



# Iowa Department of Human Services

Kim Reynolds  
Governor

Adam Gregg  
Lt. Governor

Jerry R. Foxhoven  
Director

June 1, 2018

Waiver of 11-118.11(3) approved for a 10-year contract to commence 7/1/2019 thru 6/30/2029.

Janet Phipps, Director  
Iowa Department of Administrative Services  
Hoover State Office Building  
LOCAL 06/04/2018

/s/ Janet E. Phipps

Dear Director Phipps:

The Department of Human Services (DHS) is seeking a waiver to 11 IAC 118.11(3) requiring competitive procurement. We are submitting this request because application of the rule will have adverse consequences to the continuity of issuing benefits for Iowa's Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) Programs.

Needy Iowans receive SNAP and TANF benefits via two separate electronic benefit and payment cards. The Department currently has a contract with Conduent State & Local Solutions for card processing services, including all aspects of administration and maintenance of benefits for the two cards. The current contract, effective July 1, 2010, will expire June 30, 2020.

The Department is in the process of procuring a new service contract to ensure no lapse in service and is seeking a waiver to allow for the execution of a 10-year contract agreement effective July 1, 2019. If this waiver is approved, the Department will propose a contract agreement with an initial term of four years that will include year one as a system conversion period with no associated costs, and six, 1-year renewal options.

Historically the Department has been approved for a waiver allowing for a 10-year contract agreement for these services due to the many complexities and expenses associated with the procurement process, system conversion, and ongoing service provision. The information below provides a brief summary of the specific issues involved that warrant consideration and support this waiver request.

## 1. Procurement Process

We estimate that procurement of these services takes approximately 12,500 hours of Department staff time and costs close to \$1 million. Please let us know if you would like to see the cost analysis. Allowing the Department to execute a 10-year agreement results in reduced staff time and expense invested in the procurement process over time.

For SNAP, funding for card processing services and administration is 100% federal dollars provided through Food and Nutrition Services (FNS). FNS is heavily involved throughout the procurement process and requires that procurement occur in compliance with the requirements in the FNS 901 handbook. These requirements impose strict timeframes on state agencies during the procurement process including the following:

- FNS schedules and approves the release of all Requests for Proposal's (RFP's). Today there are only three vendors that process SNAP transactions. In order to manage competition between states and ensure all states needs are met, FNS maintains a national schedule for state procurement release. This ensures that a limited number of RFP's are on the street at the same time for the purposes of allowing the limited vendor community time to respond.
- FNS must approve the request for proposal (RFP) before it is released. FNS requires that states release their RFP no less than 24-months prior to the end of the current contract.
- During the RFP development phase FNS requires two reviews by their staff. Each review period is 60 days.
- States are required to allow 90 days from the date of public posting of the RFP to the date in which bid proposals are due.
- FNS must approve all contracts prior to execution. Once a contract has been negotiated FNS requires two reviews by their staff. Each review period is 60 days.
- FNS must approve the Implementation Advance Planning Document (IAPD) prior to the end of the current contract. FNS requires two reviews by their staff. Each review period is 60 days.
- FNS must approve the contract no less than 10 months prior to end of current contract.

## 2. Impact to Customers

When the Department enters into a new contract for provision of services there is an impact to those individuals served through the program. This program has two distinct customer groups, lowans receiving SNAP and/or TANF benefits and retailers that accept electronic benefit cards. When a new contract is executed both customer groups are impacted.

lowans receiving SNAP and/or TANF benefits are our states most vulnerable residents. The Department seeks to implement programming in a way that will best provide continuity of support. Changes to how recipients access their benefits creates additional obstacles in ensuring that their basic needs are met. By allowing a 10-year contract agreement the Department is better able to ensure consistent support to benefit recipients.

Additionally, a longer contract term supports the retention of retailers that will accept SNAP EBT cards. More frequent changes to the administration and/or

processing of electronic benefit cards in Iowa may result in fewer retailers accepting the cards. This is of significant concern in rural areas of the state that rely on smaller retailers that may not have the capacity to adapt to these changes. When the state enters into a new contract for services our customers are impacted in the following ways.

- Potential impact to lowans receiving SNAP and/or TANF benefits
  - Benefit recipients will have a new process for managing their benefits and will need to learn to navigate the system. This includes, but is not limited to, issuance of a new benefit card, new customer support hotline, new web portal, and a new mobile application.
  - In some cases, TANF benefit recipients may need to manage two benefit cards for a period of time.
  - Benefit recipients may experience a delay in access to their benefits during the transition period due to cards being returned or lost in the mail.
  - Changes in EPC cardholder fees. Cardholder fees are negotiated as part of the contract and are locked in for the life of the contract.
- Potential Impact to Retailers that accept SNAP electronic benefit cards
  - Retailers must sign new agreements with the selected contractor in order to accept electronic benefit cards.
  - Retailers will need to be trained on all new system processes including accessing online supports, reporting requirements, etc. and will need to implement changes within their business to support these process changes.

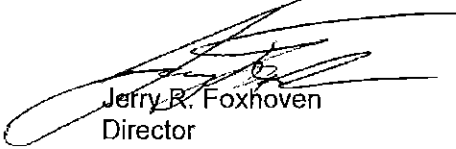
### 3. Impact to the Department

It is the goal of the Department to ensure that all programs operate efficiently. As identified in item 1 above, procurement of these services requires significant effort by Department staff. Those individuals who are instrumental in the development of the procurement are the same individuals responsible for managing the ongoing service provision of the existing contract. Approving a 10-year contract agreement ensures program management staff have the capacity to fully implement a new service contract that operates efficiently before they begin the process of re-procuring a new service contract. The table below outlines program management and procurement-related activities that program management staff are responsible for in each year of the contract should this waiver be approved.

Contract Year	Program Manager Responsibilities
1	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Manage all contract closeout processes with the current contractor.</li><li>• Support conversion requirements resulting from the new contract. (Please note: Even if the incumbent vendor is selected there will still be conversion activities.)</li></ul>
2	<ul style="list-style-type: none"><li>• Roll out and manage the implementation of services under the new service contract.</li></ul>
3	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li></ul>
4	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li></ul>
5	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Draft RFP for technical assistance in the development of RFP for contracted services.</li></ul>
6	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Release, award, and negotiate contract for technical assistance in the development of RFP for these contracted services.</li></ul>
7	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Draft RFP for new service contract and seek FNS approval.</li></ul>
8	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Issue RFP for a new service provision contract.</li></ul>
9	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Award and negotiate new service contract.</li></ul>
10	<ul style="list-style-type: none"><li>• Maintain status quo services with the current contractor.</li><li>• Manage all contract closeout processes with the current contractor.</li><li>• Support conversion requirements resulting from the contract. (Please note: Even if the incumbent vendor is selected there will still be conversion activities.)</li></ul>

Thank you for consideration of this waiver request. If you have any questions concerning the request, please feel free to contact Michelle Muir at: [mmuir@dhs.state.ia.us](mailto:mmuir@dhs.state.ia.us) or (515) 281-8785.

Sincerely,



Jerry R. Foxhoven  
Director

cc: Wendy Rickman, Administrator, Adult Children and Family Services (ACFS)  
Michelle Muir, Adult Children and Family Services (ACFS)  
Tiffany Vasey, Adult Children and Family Services (ACFS)