

The Value of a Comprehensive Texas Information and Referral Network

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Executive Summary

Researchers with the Center for the Study of Human Resources, a policy research and evaluation unit of the University of Texas at Austin's Lyndon B. Johnson School of Public Affairs, have prepared a benefit/cost analysis of the proposed comprehensive Texas Health and Human Services Information & Referral Network under contract with the Health and Human Services Commission (HHSC). The analysis will assist HHSC and other policymakers who will decide the State's role and level of commitment regarding the implementation of a comprehensive, public/private I&R Network statewide. Developing such a Network is an idea that has been a priority of the Texas Legislature since at least the early 1990s, in part as a response to the highly fragmented and duplicative environment in which information and referral for health and human services has been operating for decades.

The proposed comprehensive I&R Network builds upon the current network of Community Information Centers (CICs) by developing the following features:

- A network of 25 Area Information Centers (or AICs) that would coordinate CIC services and provide services throughout Texas.
- A statewide automated information warehouse comprised of standardized, electronic health and human services data provided by the AICs and the CICs.
- A central website, administered by I&R Network staff, serving individual Texans as well as state and local institutions, including AICs, CICs, and local health and human services providers.
- A 211 Single Number System (SNS) for health and human services information based on call redirect/routing technology over the existing TexAn long-distance telephone system.

Methods

Total costs, benefits and the resulting net value have been estimated using standard methodologies for the comprehensive I&R system as a whole over a 10-year period (SFYs 2000-2009) from three key perspectives:

- *Participants*, including individuals, families, employers & providers;
- *Government*; and
- *Society*, the sum of *Participants* and *Government*, netting out taxes and transfers.

The benefits, costs, and net value—benefits less costs—of the I&R system are expressed as present values adjusted by 2.0 percent and 3.5 percent discount rates.

Benefits

- The present value of I&R Network benefits for society as a whole is conservatively estimated to range from \$83.7 million to more than \$90.2 million.

About two-thirds of all benefits accrue to *Participants*. Individuals and their families save time and effort time by more effectively searching for and accessing a variety of health and human services. Employers realize productivity gains as employees spend less time on or off-the-job seeking services. Public and private providers capture savings resulting from reduced numbers of inappropriate referrals and misdirected calls, as well as improved planning, management and marketing capacity, among other benefits. About one-thirds of all benefits accrue to *Government*. The range of potential benefits from the State's perspective encompasses three categories: ancillary services, cost avoidance, and benefit savings.

Many less tangible benefits are excluded from these estimates. Unmeasured benefits include earlier intervention or even prevention in such areas as, youth adjudication services, drug and alcohol abuse, family violence, and many other areas of social services, including law enforcement. If only one life were saved each year as a result of the 1.4-2 million I&R calls projected annually, another \$25 million to \$37 million in (discounted) benefits would result, even under conservative valuation strategies.

Costs

- The cost to *Society* is estimated to be between \$73.2 million and \$78.3 million.

Participants will likely bear one-third of these costs, while State government will account for the remaining two-thirds. The largest shares of both *Participant* and *Government* costs are comprised of the shared public/private expenses incurred with the call response function of the AICs. The total direct cost to the State of Texas for implementing and operating the comprehensive statewide I&R Network is expected to range from \$49.5 million to \$52.6 million over the ten-year period.

Net Value

- The net present value to *Society* of the comprehensive statewide I&R Network over the ten-year period of analysis is expected to range from almost \$11 million to \$12 million.

This is the crucial figure for benefit/cost analysis. *Participants* alone realize positive net benefits from the I&R Network ranging from \$32.4 million to \$34.7 million. *Government*, which is adopting the catalytic role in organizing, implementing and operating the I&R Network, as well as shouldering most of the costs, not surprisingly incurs net costs on balance, ranging from just under \$22 million to almost \$23 million over the ten-year period.

Policy Implications

Key policy implications flow from these conclusions.

- Based on a conservative tabulation of expected costs and benefits associated with the comprehensive statewide I&R Network, Texas would be advised to proceed with the investment. *Society* will likely reap positive net benefits from this investment.
- As a classic example of what economists refer to as a public good, investing in an I&R Network is a sensible choice, despite net governmental costs.
- Benefits are likely to increase over time, while costs may tend to decrease.

Public sector support for the I&R Network is a rational response to ongoing and anticipated changes in our social structures and practices of governing institutions. The State of Texas has an opportunity to structure a market-based approach to I&R services that is responsive to ongoing trends in demographics, the economy and technology.