-Kessler targets

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	40	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.02	341	0.00	0	2.09	3.19	3.19
2006	1.10	55	45.9	9.1	585	0.06	1,052	0.00	0	2.09	3.19	3.20
2007	1.10	60	46.5	13.5	871	0.12	2,035	0.00	0	2.09	3.19	3.23
2008	1.10	65	47.7	17.3	1112	0.18	2,960	0.00	0	2.09	3.19	3.29
2009	1.10	65	49.1	15.9	1009	0.16	2,605	0.00	0	2.09	3.19	3.37
2010	1.10	65	50.1	14.9	943	0.15	2,387	0.00	0	2.09	3.19	3.42
				25-year totals:			42,213		0			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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80 / 160 / 240 million per percentage point miss on industry, zero on company
daily rate

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	Total ($M)	COMPANY per-pack	Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.4	4.6	297	0.02	371	0.00	0	2.09	3.19	3.19
2006	1.10	50	45.6	4.4	286	0.02	355	0.00	0	2.09	3.19	3.20
2007	1.10	50	45.8	4.2	273	0.02	339	0.00	0	2.09	3.19	3.21
2008	1.10	60	46.0	14.0	901	0.13	2,170	0.00	0	2.09	3.19	3.22
2009	1.10	60	47.0	13.0	828	0.12	1,923	0.00	0	2.09	3.19	3.28
2010	1.10	60	47.9	12.1	764	0.11	1,707	0.00	0	2.09	3.19	3.32
					25-year totals:		27,667		0			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars

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80 / 160 / 240 million per percentage point miss on industry, zero on company
downward rigidity

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.02	341	0.00	0	2.09	3.19	3.19
2006	1.10	50	46.3	3.7	238	0.02	295	0.00	0	2.09	3.19	3.22
2007	1.10	50	46.3	3.7	238	0.02	295	0.00	0	2.09	3.19	3.22
2008	1.10	60	46.3	13.7	879	0.12	2,086	0.00	0	2.09	3.19	3.22
2009	1.10	60	49.2	10.8	684	0.09	1,381	0.00	0	2.09	3.19	3.38
2010	1.10	60	49.2	10.8	679	0.09	1,381	0.00	0	2.09	3.19	3.38
				25-year totals:			23,734		0			

prices can adjust up based on last year's surcharge, but not down
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

80 / 160 / 240 million per percentage point miss on industry, zero on company
only 1/2 of company surcharge is passed through to price

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.02	341	0.00	0	2.09	3.19	3.19
2006	1.10	50	45.9	4.1	263	0.02	326	0.00	0	2.09	3.19	3.20
2007	1.10	50	46.1	3.9	251	0.02	311	0.00	0	2.09	3.19	3.21
2008	1.10	60	46.3	13.7	880	0.12	2,091	0.00	0	2.09	3.19	3.22
2009	1.10	60	47.3	12.7	809	0.11	1,851	0.00	0	2.09	3.19	3.27
2010	1.10	60	48.2	11.8	747	0.10	1,641	0.00	0	2.09	3.19	3.32
					25-year totals:		26,551		0			

surcharge effects on price smoothed using three-year average

all figures in real 1998 dollars
teen smoking rates are 30-day rates

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80 / 160 / 240 million per percentage point miss on industry, zero on company
teen elast = .5

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES: INDUSTRY per-pack	LOOKBACK SURCHARGES: INDUSTRY Total ($M)	LOOKBACK SURCHARGES: COMPANY per-pack	LOOKBACK SURCHARGES: COMPANY Total ($M)	REAL PRICES: current law	REAL PRICES: effect of leg. w/o surcharge	REAL PRICES: effect of leg. with surcharge
2003	1.10	30	38.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	38.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	38.4	11.6	741	0.09	1,581	0.00	0	2.09	3.19	3.19
2006	1.10	50	39.1	10.9	700	0.08	1,407	0.00	0	2.09	3.19	3.24
2007	1.10	50	39.8	10.2	660	0.08	1,252	0.00	0	2.09	3.19	3.28
2008	1.10	60	40.4	19.6	1260	0.21	3,512	0.00	0	2.09	3.19	3.32
2009	1.10	60	41.3	18.7	1190	0.20	3,289	0.00	0	2.09	3.19	3.38
2010	1.10	60	42.2	17.8	1123	0.20	3,070	0.00	0	2.09	3.19	3.44
					25-year totals:		51,915		0			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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1 / 2 / 3 on industry and company
Koop-Kessler targets

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	40	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.04	734	2.09	3.19	3.19
2006	1.10	55	46.6	8.4	544	0.08	1,429	0.08	1,429	2.09	3.19	3.23
2007	1.10	60	48.2	11.8	765	0.14	2,259	0.14	2,259	2.09	3.19	3.32
2008	1.10	65	50.6	14.4	922	0.19	2,970	0.19	2,970	2.09	3.19	3.45
2009	1.10	65	53.1	11.9	755	0.14	2,092	0.14	2,092	2.09	3.19	3.60
2010	1.10	65	54.0	11.0	693	0.12	1,790	0.12	1,790	2.09	3.19	3.65
					25-year totals:		37,089		37,089			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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1 / 2 / 3 on industry and company
daily rate

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES: INDUSTRY per-pack	LOOKBACK SURCHARGES: INDUSTRY Total ($M)	LOOKBACK SURCHARGES: COMPANY per-pack	LOOKBACK SURCHARGES: COMPANY Total ($M)	REAL PRICES: current law	REAL PRICES: effect of leg. w/o surcharge	REAL PRICES: effect of leg. with surcharge
2003	1.10	30	45.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.4	4.6	297	0.05	799	0.05	799	2.09	3.19	3.19
2006	1.10	50	46.3	3.7	242	0.04	634	0.04	634	2.09	3.19	3.24
2007	1.10	50	47.0	3.0	196	0.03	506	0.03	506	2.09	3.19	3.27
2008	1.10	60	47.5	12.5	800	0.15	2,455	0.15	2,455	2.09	3.19	3.30
2009	1.10	60	49.4	10.6	673	0.11	1,779	0.11	1,779	2.09	3.19	3.41
2010	1.10	60	50.7	9.3	584	0.09	1,442	0.09	1,442	2.09	3.19	3.48
				25-year totals:			25,766		25,766			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars

1 / 2 / 3 on industry and company

downward rigidity

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.04	734	2.09	3.19	3.19
2006	1.10	50	48.2	1.8	118	0.02	304	0.02	304	2.09	3.19	3.32
2007	1.10	50	48.2	1.8	118	0.02	302	0.02	302	2.09	3.19	3.32
2008	1.10	60	48.2	11.8	759	0.14	2,239	0.14	2,239	2.09	3.19	3.32
2009	1.10	60	53.2	6.8	436	0.07	1,042	0.07	1,042	2.09	3.19	3.60
2010	1.10	60	53.2	6.8	432	0.07	1,036	0.07	1,036	2.09	3.19	3.60
				25-year totals:			18,576		18,576			

prices can adjust up based on last year's surcharge, but not down
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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1 / 2 / 3 on Industry and company
only 1/2 of company surcharge is passed through to price

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.04	734	2.09	3.19	3.19
2006	1.10	50	46.4	3.6	235	0.04	619	0.04	619	2.09	3.19	3.22
2007	1.10	50	46.9	3.1	202	0.03	524	0.03	524	2.09	3.19	3.25
2008	1.10	60	47.3	12.7	814	0.15	2,545	0.15	2,545	2.09	3.19	3.27
2009	1.10	60	48.9	11.1	708	0.12	1,979	0.12	1,979	2.09	3.19	3.36
2010	1.10	60	50.0	10.0	628	0.10	1,574	0.10	1,574	2.09	3.19	3.42
					25-year totals:		27,684		27,684			

surcharge effects on price smoothed using three-year average

all figures in real 1998 dollars
teen smoking rates are 30-day rates

(8)

1 / 2 / 3 on industry and company
teen elast = .5

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	Total ($M)	COMPANY per-pack	Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	38.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	38.4	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	38.4	11.6	741	0.13	2,268	0.13	2,268	2.09	3.19	3.19
2006	1.10	50	40.5	9.5	614	0.10	1,580	0.10	1,580	2.09	3.19	3.32
2007	1.10	50	41.9	8.1	522	0.08	1,302	0.08	1,302	2.09	3.19	3.42
2008	1.10	60	43.1	16.9	1084	0.24	3,733	0.24	3,733	2.09	3.19	3.50
2009	1.10	60	44.6	15.4	977	0.21	3,151	0.21	3,151	2.09	3.19	3.60
2010	1.10	60	46.2	13.8	870	0.18	2,587	0.18	2,587	2.09	3.19	3.72
					25-year totals:		46,528		46,528			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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1 / 2 / 3 on industry, $3,000 per kid on company

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES: INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES: current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.05	818	2.09	3.19	3.19
2006	1.10	50	46.6	3.4	219	0.03	575	0.04	657	2.09	3.19	3.24
2007	1.10	50	47.3	2.7	175	0.03	451	0.03	524	2.09	3.19	3.27
2008	1.10	60	47.8	12.2	780	0.14	2,355	0.14	2,340	2.09	3.19	3.30
2009	1.10	60	49.6	10.4	659	0.11	1,713	0.12	1,978	2.09	3.19	3.40
2010	1.10	60	51.1	8.9	565	0.09	1,395	0.11	1,695	2.09	3.19	3.48
					25-year totals:		24,801		30,131			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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1 / 2 / 3 on industry, $1,500 per kid on company

						LOOKBACK SURCHARGES				REAL PRICES		
						INDUSTRY		COMPANY				
	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	per-pack	Total ($M)	per-pack	Total ($M)	current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.02	409	2.09	3.19	3.19
2006	1.10	50	46.4	3.6	234	0.04	615	0.02	350	2.09	3.19	3.22
2007	1.10	50	46.9	3.1	199	0.03	516	0.02	298	2.09	3.19	3.25
2008	1.10	60	47.4	12.6	810	0.15	2,523	0.07	1,215	2.09	3.19	3.28
2009	1.10	60	48.9	11.1	709	0.12	1,981	0.07	1,063	2.09	3.19	3.36
2010	1.10	60	50.1	9.9	627	0.10	1,571	0.06	941	2.09	3.19	3.42
					25-year totals:		28,021		16,642			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

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80 / 160 / 240 million per percentage point miss on industry, zero on company

						LOOKBACK SURCHARGES				REAL PRICES		
						INDUSTRY		COMPANY				
	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	per-pack	Total ($M)	per-pack	Total ($M)	current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.02	341	0.00	0	2.09	3.19	3.19
2006	1.10	50	45.9	4.1	263	0.02	326	0.00	0	2.09	3.19	3.20
2007	1.10	50	46.1	3.9	251	0.02	311	0.00	0	2.09	3.19	3.21
2008	1.10	60	46.3	13.7	880	0.12	2,091	0.00	0	2.09	3.19	3.22
2009	1.10	60	47.3	12.7	809	0.11	1,851	0.00	0	2.09	3.19	3.27
2010	1.10	60	48.2	11.8	747	0.10	1,641	0.00	0	2.09	3.19	3.32
					25-year totals:		26,551		0			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

4

1 cent penalty per percentage point miss on industry, zero on company

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES: INDUSTRY per-pack	LOOKBACK SURCHARGES: INDUSTRY Total ($M)	LOOKBACK SURCHARGES: COMPANY per-pack	LOOKBACK SURCHARGES: COMPANY Total ($M)	REAL PRICES: current law	REAL PRICES: effect of leg. w/o surcharge	REAL PRICES: effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.00	0	2.09	3.19	3.19
2006	1.10	50	46.1	3.9	248	0.04	656	0.00	0	2.09	3.19	3.21
2007	1.10	50	46.5	3.5	225	0.03	586	0.00	0	2.09	3.19	3.23
2008	1.10	60	46.9	13.1	844	0.13	2,192	0.00	0	2.09	3.19	3.25
2009	1.10	60	47.7	12.3	783	0.12	2,018	0.00	0	2.09	3.19	3.29
2010	1.10	60	48.5	11.5	727	0.12	1,858	0.00	0	2.09	3.19	3.33
				25-year totals:			30,209		0			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

3

1 cent penalty per percentage point miss on industry and company

						LOOKBACK SURCHARGES				REAL PRICES		
						INDUSTRY		COMPANY				
	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	per-pack	Total ($M)	per-pack	Total ($M)	current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.04	734	2.09	3.19	3.19
2006	1.10	50	46.6	3.4	222	0.03	583	0.03	583	2.09	3.19	3.23
2007	1.10	50	47.2	2.8	180	0.03	465	0.03	465	2.09	3.19	3.27
2008	1.10	60	47.7	12.3	787	0.12	2,021	0.12	2,021	2.09	3.19	3.29
2009	1.10	60	49.2	10.8	686	0.11	1,733	0.11	1,733	2.09	3.19	3.37
2010	1.10	60	50.5	9.5	597	0.09	1,485	0.09	1,485	2.09	3.19	3.45
					25-year totals:		24,749		24,749			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

1 / 2 / 3 on Industry and company
DOUBLING

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES: INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES: current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.04	734	2.09	3.19	3.19
2006	1.10	50	46.6	3.4	222	0.03	583	0.03	583	2.09	3.19	3.23
2007	1.10	50	47.2	2.8	180	0.03	465	0.03	465	2.09	3.19	3.27
2008	1.10	60	47.7	12.3	787	0.29	4,787	0.15	2,393	2.09	3.19	3.29
2009	1.10	60	50.9	9.1	578	0.18	2,852	0.09	1,426	2.09	3.19	3.47
2010	1.10	60	52.7	7.3	462	0.15	2,230	0.07	1,115	2.09	3.19	3.57
				25-year totals:			41,249		21,516			

surcharge doubles on industry after 3 consecutive years of non-compliance
surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

1

1 / 2 / 3 on industry and company

BASE CASE

	legislative price increase	reduction target	actual reduction	%age point miss	number miss (000's)	LOOKBACK SURCHARGES INDUSTRY per-pack	INDUSTRY Total ($M)	COMPANY per-pack	COMPANY Total ($M)	REAL PRICES current law	effect of leg. w/o surcharge	effect of leg. with surcharge
2003	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2004	1.10	30	45.7	0.0	0	0.00	0	0.00	0	2.09	3.19	3.19
2005	1.10	50	45.7	4.3	273	0.04	734	0.04	734	2.09	3.19	3.19
2006	1.10	50	46.6	3.4	222	0.03	583	0.03	583	2.09	3.19	3.23
2007	1.10	50	47.2	2.8	180	0.03	465	0.03	465	2.09	3.19	3.27
2008	1.10	60	47.7	12.3	787	0.15	2,393	0.15	2,393	2.09	3.19	3.29
2009	1.10	60	49.6	10.4	660	0.11	1,718	0.11	1,718	2.09	3.19	3.40
2010	1.10	60	50.9	9.1	572	0.09	1,416	0.09	1,416	2.09	3.19	3.47
					25-year totals:		25,019		25,019			

surcharge effects on price smoothed using three-year average
full pass-through of industry and company penalties (times 1.5 to cover taxes on profits)
all figures in real 1998 dollars
teen smoking rates are 30-day rates

Office of Economic Policy

Department of the Treasury
Washington, D.C. 20220

FAX

Date: 4 / 2 /98
Number of pages including cover sheet: 18

	Name	Fax Number	Phone Number
To:	Gary Claxton	401-7321	
	Josh Gotbaum	395-4995	
	Jon Gruber	237-1786	
	Cynthia Rice	456-7431	
	Richard Turman	395-5648	
From:	Paul Ellis	202-622-2633	202-622-2342

REMARKS: ___ Urgent ___ For your review ___ Reply ASAP ___ Please comment

latest set of lookback
spreadsheets
for tomorrow's 10:00 AM
conference call.

Diana Fortuna 04/02/98 01:43:01 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Andrea Kane/OPD/EOP

Subject: Florida privatization; If I don't hear from you on this by Friday, I will assume this course of action is OK

Florida's state legislature passed a law requiring a small privatization demonstration as part of their welfare reform plan. USDA has a legal deadline to act -- this Monday, April 6. Options are (1) approve, (2) deny, or (3) ask more questions. USDA proposes (3) ask more questions, as we did with Arizona. I think this is the right course of action. I will tell them we have no comment on their plans if I don't hear any objections from all of you close of business Friday.

This is the state legislature's initiative. The Governor's staff told me off the record that they will not be greatly disappointed if this is not approved.

The demo would privatize food stamp and Medicaid eligibility determination for about 1% of the state's caseload.

Keith: I wasn't sure who the right person was at OMB, so I'm sending this to you. I sent Anil the paper on this issue.

Message Sent To:

Elena Kagan/OPD/EOP
Cynthia A. Rice/OPD/EOP
Emily Bromberg/WHO/EOP
Karen Tramontano/WHO/EOP
Emil E. Parker/OPD/EOP
Keith J. Fontenot/OMB/EOP

TO: Cynthia Rice
Andrea Kane
Emil Parker
Anil Kakani
Emily Bromberg

FROM: Diana Fortuna Diana

SUBJECT: Florida Privatization Proposal

DATE: March 25, 1998

Attached is material on a Florida waiver request to privatize some food stamp and Medicaid operations. USDA has a statutory deadline to act -- April 6. The attached includes a draft response to the state, a summary of the proposal, and a summary of a recent meeting with the state.

I haven't looked at this much myself yet, but I would remind everyone that USDA has the option of responding on April 6 with more questions. Also, I am trying to figure out how much the Governor's office wants this -- the privatization demo was mandated by the state legislature.

We definitely need to put our heads together on this next week, so I will send around an email to figure out what people think.

— Florida Privatization

U.S. DEPARTMENT OF AGRICULTURE
Food and Consumer Service
Alexandria, VA 22302

FROM: BONNY O'NEIL
ASSOCIATE DEPUTY ADMINISTRATOR
FOOD STAMP PROGRAM
Telephone (703)-305-2022

DATE: 2/11

TO: DIANA

Per your request. The extra copy is for Emil.

Bonny

Fla privatiz.