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Social System Industry Dynamics

A global perspective from IBM

Martin Duggan
IBM Global Social Segment

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Contributions

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Foreword

The world of social service and social security is often viewed on a national basis. Much of the popular commentary focuses on the issues and challenges that people see in their country, state or municipality. While there are international comparisons undertaken, much of it has been through academia. As such, this book was written, not from an academic viewpoint, but for professionals working in the industry. We have identified global trends and directions and look at their potential implications.

This book is designed to help professionals identify challenges and gain a better understanding of how professionals in other countries and other program areas are addressing the same or similar issues. For people in other fields, this book can be used as a starting point to help identify current trends, issues, or challenges faced by social service or social security organizations.

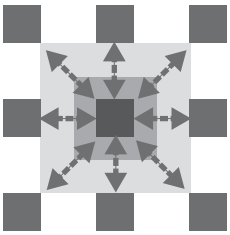
For the expert, some of the content may appear elementary. We have, however, examined social models from around the world in order to identify their core principles and develop a set of industry dynamics that are relevant to a global audience. This will hopefully assist executives and managers in making investment decisions that deliver effective and efficient contributions towards the social outcomes desired by governments.

We conclude this book by briefly outlining some IBM solutions appropriate for social organizations. IBM's public sector commitment, our industry knowledge, and our understanding of new technologies which make us ideally placed to address the issues and challenges outlined in this book.

This book was never intended to be a roadmap for change—but a sampling of ideas to inspire. We have tried to identify where countries are breaking new ground and where we believe others might look to follow. We hope you find this book informative and useful.

I thank the authors—Ed Blatt, Chris Brailey, Chris Gibbon, Brian Lee-Archer, and Bryan Chong—for their insight and experience. I also thank Scott Moon for his hard work and dedication in keeping us all focused on finishing this book.

Martin Duggan,
IBM Global Social Segment



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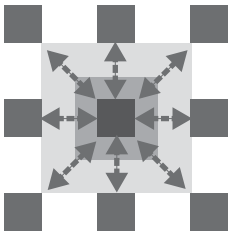
CHAPTER 1



Executive Summary

1.1 Global Trends and Directions

In countries across the world, social systems have grown to reflect the histories, cultures, and values of its citizens. It might seem that there are vast differences between the systems of the world and how they are administered, but in fact there are more similarities than there are differences.

All systems share and borrow from one another principles and practices that will assist them in achieving their organizational goals more efficiently and effectively. It is these goals that provide the foundations for much of the similarities. Most countries around the world are focusing on continuously improving their implementation of policy and legislation, creating value with their organizations, ensuring accountability of its employees and the integrity of its systems, and improving citizen-centered service.

There are external drivers that are common to most countries such as globalization, aging populations, shrinking labor markets, widening gaps between rich and poor, and advancing technology; just as there are internal drivers that are shared across social organizations such as shrinking budgets, being asked to do more with less, inadequate legacy systems, detecting and reducing fraud, and citizen-centered service delivery.

While some countries use different names to mean the same thing (social assistance, welfare and various other names), others use the same names to mean different things (Medicare in Australia is not the same as Medicare in the US—it is more similar to the US Medicaid program). What they have is a common high level approach to the protection against social risks.

We also found that underneath the naming differences, there are common high level processes across organizations and across borders. These primary business processes are explored in Chapter 2. IBM uses these common business processes as templates for our business modeling tools, a high level overview of which is provided in Chapter 4.

While there are differences between the social services and social security systems of each country, and while each organization has its unique culture, processes, and way of doing business, we have found that the similarities are compelling. Many of these lessons and experiences can be shared between social organizations within the same system and between countries.

The majority of this book looks at some of that experience and learning that we can see from our work around the world with social organizations. The 1980s and '90s saw the emergence and international transfer of programs focused around child support enforcement, welfare reform, active labor markets and child protection, among others. In the next 20 years, we shall see the emergence of new directions such as:

- Internationalization of child support enforcement and child protection as population mobility forces organizations to address cross-border issues;
- Participation agendas that look beyond traditional social programs to increase the number of citizens who work—particularly around the young, the unskilled and the older workforces; and
- Outcome delivery that moves beyond life events and transactions to focus on skill and life enhancements, moving from a focus on getting a job, any job, to getting a better and sustainable form of employment.

In Chapter 3 we explore these and other directions through eight segments of social services and social security:

1. Family and Income Supports
2. Employment
3. Public Health Insurance
4. Public Pensions
5. Child Welfare
6. Workers' Compensation & Disability
7. Child Support Enforcement
8. Public Health

In each of the sections, we describe the key features of the segment, then look at the areas currently being addressed by many organizations—the 'current industry dynamics.' After this, we shall explore areas seen as emerging trends—

the 'future industry dynamics.' (It is very possible that any particular country might already have implemented a new future dynamic.) The key is what we see as emerging global trends. Experience shows that social policy trends tend to start in one place and evolve to others over time.

1.2 IBM Global Social Segment

In 1999, IBM decided to leverage the skills and experience that it had gained in the social services and social security market through the formation of the IBM Global Social Segment, a team of international subject matter experts.

1.3 IBM Value Proposition

The IBM Global Social Segment is led by an international team of business experts in social services and social security. The team is responsible for IBM thought leadership development, solution investment and the creation and implementation of how we serve our social services and social security clients around the world. The global team supports a range of national practices and business partners that implement our value proposition.

> IBM helps social organizations *achieve their outcomes* by *understanding their business problems*, offering a *range of solutions*, and delivering a comprehensive *roadmap for transformation*.

IBM creates value by working collaboratively with our clients to develop and implement roadmaps that are designed to take them where they want to go. IBM invests in the social services and social security industry models, methods, tools, and knowledge development. Our industry knowledge, global perspective, and project experiences give us a deep understanding of the context behind our clients' needs, which allows us to work together to identify challenges, articulate a vision of the future, and define a path of action.

1.4 IBM Solutions for Social Organizations

The IBM Global Social Segment business and consulting solutions are managed within the context of an industry model—the IBM Social Segment Component Business Model. Based on extensive business experience the model divides a social services and social security business into non-overlapping components in order to identify opportunities for innovation and improvement. It is a powerful tool that allows clients to see their business through a number of lenses, and allows an analysis of business components across siloed business units.

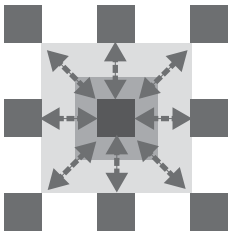
The Social Segment has used its Component Business Model to manage its solutions so that organizations can quickly identify areas in which they need assistance and match appropriate solutions. The consulting and business solutions we offer our customers are:

- **Social Transformation**—Consulting services for modernization and transformation designed for social organizations;
- **Integrated Case Management**—Bringing together clients, programs and providers through integrated channels to achieve social outcomes;
- **Risk Management**—Preventing fraud, abuse, and error while targeting services to those most in need, through more effective use of information and knowledge; and
- **Resource Management**—Effective Human Resources, Financial Management and Information Technology, to better value people, manage costs and deliver organizational agility.

Social services and social security organizations around the world spend more than $24 billion[1] (USD) annually on consulting, IT Services, software and hardware. IBM has a leadership position in this market, based on a global perspective and focus on social services and social security and enhanced by investment in industry skills and solutions.

[1] IBM Market Research

CHAPTER 2



Industry Landscape

This chapter introduces the social services and social security industry. It looks at the types of social systems, how they are administered, defines what is meant by benefits and services, and introduces the primary business processes of a social services or social security organization. The section then explains how social systems are financed, the importance of protecting privacy and fundamental rights in a social system, and the role of IT in social systems. Finally, we outline some common industry drivers that we see in many countries.

2.1 Types of Social Systems

There are three primary types of social systems in operation around the world, all of which originate from different historical perspectives. When evaluating social systems it is important to understand their historical perspective.

The different systems are basically constructed around the principles of the Bismarck[2], Beveridge[3] and Provident Fund models. Understanding the principals behind these three structures is fundamental to understanding the construct of social systems in general. Most countries in the world have some form of social system based on these three models. Bismarck can be characterized by solidarity principles, Beveridge by universality, and Provident Funds by individualism.

[2] Named after the Bismarck Law of 1883.

[3] Named after the "Beveridge Report" which was used as a blueprint for many social systems rebuilt after the Second World War. Various other countries use different terms for the Beveridge model. For instance, in the US it is often referred to as the Roosevelt model.

2.1.1 The Bismarck Model

The characteristics of a Bismarck system are:

- Benefit levels are based on the level and periods of contributions through earnings;
- Coverage is usually based on socio-economic professions (such as miners, auto-workers, farmers and so on);
- Funding is usually by contributions and initially aimed at self-sufficiency; and
- The delivery of services is typically through social partners, often non-government organizations or private sector bodies.

This means that, out of an individual's income, they pay into a group fund and receive benefits or services from that group fund when needed. The key element is that a person's entitlement is based on their earning and contributions history, not necessarily on their need.

These systems are typically found in central Europe (Germany and Austria) and countries that have recently introduced, or are in the process of introducing, widespread social protection (former Soviet Union nations, African nations, Thailand, the Philippines, and China, among others). Pension funds in many countries operate on this basis.

These systems are often called "social insurance" or "social security."

Bismarck models can lack complete coverage and may not provide for people who are self employed, informally employed or were never employed.

2.1.2 The Beveridge Model

The characteristics of a Beveridge system are:

- Provision of a minimum level of income or subsistence to an individual or family;
- Coverage across the entire population;
- Funded by taxes or contributions; and
- Organized by the government.

Under a Beveridge system, an individual's entitlement to benefits or services comes from their need and ability to support themselves. If a person has a need and is without the necessary income, the social system will support them.

This type of system is found in countries such as the United States, Canada, Australia, France, United Kingdom and some Scandinavian countries, among

others, and are often called "social services," "human services," "social protection," "welfare" or "social security."

The Beveridge model offers payment or services to all. However, the payments and services tend to be low in value. Anything above this causes an affordability issue. Social systems based on this model can become a constraint on economic resources if the benefit levels are generous.

2.1.3 Provident Funds

In many Asian countries and parts of Africa, a social model known as Provident funds is commonly found. The characteristics of Provident funds are:

- They are based on personal contribution and individual accounts;
- The contributions a person makes are accumulated, with interest or tax credits;
- At various stages in a person's life, they are entitled to access some or all of their funds which can then be used for a defined set of purposes such as: collateral for loans (housing and education), private investments, loan repayments and medical expenses; and
- The administration is either by mutual fund organizations or government bodies.

These are funds that are usually mandated by legislation and contributed to by employees. In many cases, a person's contributions are owned by that person, and the government pays interest on those funds. A person's entitlement is based on the amount of money in their fund and legislation on withdrawal policy.

Provident funds are prevalent in places such as Singapore, Malaysia and India, among others. These systems are often called "Central Provident funds," "Mandatory Provident funds" or even "Social Security."

The primary issue with Provident funds is that they provide very little support outside of the actual people who have contributed to them, in many cases, including spouses. Additionally, many countries that use the Provident fund model extensively often have poor support when the funds have been exhausted.

2.1.4 Real Life Models

There are countries where one of the three models is dominant. However, it is rare to find a model exclusively in a country, without some element of the other

systems. It is true to say that most countries have implemented a structure combining the models in order to cater to the accepted inadequacies of each one.

What must be recognized is that choice of model and the implementation of it in a country is very dependent on local culture. While some countries may have a Provident fund model, the social assistance element for people without a fund may be met by charities, self-help groups, or even in some cases by the extended family or community structures.

In the US there is a level of social protection for poverty that is universally applied to people, and funded out of taxation, known as Temporary Assistance for Needy Families (TANF). However, there exist insurance-based programs such as Workers' Compensation (accidents at work), protection against unemployment, and federal old age pensions that are funded, at least in part, by employer contributions.

In some countries historically based on the Bismarck model, those workers not covered by an employer social insurance fund may find themselves covered by a residual government social insurance fund.

All in all, it is a struggle to find a country with a pure Beveridge, Bismarck, or Provident Fund model. We see convergence occurring over time which supports the need to consider trends and direction in each of the models.

2.2 How Social Programs Are Administered

Social systems are usually administered by a varying number or series of bodies, each of which is commissioned with a specific task in the operation and oversight of the social system.

The administration hierarchy is usually headed by a government official who is politically responsible for that part of the social system. The responsibility for the full social system is often spread across a number of government bodies.

There are often three levels of organization for the social system:

1. By functional area, such as pensions, health or employment
2. By geographic area, such as a state, a provincial region of a country, or even a town or municipality level
3. By service provision through public bodies, non-government organizations (NGOs), or the private sector

Even within a single country it is quite possible to find some programs administered at a federal or country level, and others at regional or local level.

Some programs will be legislated centrally and operated locally, while others may have to comply with laws at multiple levels of government.

This complexity gives tremendous scope for confusion among the people that the social system is trying to serve. Often benefits will be duplicated across levels of government; multiple organizations will provide similar programs, perhaps for different sections of society.

2.2.1 Accountability

Accountability is a major issue for social services and social security organizations around the world, for several reasons:

- Organizations usually report directly to government officials;
- The amount of money involved is very large, up to 32%[4] of Gross Domestic Product in some countries;
- People often feel that contributions are their money—they are entitled to it, even when in fact it is just another form of taxation in most countries; and
- It is just good business practice.

Most countries, therefore, have strict accountability rules associated with the money collected and the distribution of benefits and services.

2.2.2 Administration Structures

The following are examples of how social systems may be administered.

Public Administration

Most countries have at least the legislative framework managed and controlled by public administration bodies. These bodies set legislation and policy. In the Beveridge-type social system, almost all services and benefits are managed by public administration organizations, even if a portion of provisions are contracted out.

These organizations are typically called "Department for Work and Pensions" (UK), "Ministry of Health, Labour and Welfare" (Japan), "Department of Health and Human Services" (US), or "Department of Social and Family Affairs" (Ireland). An organization's name can vary across decentralized social systems, such as the multitude of names used by US social service organizations that do the same work.

[4] Finland Source: International Labour Organization

Semi-Public Administration

In many countries, there are also semi-public administrative bodies. These usually possess special legal status and autonomy, but can be charged with part of the social system administration.

These organizations will often be called social insurance organizations: For example the Betriebskrankenkassen (BKK) and the Allgemeine Ortskrankenkassen (AOK) in Germany, and Workers' Compensation Boards in Canada.

Not-for-Profit Organizations

Some governments entrust part of the administration of a social system to not-for-profit, Non-Government Organizations (NGOs) or private institutions.

These not-for-profit organizations usually involve associations, which may be voluntary, and sometimes were at the origin of some social insurance or social assistance systems. This is often the case in countries where sickness funds or mutual insurance associations are involved in health care. Such roles have also been provided by charities, religious organizations and, frequently, trade unions.

Commercial Organizations

Commercial or profit-making private bodies are sometimes also called upon to be involved in the administration of the social system in some form of a public-private partnership. Insurance companies can be the most active participants in the social system in areas such as multi-tier pension systems, health insurance, and programs covering the risk of industrial accidents. In recent years we have seen the emergence of commercial organizations in active labor market programs.

Employers

The employer fulfills important administrative tasks in many social systems. The employer is often required to deduct social contributions from the employee and to send them, together with any employer's contribution, to the public or private administrative bodies.

Frequently, employers will have a role in registering and recording detailed information for the social services or social security organization. Functions may include changes of address, salary information, marital status and reporting accidents or illness.

The employer can also participate in the distribution function as well. They may be responsible for the payment of short-term social benefits, such as sickness or maternity benefits, and even for applying initial eligibility criteria for financial benefits.

2.2.3 The Role of Legislation

Most social systems are defined in legislation within a country, state or local government, and sometimes in all three at the same time. Legislation has an important role in social systems, as most aspects of entitlement to benefits and services are defined by law. Not only does the law usually define the benefits and services, but it will often go to the level of providing special powers of operation to semi-public social institutions.

This is important when understanding the timescales for change management in the social services and social security industry. Not only does the organization have the "normal" issues of change management, but often, simple changes require legislative reform. This is a non-trivial process for organizations to go through, and in most countries will typically take between two and five years to enact, and sometimes longer.

2.2.4 Collaboration and Coordination

The social system will not function optimally without all the different parties interacting in a coordinated fashion. Examples of interaction include:

- Formal break points between different organizations, such as the difference between federal funding and state-level delivery of services in the United States, help to define the unique role of each level of government;
- Cooperation between different parties across functional boundaries, such as the social insurance organizations in Belgium, who built help to build a shared national information data bank for the country. In Germany, the health insurance organizations collect contributions and information on employees (address change, salary etc.) for all other social programs such as pensions and employment; and
- Purchaser/provider models indicate departments are free to purchase their services from a range of different providers. In Germany, public health insurance providers purchase services from private medical providers.

The legislative framework within a country will define the level of interaction, often to a high degree of detail. While this clearly defines the roles of organizations, it often causes problems when changes to policy, organization or administration are required. Minor changes in social policy can often require lengthy and complex legislative activity.

2.3 Benefits and Services

In describing benefits and services, various models can be used. In this book we have chosen to base our description around "Social risks."

"Social risks" are defined as the events that may occur to an individual that require intervention from the state. There are many definitions of social risks, but in this book we use the following definition:

Social risks are where intervention is required to deal with issues surrounding:

- Old age;
- Death of a spouse;
- Incapacity for work;
- Unemployment;
- Child and family support;
- The need for medical care; or
- People who are unable to care for themselves.

In a social system, social risks are normally addressed by social benefits or services. These aim to:

- Prevent a social risk;
- Protect or compensate for the occurrence of social risk; and
- Provide treatment or rehabilitation to assist the person to attain or resume economic self-sufficiency.

Social benefits can be in-kind (usually called "services"), as well as monetary payments. Payments can be fixed, but they can also be related to the previously earned income, professional income or wage; or they may be calculated by a combination of these techniques. In the remainder of this book we use the word "benefits" to reflect monetary payments and "services" to reflect in-kind services. In some situations, benefits may include social loans and tax credits.

Services are usually provided on the basis of need (such as food stamps), as a right (health care), or as an aid to life improvement (such as education).

In social insurance programs based on the Bismarck model, benefits will often be calculated in terms of a percentage of the average wage or professional income earned during a certain period. Minimum benefits usually exist and apply in certain conditions. Even if the amount normally due is actually lower than the minimum, the minimum will still be granted.

In many systems, the amount of income or assets ("means") that a person has affects their rights to benefits or services. The process of determining their income level and the impact that it has on their rights is called "means testing." This is almost universally applied in systems that provide service-oriented benefits and those based on Beveridge models. The process of

determining whether a person will receive a benefit or service is typically called "eligibility determination." The social organization tests an applicant's means, as well as other eligibility requirements, to find out if the applicant is eligible for a benefit or service. The calculation of the amount to be paid, or the period or amount of service to be provided, is typically referred to "entitlement."

Social organizations have multiple types of benefits or services for which a person can apply. These are called "programs" or "schemes." The term "program" is used in North America, while "scheme" is more typically used in Europe and Asia. In this book we have chosen to use the word "program."

2.3.1 Applying for Benefits and Services

In general, one has to apply for benefits or services, even if one is entitled to them as a matter of course. For example, most national old age pension programs require a person to apply for them, even when the country knows a person's eligibility and entitlement due to knowing that person's age, contribution history, and earnings. The application may be submitted by the person who will receive the benefit or service, or it may be submitted on behalf of that person by a relative, professional, or some other interested party.

However, if people are obliged to apply, there will often be people who are entitled but do not apply through ignorance, because they are too proud to ask, or because of misinformation or error on the part of the social organization. This "non-take-up" of benefits is a major focus area for many countries and one that some countries are actually addressing.

The process of applying for a benefit or service is called a "claim" or a "case." Most service-oriented systems are case-based systems, while most Bismarck benefit systems are based on claims. The process of managing for case or claim is called "Case Management" or "Claim Management."

There are, of course, a variety of social benefits and services that are based on neither monetary need nor an application. Most child welfare benefits, for example, are based on society's recognition that a child is in danger and that non-voluntary intervention is required. In these instances, the family is compelled to participate in social programs or risk the loss of custody of their children.

2.3.2 Fraud, Abuse and Error

A portion of society will apply for benefits or services to which they are not entitled. When this is done deliberately, it is called "fraud." When it is done unintentionally, it is called "error," as the system should have stopped the claim and therefore the system is in error. There are various types of fraud and abuse and some examples include:

- Recipient fraud—when a person intentionally makes a claim to which they are not entitled;
- Employer fraud—when the employer intentionally fails to make full contributions; and
- Service provider fraud—when the provider intentionally oversupplies or undersupplies goods or services.

Fraud can take many different forms. Some of the more common types include:

- Organized Criminal Fraud—where an individual or group undertakes a planned, prearranged effort to intentionally defraud a social system;
- False Identity—can take a number of different forms. An individual may, for example, portray themselves as someone else in order to receive benefits or services. They may also use multiple identities in order to receive duplicative payments or services. False identity may also include the theft and sale of identities in order to illegally receive benefits and services;
- Collusive Fraud—involves an agreement between two or more parties—possibly an employer, landlord, medical or other professional—in order to illegally receive payments or services; and
- Misrepresentation of circumstances—involves the intentional, incorrect or misleading representation of circumstances in order to receive unjustified and/or incorrect payments or services.

Fraud is a significant problem for social services and social security organizations worldwide. While it is difficult to estimate a comprehensive cost to social services and social security programs due to fraud, consider the following:

- Identity fraud cost the Australian community $1.1 billion in 2001–02 according to a 2003 report by the Securities Industry Research Centre of Asia-Pacific (SIRCA);
- Abuse of Social Security numbers nearly tripled between 1998 and 1999, and four of every five calls to the Social Security Administration's fraud hotline involved identity theft (Social Security Administration, 1999);
- Thieves stole the identities of 700,000 Americans last year (The Privacy Clearinghouse, 2000);
- Losses from patient fraud cost £109m in 2003 according to the NHS Counter Fraud and Security Management Services (UK); and
- Without workers' compensation anti-fraud laws, claims would have been 10.4 percent higher in 1997, the average claim would've been 7.3 percent larger and system costs per worker would've been 18.5 percent higher (National Council on Compensation Insurance, 1999).

Abuse is often used to define circumstances where claimants or providers make use, legally, of programs for purposes that are different to the program's original intent. The usual response to abuse is to tighten eligibility criteria, often making already complicated rules even more complex.

2.3.3 Delivering Benefits through Tax Systems[5]

In many countries, the tax system has a role to play in meeting the needs of people and avoiding social risks. Many tax systems now have a series of "tax credits" or "tax relief" against income in the areas of pensions, child care, health insurance and other benefits and services. In almost every case, these tax credits are designed to avoid the situation where a person becomes dependent on social benefits, also called the "poverty trap."

2.3.4 The Poverty Trap

The poverty trap is a phenomenon that resulted from social legislation, primarily in the 1960s and 1970s, that provided a level of income or services that, once recipients started to work, or their income went above a specified level, they began to lose. In some situations, the extra income earned from work was more than offset by the value of the benefits or services lost; therefore, there was no incentive to work.

In some countries, the marginal "taxation" of earned income was over a hundred percent; that is, for every dollar earned, a recipient lost more than a dollar of benefits. An example of this is in the US Medicare program: if a person is unemployed, he or she receives medical services through Medicare. Once the person returns to work, and earns more than a minimal amount, this benefit is lost and the person is reliant on private health insurance. In low income jobs, this loss of benefit can be significant.

2.4 Outcome Management

Traditionally benefits and services have been built and operated as individual transactional systems. There is a need and a benefit or service applied. This model is pervasive around the world and has served countries well for many years. However it is not without its challenges. The transactional model typically assumes:

- Needs can be categorized in a way that the benefit or service can meet. For example, the need is unemployment and the solution is a replacement income;

[5] Zaglmeyer et al, *Cooperation between Social Security and Tax Agencies in Europe,* IBM Center for the Business of Government, April 2005.

- There is a straightforward connection between the social risk and the solution. For example, when I am sick, I need medical care;
- A response can be simplified so that they can be administered at a low cost; and
- The benefit or service is appropriate and effective.

It is this last point that leads us to look at outcomes.

For some time now, alternative models have been considered to address the simplistic nature of the transactional model. In the 1990s the life event model categorized benefit and service needs associated with the transitional periods of life: from birth, through education, your first job, unemployment, sickness, retirement and death. Intervention was oriented around the life transitions. But in the end, the services examined were often the same transactional services, just better coordinated across government levels and more integrated with social institutions.

Other models are now emerging. Perhaps the most discussed today is the outcome management model. For example, instead of looking at unemployment as a life event or a transactional intervention in the traditional unemployment insurance models, outcome management might focus on all the interventions required to support "sustainable" employment. In place of an unemployment insurance payment, perhaps a child care service would be appropriate, possibly combined with some vocational education and then linked to career and job-finding counseling. In more complex cases, incorporation of drug programs, basic skills enhancement and even support for moving could be included—all the things necessary to support the outcome for sustainable employment.

Where once the focus was on a person's issue and a designated benefit or service, the focus is now on the person's need, the outcome desired for that person, and unique bundle of services and benefits that will achieve that outcome.

Outcome models usually combine an element of social risk prevention, or at least minimizing the risk of re-occurrence in their design. Definitions of outcome do vary quite considerably and we offer the following definition:

- Outcomes define the social aim that a government or organization is trying to achieve;
- They quantify the achievement expected; and
- They timeline the achievement.

An example of an outcome is "Reduce the number of children in low-income households by at least a quarter by 2004, as a contribution towards the broader

target of halving child poverty by 2010 and eradicating it by 2020."[6] This states the aim, quantifies the achievement and provides a timeline.

Now the design of government programs and services can be coordinated and structured to help achieve the outcome, and new benefits or services may be required. The transactional model may not provide the tools to deliver on the outcome expectation and almost certainly the outcome-based service delivery model will need participation from a range of different partners.

When adopted wholeheartedly, the outcome model ultimately will have profound effects on service delivery models for government. As more collaboration and coordination is required among the participants in the social system, new service delivery models are emerging that start to provide seamless and integrated service, based around outcomes.

Examples include:

- Service Canada, where citizen-centered service is being re-designed around citizen-centered whole-of-government service strategies, to achieve government desired outcomes;
- Centrelink, in Australia, where service for multiple government social programs is delivered through one service delivery organization, using outcomes as the integrating contractual framework; and
- A range of states in the US where 'one-stop shops' have been implemented to bring together service from multiple programs.

A side effect of the outcome model is that the combination of interventions increases the complexity of the benefit and service mix. Instead of a fixed series of payments and a single service intervention, now multiple payments, providers, and services may be incorporated, all with different frequencies and varying individual complexity. Managing this complexity requires new approaches and shifts the balance of claim management, described earlier, toward case management. As organizations adopt the outcome models, the need for integrated case management models will likely increase.

2.5 Financing Social Systems

Social systems cost a lot of money. They involve spending significant amounts of money and usually also involve the collection of the necessary funds to support that expenditure. Only in a few social systems are the actual funds accrued at an individual level and a person therefore draws from their funds to pay

[6] The UK Department for Work and Pensions Annual Report 2005.

for social risk expenditure (see Section 2.1.3, "Provident Funds" on page 7). Most systems are based on funding current social expenditure from current revenues. These are called "pay as you go" systems. The social systems of almost all developed nations are based on this "pay as you go" principle.

The most common way to collect the financial means to pay for the social security system is to rely on contributions and on government subsidies funded by general taxation. Sometimes other forms of financing are added, such as "earmarked" and "affected" taxes (such as a tax on tobacco being used to pay for health care).

Most social insurance systems are at least partially financed by contributions from the individuals themselves (in this case they are generally called "the social insured") and/or by their employers. The contribution percentage is typically fixed by the government. What these contributions are used for will vary among countries, but they often cover pension entitlement and accidents at work, health care and unemployment.

In some countries, employers are unwilling or incapable of meeting their and their employees' contribution liabilities. The sanctions imposed in these cases can at times be counterproductive because it could lead to an employer's bankruptcy and to the dismissal of employees. This contribution "evasion" is a form of employer fraud.

In the past, contributions were mostly levied on an individual's income; traditionally, no contributions were imposed on the social benefits themselves. This is changing in some countries as benefits and services are themselves becoming eligible for contributions or, in many cases, taxable.

While many benefits and services are provided free of charge, this is not always the case. It may be that there will be a charge, often called a "co-payment," for a benefit or service. This is often the case with the provision of health care. When visiting a doctor or when buying medicine, the individual will still assume part of the costs. In most cases this co-payment is not really a way of funding the social system, but more a way of restricting the unlimited usage of the benefits or services, making the user aware of the government contribution and contributing to the cost of delivery.

Most social systems, notably those concerning health care and pensions, are now recognized more publicly as facing problems of financing. This is due to the following circumstances:

- The population is aging and fewer children are being born. This has led to a decrease in the working population as a percentage of the whole population;
- The costs of medical care have reached an unprecedented level;

- Lower participation rates due to greater numbers of higher-education students, increasing early retirement rates, and greater use of long term disability programs;
- In many countries, the upper limit of taxation has been reached;
- Many governments, sometimes already heavily burdened by previous administrations, are already short of funds; and
- This funding gap is precarious in many countries and requires long-term (30-year plus) planning to resolve.

The acceptance of the need to address the financial gap has been at the forefront of political changes in the social systems during the 2000–2005 period. Those countries not already tackling this issue today will have to deal with the issue at some point. Typical responses include one, or a combination of:

- Reducing the benefit received or delaying when the benefit commences;
- Increasing the period of contributions or economic participation; and
- Raising the level of taxes or contributions.

2.6 The Protection of Privacy and Fundamental Rights

A country's social system has a significant impact on the everyday life of its population. Sometimes it will incur problems with respect to personal privacy and the fundamental rights of the parties involved.

In order for the entire social system to operate smoothly, organizations at different times need a significant amount of information to successfully process a claim or a case. This information is usually provided voluntarily by claimants themselves at this stage and does not itself represent a privacy issue.

However, difficulties may arise when the different elements of information are accumulated and combined in such a way that they reveal more about a person's private life than intended. For example, it is reasonable for a health professional to know that a claimant has HIV, but does the social worker need to know?

Due to computerization, the ability to combine, aggregate and coordinate information has risen sharply. When manipulated by unauthorized persons, information could be used in ways other than intended. While privacy and security of information has always been an issue for social services and social security organization, many countries have now legislated the concept of privacy into their social systems. This leads to very different considerations of privacy when compared to private sector organizations and the level of seriousness that it is taken with.

Countries take different approaches with privacy:

- Sometimes computerization is permitted within a single administrative body, but the linking of files between several administrative bodies is illegal;
- Some organizations have developed a central repository for data needed by more than one administrative body. The administrative body itself is not allowed to store data, but instead, can only request data;
- In other countries (Belgium being a good example), they have decentralized the data in a "cross road" databank. The databank itself does not contain any personal data; it only contains the pointer to where the data is stored. When an organization has a need for information that it does not store itself, the information can be obtained, via the cross road databank, from the body which does store the information; and
- Other countries have legislated where the information can be cross-correlated, and the conditions under which that correlation can be done. Australia allows data matching across different sources for fraud detection, but the data must be only used for that purpose and, after a limited period, must be disposed.

Social legislation can not only infringe upon personal privacy, but can also encroach on other fundamental rights, such as the freedom of religious expression versus unemployment insurance. Most unemployment programs impose sanctions on a person making themselves unavailable for work. But what if the person feels pressured to voluntarily resign because of discrimination in the workplace, or because of his or her religious convictions? How does that relate to the person's fundamental rights?

Here, as well as in other cases, principles such as reasonableness need to be applied. The extent to which this is enshrined in legislation will vary by country, and in some cases, conflicts will exist between the legislation and actual practice.

While protection of privacy and fundamental rights are a core part of social systems, they sometimes function as an inhibitor to the provision of good service. For example, some countries insist on citizens informing multiple administrative bodies of changes of circumstances, as they are unable to pass on the information "due to privacy." In some cases there is no doubt that there have been unintended consequences such as this. Research in Canada has shown that citizens are willing to allow their personal information to be shared across government departments if they are asked, it is to their benefit, and they give consent.[7]

[7] Spears et al, *Citizens First* 3, IPAC, January 2003.

As service delivery models become more oriented towards outcomes and the resulting case management becomes pervasive, we expect to see new privacy models emerging that orientate around integrated service, citizen consent and choice.

2.7 Primary Business Processes

Across countries and social services and social security organizations there are many constants in the business processes that form the foundation of how programs are administered. In this section we describe some of the primary processes.

2.7.1 Registration

This step is the beginning of the process for either joining a social insurance organization, or being accepted as a legitimate claimant to a social services or social security organization. The required action may be as simple as making a contribution through a person's employer, or as complex as a formal registration form.

2.7.2 Intake

This process involves making the application for a benefit or service. In some systems this can be as simple as requesting permission to see a doctor, or as complex as determining which series of benefits for which a person should be applying. In the latter case, the term "screening" is used to filter out the benefits or services to which one may be entitled.

2.7.3 Referral

Referral is the process of connecting a client, provider, or partner with another product or provider that enables it to achieve the client's needs. This may be in the form of self-referrals, program or caseworker stipulated-referrals, workflow referrals, or coordinated service delivery referrals.

2.7.4 Assessment and Eligibility Determination

This is the process of ascertaining whether a person is entitled to the benefit or service for which one is applying. Most social systems have a series of rules that one must comply with to be eligible for a benefit or service. Some programs will be simple and the eligibility will be self-apparent, but the vast majority of social systems have complex rules that require complex eligibility determination.

2.7.5 Validation

In going through eligibility determination, a claimant will have to produce evidence to support his or her claim or case. This may involve such things as: a medical exam, proof of residence or employment history, or production of a receipt to validate medical services being claimed. The evidence requirements can be complex, even in the simplest of systems.

2.7.6 Entitlement Calculation

Once eligibility has been determined and validated, the amount, frequency, and duration of services and benefits will be calculated. In simple programs, eligibility and entitlement might be combined, but in complex programs, the process is usually separated.

2.7.7 Benefit and Service Delivery

Once eligibility has been determined and entitlement calculated, benefits and services need to be delivered to meet the person's circumstances. The social organization may deliver those benefits or services themselves or contract a variety or other organizations to delivery on their behalf. In some countries, the social organizations may be a facilitator rather than a contractor of services and benefits.

2.7.8 Case Supervision and Management

Almost every social system has a check and balance procedure to ensure that all cases and claims are being processed according to set rules. This will usually involve some level of approval process. An approval system is the first line of defense against inside fraud. It is at this stage that the "instruction to pay" is made and the benefit or service authorized for release to the claimant.

2.7.9 Change of Circumstances

With the exception of the very simplest claims, maintenance will be required after approval to take into account "changes in circumstances." These changes are important to capture as they may affect the claimant's eligibility and entitlement to the benefit or service (positively or negatively), or could trigger other events. For example, if someone is receiving a sickness benefit, it is important to check their recovery status. If someone is receiving a disability benefit, it is standard to check whether their disability level has changed over time, and so forth.

There are many other supporting business processes that are built into social systems that are derivatives or extensions of these processes. However, every system, irrespective of the social model, has these analogous business processes with varying degrees of importance and complexity.

2.8 Comparing Social Systems

Comparing social systems is a complex task, made even more confusing with the use of similar terms to mean different things. Even a simple term such as "social security" means different things to different people across the world.

In the United States, social security commonly refers to the national pension and disability program. In most of the rest of the world, social security is used to define the overall social protection structure. This social protection structure may actually include programs similar to many US state-based programs that are commonly referred to as "social services."

This book does not attempt to be a definitive source of information on comparative models. There are a variety of reference points for more detailed information and some of them are listed here:

- The United States Social Security Administration Web site has an extensive overview of the core social programs provided in many countries and territories around the world: *http://www.ssa.gov/policy/docs/progdesc/ssptw/index.html;*
- The Japanese Ministry of Health, Labour and Welfare Web site provides extensive comparisons between Japan, the United States, Germany, Sweden, France and the United Kingdom;
  - The appendices contain several useful analyses of the issues associated with the different structures in those countries and other significant countries in the region such as South Korea, the People's Republic of China, the Philippines, Indonesia, Thailand and Australia;
  - The English Language Web site address for this report is: *http://www.mhlw.go.jp/english/wp/wp-hw/index.html*; and
- A thorough source of information is the International Social Security Association Web site, but this site requires a fee to access its extensive databases. *http://www.issa.int/*

In our experience, the sources listed have proven to be the most useful. However, there are many other sources of information available from places such as the World Bank, the International Labour Organization (ILO), the European Union and various universities. If readers discover other good sources of information on this topic and wish to share them, please contact any member of the IBM Global Social Segment team.

2.9 The Role of Information Technology (IT) in Social Systems

Social organizations have the following characteristics:

- They touch virtually everyone in a country;
- They have a legislative directive to be correct in what they do;
- They provide benefits and services that are complex and still evolving;
- They process millions upon millions of transactions; and
- They increasingly rely on technology to deliver benefits and services.

In many countries, the social services or social security organization is larger than the biggest bank, deals with more people than the largest retailer, and has more employees than many commercial organizations in the country. Even those countries with a social system distributed among many organizations (such as employment- or regionally-based) they still tend to be large organizations in their own right and have the added task of interagency communication.

This complexity and size has led to IT playing a critical role in the delivery of social benefits and services. Many social organizations computerized their social systems through the 1960s to the 1990s.[8] This computerization has led to many large scale transaction processing systems supporting the business models from the same era.

Investments made in these large scale transaction systems were often to support processing operations, enabling organizations to process more transactions at a lower cost. But they also allowed program rules to increase in complexity and volume, and therefore, programs to become more targeted. As the complexity was able to increase, the targeting more effective, it allowed policy makers to introduce new programs that previously would have been impossible to implement in purely manual operations.

As we have described earlier, organizations are adopting new business models. At the same time, technology has improved and changed. This has left many social organizations with "legacy systems," typically designed for yesterday's business, on aging platforms and unable to meet either the legislative updates to existing programs or incorporate new programs and business models. With the emergence of new business models such as outcome management, focus on citizen-centered service and decades of increasing program volume, these legacy systems will be unable to meet the future business needs in many countries around the world.

[8] Adler, Michael. *Computerisation and e-Government in Social Security: A Comparative International Study*. IBM Center for the Business of Government. 2005.

We expect to see organizations replace and update many of their IT systems to support the new business models. Additionally, new players are entering the business applications market, focusing on the social services and social security industry that bring new options for organizations. In the same way that the commercial sector has moved to replace custom development transactional systems with banking or manufacturing supply chain "Commercial Off the Shelf" (COTS) packages, we are now seeing the same in the social services and social security industry.

These packages will form a core part of the new case management systems that organizations will implement to replace their legacy claim management systems. Moving from transactional business models to outcome business models will be the catalyst for many organizations to undertake this change.

2.10 Common Industry Drivers

Across the social services and social security industry there are a number of common drivers that are influencing the issues and challenges facing the industry. These include internal factors such as citizen-centered service delivery, the need for the effective use of resources and to refresh legacy information and management systems to external factors such as globalization and shifting demographics. These drivers are introduced in detail below:

2.10.1 Citizen-Centered Service Delivery

A related consequence of life event and outcome models is a trend towards a more client-centered view of needs. In the past there was a tendency for a provider-centered approach in which citizens were passive recipients of benefits and services—the transactional model. A citizen-centered style is demanded by the more individualistic nature of activities such as job seeking and job preparation and the focus on outcomes. This in turn is driving the use of face-to-face contact time with clients for added value activity—for instance the employment-related aspects of status review, training and job preparation and job seeking. A corollary to this is a trend to reduce face-to-face time for less value-added activity, such as collection of claim data. A second dimension of the citizen-centered view is the trend towards a holistic approach to all of the client's interactions with the relevant organizations, rather than "in program silos." Information collected in one interaction is used to update all of the relevant systems and programs. The approach can result in both better citizen service and lower operating costs through reduction in duplication.

2.10.2 Costs

Control of government expenditure and the effective use of resources are significant political pressures affecting many aspects of government and other public expenditure. Avoidance of waste and elimination of fraud are particular themes affecting social services and social security systems, not least because of the sheer scale of social program operations and the high value of the total program expenditure. In many parts of the world there remains considerable political sensitivity about the level of government expenditure. Probably the biggest issue is the level of program expenditure. There are a number of responses to controlling program expenditure, including policy responses of making benefits less generous, or requiring additional contributions from either citizens, or employers. The second issue is the control of administrative costs. While the costs involved in administering social programs are much less than the costs of the programs themselves, there is nonetheless an efficiency challenge to enable services to be delivered at lower cost. The use of technology is a key enabler in reducing costs.

Effective control of program and administrative costs has been undertaken by organizations for many years. We are now seeing diminishing returns associated with traditional approaches and believe that new approaches are required. Program costs can be re-directed to those most in need through better outreach and outcome management models. Administrative costs can be reduced by citizen-centered service approaches and more effective use of lower cost channels for transactional activities.

2.10.3 Change Management

The complexity of social organizations, scale of operations, huge pressures for legislative improvements, the need to maintain business performance often coupled with poor existing tools (and in some cases lack of expertise) all conspire to make delivery of change programs in the social services and social security organizations risky. While managing change will never be easy, new approaches and techniques are emerging to support social organizations. New business and technology modeling allows change to be broken up into smaller pieces, resulting in the ability to make a larger number of smaller changes with an inherent reduction of risk. Techniques such as component business modeling, enterprise architectures and service orientated development will help make change manageable in the next generation of social change.

2.10.4 Globalization

The effect of globalization has led to significant structural changes in employment patterns. The global economy has benefited countries that are able to

compete more effectively. On the other hand it has led to significant challenges for many developed countries who are responding by seeking to create new types of jobs and to enhance skills of their workers to be able to undertake value-added roles in the global economy.

As we move into the next decade, we are starting to see the globalization effects moving into core social programs. The next generation of pensioners will be the first generation with inter-country employment mobility supported by national pensions. While most developed countries have "Totalization Agreements," the claim volume is relatively low compared to the domestic retirements. But the volume of people affected in the next 10 years is expected to rapidly increase. Other programs are becoming more international. In 2002, the US Office of Child Support Enforcement issued a Request for Information (RFI)[9] on International Child Support Enforcement. The European Union already has extensive social integration support under regulation 1408/71 and other supporting regulations on the freedom of movement of goods and workers and the protection of the social protection rights when they exercise that freedom.

2.10.5 Participation

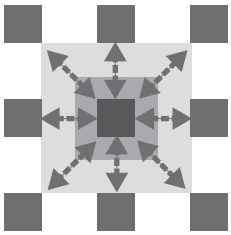
Participation, or activation in some countries, is the term used to denote an increasing emphasis on ensuring that citizens who are able to work actually do participate in the labor market. Participation models often follow a number of areas:

1. Ensuring those people who are able to work and seeking benefits are actively looking for work. This has been the traditional focus in many countries;
2. Supporting those people who have, typically, withdrawn from the workforce due to illness, injury or disability, so that they can participate in economic activity, even if not to the same level as previously;
3. Support return-to-work programs for people who can work but have withdrawn voluntarily from the workforce, perhaps to raise children. This is becoming more prevalent in economies with full employment or skills shortages; and
4. Supporting new career options for early retirees to extend their economic participation before the formal retirement age and beyond.

Increasing participation is seen by many countries as an important mechanism to address financing and aging issues.

[9] The International Child Support Payment and Case Data of Electronic Exchange Feasibility

CHAPTER 3



Subsegments in Social Services and Social Security Industries

This section introduces each of the social services and social security subsegments in detail. An overview of each subsegment is provided followed by a discussion of the current industry dynamics and our predicted future industry dynamics. We also present examples of leading industry practices.

The subsegments discussed include:

1. Family and Income Support
2. Employment
3. Public Health Insurance
4. Public Pensions
5. Child Welfare
6. Workers' Compensation & Disabilities
7. Child Support Enforcement
8. Public Health

3.1 Family and Income Support

Family and income support is perhaps the hardest of the subsegments to define. At their most basic, the programs are typically referred to as social assistance, social safety net programs, or even just welfare. The programs covered offer protection to people by providing income through cash transfer programs, subsidies on food staples and other items, employment through labor-intensive public works programs, housing, and cash.

3.1.1 Introduction to Family and Income Support

The Family and Income Support Segment is defined as covering the following program areas:

- Income supplement programs;
- Family benefits; and
- Housing.

These programs have evolved in different timeframes for different reasons worldwide. The first social assistance program was created in Germany in the 1880s followed in the early 1900s by programs in France, the United Kingdom, and the Soviet Union. Chile created the first social assistance program in South America in 1924, while programs in North American and Japan were created in the 1930s on the heels of the Great Depression. Australia's social assistance program was initiated after World War II. In spite of the fact that these programs were implemented in many different ways around the world, there are distinct similarities. This section will provide an overview of these programs along with some examples of how they are implemented in different countries.

Income Supplement Programs

Income supplement is defined as programs that provide income or services to those people who do not have the ability to fully provide for themselves. Income supplements come in many different forms:

- Cash payments;
- Food stamps;
- Social loans;
- Heating fuel, electricity or water assistance;
- Medical assistance in some countries where health insurance programs are not fully inclusive such as the US Medicaid and Medicare programs (see section on public health insurance); or
- Student and/or education subsidies or loans.

In almost every case, these programs are means-tested. This helps to limit the provision of funds to those people who need them. In most cases, they are only available for a limited period. An example of this type of program is Temporary Assistance for Needy Families (TANF) in the United States. This program is administered at a state level and is available to families with low income that

have children and financial (excluding property) assets below a fixed level, as well as other conditions.

In many countries the provision of income supplement programs is not necessarily the sole responsibility of the government. Often the extended family, religious entities, charities and other social organizations all have a role to play.

Family Benefits

Family benefits are benefits or services that are available to people as a circumstance of their family situation. They include benefits such as:

- Child benefits—payments or services to assist in the raising of children;
- Support for parents staying at home to look after children;
- Care provision benefits for the elderly or the sick; and
- Maternity benefits.

Family benefits differ from income supplement programs in several ways:

- They are often paid as a fixed sum versus a variable sum;
- They are often not means-tested and are available to all people; and
- They usually are delivered as cash or service payments, but are also often delivered as benefits via tax relief on income earned.

One exception to this is subsidized day care programs which are often variable and means-based. Day care has two distinct components: Adult Day Care and Child Care. At its core Day Care has traditionally tended to reflect society's evolving views about children, adults who need care, the role of families and women, and the economy. Day Care facilities fall into two broad categories:

1. **Formal:** typically regulated and organized and involving center-based care
2. **Informal:** typically less or not formally organized and regulated, generally involving home-based care (parental home, care provider's home).

In general, throughout much of the developed world, the following types of childcare can be found. The degree to which one or the other (or all) of these types exist in any given jurisdiction is highly dependent on the past and present social, economic and political environment.

- **Pre-school**—for children between the ages of 3 to 6 years;
- **In-home caregivers**—provided in the child's home and typically not regulated;
- **Family Child Care**—provided in the care giver's home, often for many children;

- **Group Family Care**—also in the care giver's home, staffed for larger groups;
- **Child Care Centers**—public or private, full- or part-time, independent or part of a larger organization, typically staffed by professionals; and
- **School-age Child Care—**before or after school care, out of school care, licensed and typically staffed by professionals.

Formal adult day care is typically provided in centers established specifically for that purpose. This type of care usually involves a planned program that includes a variety of health, social, and supportive services in a protective environment. Formal care is generally not for seniors or others requiring constant (i.e. 24 hours) professional supervision and care.

Housing

Many countries provide income supplements to assist people with housing costs. This assistance may come in the form of cash payments to the individual, vouchers that result in cash reimbursements to landlords, and publicly-operated low income housing. In addition to this, there are organizations that build and supply housing. These public housing authorities include groups like The Housing Development Board of Singapore, the Hong Kong Housing Authority and the Department of Housing and Urban Development (HUD) in the US. In the US, housing assistance is limited to the poor and those with disabilities. For people with disabilities, housing benefits may often be combined with other benefits that allow an individual to live independently (or as independently as possible) within the community.

3.1.2 Current Industry Dynamics

Across the world, social systems are at various stages of development, with very different philosophies. However, there is some commonality among systems that allows us to define the current industry dynamics.

Funding

Perhaps the most overriding and internationally consistent issue, the finance of family and income support programs is reaching the limit of affordability in many countries, causing politicians and program administrators to attempt to reduce overall expenditures. Part of the problem is the rise of program expenditure relative to tax revenues, and part of the problem is related to demographic shifts that have resulted in more citizens claiming benefits. There is also an impression, real or imagined, that some people are taking advantage of the system.

As discussed in section *2.3 Benefits and Services*, fraud is a significant problem for social services and social security organizations world wide. This has resulted in a pervasive and increasing focus on the integrity of payments made to recipients. Whether the concentration is on the elimination of honest mistakes or intentional fraud, family and income support organizations worldwide are looking for ways to ensure that resources are going to those people who are most in need.

Welfare Dependency

While certainly related to the funding issue, welfare dependency—the notion that an individual or family has no incentive to return to work and get off the welfare rolls—is a polarizing issue worldwide. On one side of the issue are those who argue that welfare dependency is a myth, that welfare opponents have been trying to get people off welfare for as long as the programs have existed, and that low wages and unemployment—not laziness and lack of motivation—are the reasons why people apply for welfare benefits. On the other side of the issue are those who maintain that governments can no longer afford expensive welfare programs, that the benefits available through welfare programs are superior to those available through low-wage, entry level jobs and are themselves responsible for keeping people on welfare, and that the welfare state is destructive to families. Regardless of the argument, the trend today is to reduce welfare dependency and encourage economic participation proactive measures like tax credits and punitive measures like withdrawal of benefits.

System Complexity and Error

Family and income support programs are often complex, confusing and difficult to administer. In spite of concerns about fraud, erroneous payments, and welfare dependency, there are people who are entitled to benefits who are not receiving them. Frequent changes to legislation have complicated programs to the point where the programs are confusing for both staff and clients. As a result, staff spends an increasing amount of its time administering programs rather than focusing their attention on clients.

Welfare-to-Work

The concept behind welfare-to-work and similar programs is relatively simple. People who are unemployed and able to work should be looking for work. If they are not looking for work, they should not be paid unemployment benefits. Sometimes, however, the practicalities are more complex—particularly if governments, through economic development programs, are unable to supply sufficient job opportunities.

A typical response to this situation is that, after a period of unemployment, job seekers may be "contracted" into a range of programs, typically along the lines of:

- Subsidized work programs; and
- Charitable or voluntary work.

In the US these programs are referred to as "workfare." Many countries throughout the world have now adopted the basic principles of welfare-to-work and workfare and are regarded as important for the individuals involved in terms of maintaining work readiness and a work ethos. In addition to the impact on an individual's employment capabilities, long term and widespread absence of work can have profound social consequences. As a result, workfare programs have been widely deployed around the globe.

These workfare type programs, together with other vocational preparation, make up an overall welfare-to-work policy approach and are generally an important part of the package of rules around eligibility for unemployment benefit. Some important features and consequences of welfare-to-work programs are worth highlighting:

- Social assistance is normally restricted or withdrawn from people who do not actively participate in one of the welfare-to-work programs; and
- In some countries, the welfare-to-work programs focus on "lifetime learning." This applies to the whole population and is designed to increase the employment, retention, earnings and occupational skills. It is intended to improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation.

One of the major implications of welfare-to-work programs is the creation of locality-focused programs. Traditionally, welfare or social assistance programs were provided at a regional or country level. The addition of the "to work" element of welfare now means that the importance of locality is radically increased. Now welfare-to-work programs are almost universally organized on a town (or even district) basis. This causes substantial increases in complexity to the traditional social assistance programs, and may require cooperation between different tiers of government.

3.1.3 Future Industry Dynamics

We expect the following dynamics to become the major discussion points:

Outcomes

We expect to see a shift from the provision of transactional social assistance benefits to outcome-based services focused on eliminating the root causes of welfare dependency. Where once it was enough to provide financial benefits to deal with unemployment, now the focus is shifting to enhancing basic skills and workforce retraining to allow the person to not only get a job, but get a better, more sustainable job. Of particular interest will be the effectiveness of "two-generation programs": multiple-target programs and services that are intended to improve child development, parenting and family self-sufficiency. Payments and funding will be tied to outcomes as well as to legislative compliance.

Welfare-to-Work

As polarizing as the welfare dependency debate has been, we do not expect it will go away any time soon. More stringent links between the availability of social assistance and the requirement to work may need to be implemented. Those countries without welfare-to-work programs are starting to introduce them, and those having such programs today are looking at tightening the rules and penalties. More broadly, there will be a continued trend of minimizing the time someone receives a benefit (through episodic or lifetime limits, significant obligations placed on the recipient, diversion payments, waiting periods, and intensive provision of preventive and/or rehabilitative services). Governments will also continue to make use of tax credits and rebates to help encourage low-income families to attain and maintain independence from government assistance.

Integrated Systems

There will be an increased focus on coordinating the provision of benefits and services and benefits among government organizations and, at the same time, an increased reliance on community-based, non-government organizations for the delivery of many of those benefits and services. As a result, fully integrated case management systems, bringing together all parties, will become increasingly important.

Focusing on Those in Need

With all of the interest in and scrutiny of family and income support programs, government organizations will find it more important than ever to be able to quickly and accurately determine eligibility for services, keep track of the services that each individual receives, document the positive outcomes of those services, and respond quickly to changes in social policy. The goal will be to ensure that those, and only those, who truly need assistance get the services and benefits they need while avoiding the development of a permanent group who are reliant on public funds. As part of this focus, programs will become more concerned about outreach efforts to identify those in need and the take up of services that support general self-sufficiency.

Demand for Day Care Is Increasing

The demand for Day Care will continue to increase (despite lower birth rates) due to both the existing unfulfilled need and because of the demographic demands and participation agendas described earlier.

3.1.4 Industry Examples

United States: Utah Cares

Developed in the early '80s and built in 1988, the state's eligibility system (PACMIS) has been providing automated eligibility-related support to over 2,300 staff and approximately 260,000 customers of the state's Department of Workforce Services (DWS), Department of Health (DOH) and Department of Human Services (DHS). However, with the advent of welfare reform on both the federal and state level, there was a significant paradigm shift in the way Utah handles cash assistance programs and eligibility today compared to when the state initially implemented PACMIS. These programs are transforming their approach to a service and self-sufficiency model.

As a result, the state decided to replace PACMIS with more viable tools to sufficiently support its long-term business vision and embrace an enterprise eligibility-related solution across agency boundaries. The project, called the Electronic Resource and Eligibility Product (eREP), began in September 2002. The purpose of eREP is to move eligibility determination for all programs on the state's PACMIS application to a new rules-based system. This enterprise-based solution will support the determination of eligibility for workforce services, health and human services programs. In addition, it will screen customers' needs to identify available provider resources across both state and local communities. By matching client needs and circumstances with a database of more

than 2,500 community-based service providers, Utah Cares allows clients to confidentially draw on the resources of the communities in which they live to meet their needs.

Japan: Care Insurance

Demographic and social changes in Japan have resulted in a large and rapidly-growing elderly population. In response to these changes, the Japanese government, in April 2000, implemented a new "Care Insurance" program to which people over the age of 40 must contribute. The program is primarily designed to address the requirements for in-home care services and institutional services for the aged. Beginning in April 2000, people over the age of 65 who are in need of it can obtain care management from the government via service providers, many of whom are in the private sector.

3.2 Employment

The primary focus of this section is employment issues. However, employment as a policy theme for governments is larger than those aspects addressed through social systems, extending to broad national economic policy.

3.2.1 Introduction to Employment

There are two broad themes in the employment area:

- **Unemployment Insurance.** Many governments provide or regulate protection to provide financial resources and support when a person is temporarily out of work; and
- **Employment-Related Services.** These include a range of services provided to individual citizens designed to enable them to better participate in the labor market. These services can include job related training, personal skills enhancement, and assistance with job searching activities. There are two parties involved with a job search, the individual citizen seeking employment and the employer.

Beyond these transactional employment-related services there are a number of broader policy and program themes related to employment, which governments typically address as part of broad economic policy. These policy aspects may include how flexible and liberal the labor market should be, the fiscal and financial supports for businesses, as well as job support programs and creation of public sector jobs.

In addition, governments may undertake or support specific programs in response to localized events. This might include, for example, an employment-related program in response to the closing of a major employer in a town or region.

As already noted, the primary focus of this *Employment* section is on the functions related to individuals and employers. Nonetheless the broader policy and context issues are an important feature of the employment landscape since they inevitably impact the supply side.

Unemployment Insurance

People who rely on paid employment, but those who lose their employment or cannot find a job need a replacement income while they are unemployed. At the highest level there are two broad approaches: the Beveridge and Bismarck social assistance and social insurance models. The two types of systems can be characterized as:

- **Social assistance unemployment benefits** provide a minimum level of income. We refer to these types of systems as "unemployment assistance." They are based on a welfare response to unemployment. Unemployment assistance is, therefore, usually related to an assessment of need, which could include the worker's family commitments as well as their own individual requirements. Social assistance payments are typically less generous than those made under an insurance model; and
- Social insurance unemployment benefits provide an income at a level that relates in some measure to the individual's previous employment. We refer to these types of systems as "unemployment insurance." The essence of these schemes is that they are driven by the recipient's previous employment circumstances. Unemployment insurances may occasionally be paid as a fixed lump sum, though more typically are expressed as a percentage of previous earnings.

In both models it is usual to have a minimum qualifying employment or insurance period and a defined waiting period before payment.

While the unemployment assistance model is characterized by the United Kingdom, some Scandinavian countries and Australia/New Zealand, there has also been a tendency for insurance elements to be introduced, either through private or public provision, with governmental endorsement. Similarly, at least some of those countries with a social insurance-based model, notably much of continental Europe, the USA and the Far East, have also introduced a social

assistance component of the social program, typically provided as an Income Supplement Program as described previously.

While it is difficult to generalize from country to country the typical characteristics and common themes across unemployment programs:

- Unemployment Benefits are normally cash payments. In some countries there may be additional non-cash benefits that are separate from unemployment benefits. The difference between, and separation of, cash and non-cash elements of support may be striking and in some cases could be a disincentive to work. This was discussed in more detail in section 2.3;
- There is usually a presumption against providing support for applicants who have personally caused their unemployed status. If they have, they will typically not receive a benefit, have it reduced, or be disqualified for a period of time;
- An applicant will normally be required to look for suitable employment. The definition of suitable employment will vary among countries. In some countries, the requirement will only be to return to work—any work, while in other countries, the system may support the unemployed person getting back into a job in their chosen profession. In some countries, the social system may also support a career change especially into areas with skills shortages. There may be a staged approach during which an applicant can specify the kind of work they are seeking for an initial period, but then become more flexible;
- An applicant will normally be required to demonstrate that they are looking for employment with the production of this evidence being required for continued payment of benefits;
- If an unemployed person refuses to accept any suitable employment that is offered, this will usually lead to the deduction, suspension or termination of their benefit;
- In some countries, there may be exemptions of the usual penalties for those near the age of retirement, or relief when the local labor market is in a serious situation. Additionally, the performance of unpaid labor may be allowed when a person is responsible for the care of a child or family member. However, the most common exemption is when a person attends vocational retraining;
- In most social systems, it is not possible to combine unemployment benefits with earnings. When the person performs paid labor, their unemployment benefit will either not be granted for the period of paid labor, or be cut back during that period. It may be that part of the amount is exempt so as to encourage an unemployed person to gain new work-related skills;

- When the person involved does not report paid labor, they are usually breaking the unemployment benefit conditions and, in some countries, actually committing a criminal act, liable to sanctions. In unemployment systems, this "working while claiming" scenario is responsible for a significant amount of fraud; and
- In order to receive unemployment benefits, a person needs to be capable of work. An unemployed person who becomes unable to work will receive, as a rule, incapacity or disability benefits, rather than an unemployment benefit.

Employment Related Services—Back to Work Support

In most countries, people claiming an unemployment benefit for an extended period are required to undertake job preparation training. There are a number of approaches to enabling citizens to get back into employment:

1. Specific vocational training, linked to a particular type of job for which the individual citizen requires new skills;
2. Basic skills training, which may involve enhancing literacy and/or numeric skills or general life skills preparation;
3. Enhancing job-seeking skills, for example preparing a resume, good practice in submitting job applications and interview techniques; and
4. Removal of other back to work barriers, for example provision of day care, transportation, help with finding housing, or drug rehabilitation programs.

These programs are often provided not directly by the government but through either for-profit or not-for-profit community-based providers. A current trend, discussed further in a later section, is for such programs to be directed specifically to particularly target social groups, typically those who may be "harder to help" and who might otherwise remain unemployed for the long term. In the United Kingdom, for example, this has included job seekers aged over 50, young people who have difficulty retaining work and, increasingly, people with medical restrictions on their work capacity (i.e., individuals receiving incapacity or disability benefit).

As a complementary or alternative program to vocational training, unemployed people who are unable to obtain employment may be asked to perform public service tasks or workfare.

Employment Related Services—Job Seeking

Another key service provided to unemployed and underemployed individuals is assistance with job seeking. Job seeking involves matching people looking for work with those employers needing workers.

At a basic level, details of employment opportunities may be made available or advertised physically in an office, or electronically through a job database. This is essentially a *self service* function, albeit sometimes supported by an employment adviser. A more proactive process from the citizen's perspective is the matching of the individual candidate to potential job opportunities based on information from both the candidate and job opportunities. This approach clearly requires more information from both the individual (including, for example, skill levels, experience and achievements) and the employer (for example, the precise specification of the job role).

Job-seeking assistance can be provided by the public sector, the private sector, or various combinations of the two. The private sector often has specialist agencies providing services related to specific employment categories such as office and secretarial work, or particular industrial skills, such as the construction industry. Public sector job seeking assistance may overlap with this but tends to focus on industrial and manual and less-skilled work.

In many cases there is an active relationship, or partnership, between private sector employment agencies and the public sector providers.

The provision of job-seeking services has a number of key components as follows:

- Gathering employer vacancies;
- Providing job boards, either physically or electronically, and either nationally, regionally or locally;
- Matching applicants and vacancies; and
- In some cases, screening of candidates might be undertaken.

Another dimension of the job-seeking process may be specific partnership arrangements between public sector job assistance agencies and employers. Typically this will be limited to major employers, and can be intended to support wider government policy objectives. An example of this from the UK is the public sector organization providing recruitment assistance to employers (e.g., sifting potential candidates) in exchange for the employer agreeing to support wider employment policy objectives. In this case, this is providing employment or preferential treatment for applicants who may be otherwise difficult to place, as a result of medical or other circumstances (e.g., age, extended period of unemployment).

In some countries, the provision of job seeking services for hard to place unemployed persons has been contracted out to specialist agencies on a "success fee basis." Some Canadian Provinces (British Columbia Job Placement Service) and UK regions (Employment Action Zones) have been active in this for some time. However, Australia has taken it a step further and has applied this

principle nationally through the Australian Job Network. Here a network of private and community organizations is dedicated to finding jobs for unemployed people, particularly the long-term unemployed.

3.2.2 Current Industry Dynamics

Through our experience with employment organizations around the globe, we have developed a comprehensive view of the industry dynamics. This section presents some of the key drivers.

"Harder to help" Citizens

A particular emphasis is acquainting or re-acquainting citizens with the labor market who might otherwise permanently remain without work or be socially excluded. This dynamic is characterized by active labor market systems prevalent in many countries throughout the world.

Integration of Job Seeking and Unemployment Benefit Processes

Unemployment benefits and job seeking assistance are generally managed through separate government agencies, particularly in the social insurance model. There is a trend towards a greater degree of process integration—even where there is integration across organizational boundaries. An example of this is the creation of the UK Jobcentre Plus out of the old UK Employment Service and Benefits Agency.

Reduction of Fraud, Error, and Abuse

Reduction of employment program loss through fraud, error, and abuse is a prevailing trend around the world. In most countries the major loss is through deliberate client reporting of inaccurate or false information on their work activity. Losses through fraud by their nature are difficult to assess. However, given the large size of unemployment benefit expenditure in many countries, correcting this loss is a considerable challenge and one in which even relatively small percentage improvements in performance can produce large absolute benefits to the organization. Technology offers considerable potential here, specifically supporting risk profiling of clients and data mining of client data to identify anomalies which may indicate fraud, and allowing fraud management activity to be better targeted.

Electronic Self Service

There is already a trend toward self-service activities in many industries, and the employment subsegment is no exception. There are some notable successes in, for instance, remote job seeking through the Internet or dedicated "kiosk" facilities. Organizations have clearly embraced opportunities for improved client service and have realized reduced costs—a trend that is expected to continue. Client self-entry of unemployment benefit claims is one example and this effectively places the costs of data collection with the claimant. It is now possible to enter claim data online in Canada and in some states in the US.

3.2.3 Future Industry Dynamics

With our experience of employment organizations we see the following occurring over the next five years:

Job Skills Enhancement

When an individual becomes unemployed, one response is to try and get that person back to work as soon as possible in the same industry. This may be an effective short term solution to unemployment, but may be ineffective for the long term. This can be particularly true for outdated industries where job availability will continue to decrease over time. The future focus will be on the proactive analysis of labor market information alongside personal skills records in order to predict a need for a skills enhancement intervention, rather than reacting to a skills requirement following unemployment. This will require better labor market predictions and have an impact on longer term skills planning for individuals and wider support for labor mobility.

Labor Market Legislation and Regulations

The term "deregulation" is widely used to describe the removal of laws which protect labor rights and entitlements, in order to allow business more flexibility in labor relations. In reality, there is no such thing as deregulation of labor markets to the extent that this suggests the end result of removing all labor market regulation. Labor markets are both formed and regulated by the state and private sectors, using a range of regulatory techniques, and on the basis of a number of different policy priorities. What the private sector is looking for, and what governments are trying to accommodate, is labor market re-regulation or flexibility.

Significant changes in industrial relations legislation and practices have been occurring worldwide over the past decade. Countries have been moving from highly regulated, centralized labor systems towards systems that are decentralized and less stringently regulated. The intent is to become more flexible and internationally competitive in an increasingly globalized economy. There is already considerable interest, particularly in Europe where unemployment rates are historically high, in improving efficiency and effectiveness of employment-related systems.

More Integrated Private/Public Participation

As discussed earlier, the private sector already plays a major role in the provision of employment services. We expect that role will spread to many countries that currently do not actively involve the private sector in job assistance services. We also expect to see further integration between government organizations and the private sector in building more integrated employment markets. The Australians have already taken a major leap forward in this area, using Centrelink as the organization to screen claimants for employment benefits and the Australian Job Network providers to enhance skills and assist participants in finding work.

3.2.4 Industry Examples

Australia: Centrelink and Australian Job Network

The Australian Government's response to managing the employment area is widely recognized as having taken a radical approach in responding to the service delivery challenge. Some of the key features of the Australian approach include:

- **Separation of Policy and Service Delivery Responsibilities in Benefit Payments.** The establishment of a dedicated service delivery agency, Centrelink, has received much international attention; and
- **Outsourcing of Job-Seeking Support.** A second key aspect of the Australian experience has been the outsourcing of job seeking activity to the Job Network, a collection of private and non-government organizations. This has also involved development of sophisticated management and reporting processes, as well as new sophisticated case management processes.

This model continues to evolve and in 2004 the policy focus shifted to one of participation, particularly to address full employment issues.

United States: New York State Department of Labor

Departments of Labor worldwide are looking to modernize the way in which citizens can apply for Unemployment Insurance Benefits. In order for these organizations to meet new, demanding government regulations they must invest in new technologies that will allow them to enhance its automation and management of tremendous volumes of content such as claims forms. With over 300,000 clients and 5,000 internal system users, the New York State Department of Labor (NYS DOL) was looking to modernized it case management system and address the way in which it managed a variety of non-structured content and case documents, seamlessly and effortlessly.

NYS DOL is implementing its vision of a transformed Unemployment Insurance (UI) system that places customers at its center; that allows customers to serve themselves through several channels at their convenience; that supports and empowers workers to serve customers more effectively, efficiently, and responsively; that can adapt quickly and easily to the inevitable changes in law, policy, and organization.

3.3 Public Health Insurance

In many countries, the payer component of the health care ecosystem is managed and maintained—in whole or part—within the fabric of the government's social system.

In this section we focus on the public payer role and we introduce those aspects of the health system that are commonly considered as part of social provision. This will include the concepts of the Medicaid/Medicare system in the United States and public, private and semi-private health care systems in other countries.

3.3.1 Introduction to Public Health Insurance

The process of making health care available can take different shapes:

1. ***Single-Payer National Health Insurance Systems*** are publicly funded and administered, providing compulsory coverage for services rendered in large part by private practitioners and providers (i.e., physicians, therapists, paramedics, hospitals). Such systems can be found in Canada and many of the Scandinavian countries.
2. ***Multi-Payer Health Insurance Systems*** are comprised of contracting organizations that negotiate with a government's social system. These highly regulated systems receive uniform payments (typically via sickness funds) for universal services that are rendered by private, independent practitioners and providers. Such systems can be found in Belgium and Germany.

3. ***National Health Services*** retain responsibility for both the provision and funding of care across a pre-defined continuum of health related services. Complementary insurance is often available in the private market, for those who desire and can afford supplemental benefits. Great Britain and Spain are among the countries administering National Health Service programs.
4. ***Fully Private Systems*** require individuals to arrange for the provision of services through private health insurance companies or self-insurance. In this case, the government is usually required to provide some level of social assistance for those unable to pay for care through either medical insurance or private means. This sort of system is reflective of health insurance in the United States and some Asian countries.

In most countries one will find a mixture of systems: health care will be part public and part private.

The issue of inequality is frequently raised when health care is provided by social insurance systems rather than a national health care system that covers all citizens. The availability and quality of health care will depend on the particular health care system with which the insured person is affiliated. Legislation is often used to reduce this inequity.

Where medical services are provided under a "national health service" there is normally no choice, or at best limited choice, in where or how the patient receives care. Where health care is provided on a private basis, freedom of choice will be more pervasive.

There are a variety of ways that payments may be made in health insurance systems:

1. Payment in kind, that is, there is no charge for the service. This is typical of national health services.
2. Patient pays in full and must reclaim some or all of the payment from the government agency administering the health insurance function.
3. Patient pays provider in full and receives a refund from the government insuring agency for all or part of the money without having to do anything.
4. Provider bills government or insurance company directly with, in some cases, co-payment from the patient.

The last three options are usually arranged in such a way so that the patient understands the cost of the medical service as an attempt to avoid "over-consumption." However, the refund system does pose problems where goods or services are very expensive and in these situations, direct billing is generally used.

Universally, the costs of health care are rising, putting severe pressure on the social health care systems.[10] The underlying reasons are quite intricate: an aging population is increasing the need for health care, and health care is getting more sophisticated and becoming more expensive. The supply of some medical goods and services has also risen sharply, and wider availability itself causes an increase in demand for the services involved.

These challenges pose a risk of what is termed "over-consumption." Government and public health insurance organizations are responding in the following ways:

- Taking measures to limit the supply by removing some benefits from the package of guaranteed medical goods and services offered (in which case these services could then be insured, or purchased privately—for instance, cosmetic procedures);
- Including other measures designed to increase the responsibility of the consumer of health care, such as co-payments and the transformation of payment in kind systems into refund systems;
- Increasingly keeping more comprehensive checks on the quantity and quality of the medical goods and services. The use of medical profiles, for instance, should enable one to detect supplier abuse more easily;
- Selecting the cheapest equivalent medicines and treatments to reduce the cost of pharmaceuticals and procedures; and
- Emphasizing preventative and early intervention care, such as cancer screenings, to prevent or identify and treat conditions before they progress.

The health of populations in most developed countries has improved dramatically over the past forty years. The provision of health care services is one of the major achievements of developed countries and is one of the critical success factors for those countries that are in transformation. At the same time the health expenditure has been growing rapidly and now represents an average of 8.6% of GDP in OECD (Organisation for Economic Co-operation and Development) countries, the US having the highest rate with 15%.[11] As a result, public authorities and administrations are looking for ways to limit the growth of health care expenditures, while keeping the level of medical service at the highest possible level.

[10] The average growth rate in health spending in OECD countries was 4.5% per year between 1998 and 2003. Source: OECD Health Data 2005 (www.oecd.org)

[11] OECD Health Data 2005 (www.oecd.org)

3.3.2 Current Industry Dynamics

The health care industry is facing challenges in areas such as communication, rationalization, and quality. To increase efficiency, improve quality, and realize cost savings, the industry must address the following specific challenges:

Increasing Cost Efficiency of the Overall System

As a direct consequence of the rise of the costs of providing health care, approaches to restrict costs are sought after by most countries with developed health delivery. Some examples of such approaches are:

- Greater restrictions are being placed on "free" health care systems;
- Growing focus on the measurement of outcomes, as a return on the public's investment in health care services;
- Prevention of unnecessary medical examinations;
- Prevention of failures in medical treatments;
- Prevention and control of fraud and abuse by health care providers by better controlling means and higher transparency;
- Introduction of competition on various levels of providers and payers for health services;
- Conducting analyses to decide on appropriate prescription strategies;
- Introduction of DRG (Diagnosis Related Groups) for classification of in-patient treatments, which will make treatments comparable between different hospitals;
- Reduction in administration and other non-treatment costs, such as marketing and billing;
- Limiting tort damages, thereby reducing the direct costs of malpractice litigation as well as the indirect cost of preventive medicine;
- Steering patients to more cost-effective treatments and providers;
- Allowing lower cost resources, such as nurses and nurse practitioners, to assume responsibilities, such as prescribing certain drugs, previously reserved for physicians; and
- Off-shoring administrative tasks such as billing and diagnostic tasks, like X-ray analysis.

Most countries see their priority as providing health services at the highest possible and affordable level of quality to citizen and patients. Nevertheless, there is potential within most systems to increase the level of efficiency and still maintain the current level of quality.

Improving Transparency of Services

In some countries patients are well informed, in others less so, but everywhere they demand choice and quality service. A consequence is that the provision of service has become more transparent for the patient, and, as a result, there has been a shift in the personal responsibility of patients for their own health care. Electronic patient records, under responsibility of the patient, is becoming a tool for patients to take responsibility and manage their treatments.

To achieve these results, a suitable general framework must be created and several important key applications need to be developed. There are multiple national initiatives underway, which are focusing on a national infrastructure and the provision of a "Health Passport" in the US, Germany, United Kingdom, Austria, Taiwan and many other countries worldwide.

The provision of health services is also an international challenge with several initiatives looking at service delivery across borders. The European Union, for example, is now issuing a pan-European Health Insurance card.

Privacy and Security

As health care becomes more sophisticated, services more transparent, and treatment more specialized, personal health care information is shared more frequently among a variety of professionals. As a result, the security and privacy of client information has moved to the forefront as an issue of great concern. Today, there are a variety of laws protecting personal health information and specifying the way in which that information is handled (e.g., HIPAA in the US, EU Directive on Data Protection, The Victorian Health Records Act of 2001, Victoria, Australia). The emphasis on security and privacy of health information will continue to be a significant issue in the health insurance field.

3.3.3 Future Industry Dynamics

A number of aspects outlined in the previous section will not be fully resolved in the short term. Therefore it will be an ongoing and long-term challenge for any public administration to maintain the balance between cost and quality of service, other trends we see emerging will include the following.

Increase in Privatization of Health Insurance

We expect a number of initiatives to emerge, such as the following:

- In countries with multiple insurance providers, we will continue to see consolidation among them to secure greater economies of scale;

- Increasing competition between different public health insurance providers and the private sector as a deliberate policy to secure better services and lower costs;
- Increasing reliance on private sector hospitals and other services requiring more cooperation between public sector payers and the private sector;
- Increasing restrictions to cap health care cost increases in "national health systems" and health insurance payers;
- Increased focus on the visibility of costs and their relation to medical outcomes; and
- Increased focus on fraud and provider abuse.

Demand for Efficiency and Value

Increased value for money will be demanded by well-informed citizens and governments. This will involve:

- Increasing consumer mobility between health insurance programs where there is a choice;
- Increasing rate of transnational medical shopping by individuals seeking services and pharmaceuticals that are not available, or are more costly, domestically;
- Greater alignment of pharmaceutical usage to patient need;
- Increased emphasis on matching medical treatments to client needs;
- Increasing presence of two-tiered systems that provide the solidarity of national coverage with increased choice;
- Rapidly aging populations coupled with an increased incidence of chronic conditions are imposing financial strain on programs, resulting in benefit reductions and increased taxes;
- A greater focus on the cost benefit associated with new medical technologies and personalized health care;
- Increased recognition for the value of competition and cost-conscious consumer choice; and
- Competing interests of those who earn enough to be self-sufficient and want to exercise control, and those who are not self-supporting.

Additionally we expect to see further development of government sponsored long range prevention models to increase awareness of healthy lifestyles.

Evolving Payer/Provider Organizational Models

There will be a number of organizational changes affecting health insurers. Some prominent and already widely discussed areas are:

- Increasing use of health networks as a means of providing centralized patient records, inter-hospital referrals, health data cards and linked pharmacy, doctor and payers systems;
- Introduction of Integrated Care, allowing providers of any kind of services to access and use relevant information on the disease history of the patient in order to help guide the provider and facilitate the provision of maximum level of service; and
- Greater focus on public social assistance programs to provide medical benefit to all those that need it in the countries where universal provision is not provided today. The United States, in particular, will continue to struggle to address this issue.

3.3.4 Industry Example

Germany: Ministry of Health Electronic Health Card

The traditional German Health Insurance System is currently in a process of radical change. In September 2003 the German government decided on a new legislative program that defines and enables the electronic storage and transfer of sensitive medical data, like prescriptions and patient records over a secure infrastructure, which can be accessed by a new electronic health card.

When fully implemented, the system will provide enhanced security access to relevant information to properly authorized patients, practitioners and hospitals. This will increase the level of service provided to people in need. Additionally, it will also reduce the overall cost of providing the German Health services, by introducing increased process efficiency.

3.4 Public Pensions

The Pension subsegment deals with the aspects of social services and social security related to protection against the social risks associated with aging. As people age beyond their active working life, opportunities to continue working decrease and the capacity to work diminishes. Pension programs are designed to provide income replacement when a person can no longer work due to the effects of aging.

This section provides an introduction to the common features of retirement pension programs from around the world and the demographic changes that are affecting the basic assumption on which these programs were founded. These changes are leading to reform agendas that are either under consideration or are already well underway.

3.4.1 Introduction to Public Pensions

Overview of the Fundamentals of Retirement Pensions

The general principle underlying the establishment of retirement pension programs is to encourage workers to make provision during their working life so that, when they cease working, they have an adequate source of income.

When people cease working due to aging, they are considered to have retired from the workforce. While people may voluntarily retire from the workforce at any time in their lives, they cannot usually access the benefits of a retirement program until they have reached a statutory retirement age.

People may also cease working due to a disability. In these instances, the individual may be eligible to a special form of pension. This benefit may differ depending on whether the disability is the result of an on-the-job injury, an injury that occurs outside the workplace, or a disability not due to injury. Typically, the impairment or disability must be of such severity that the individual is unable to do any type of substantial gainful work.

Retirement pensions have evolved since the late 19th century from a program targeted at workers to the provision of universal coverage for all citizens of a country regardless of employment status. There are now many different models in place around the world, each with its own mix and interpretation of Bismarck and Beveridge principles.

Traditional retirement programs are based on an assumption that people pass through three distinct phases of life:

- Youth—0 to 20 years with education the primary focus;
- Working years—from around 20 to approximately 65 years where the worker can contribute to pension programs and save; and
- Retirement—Post 65 years, where retirement pensions provide a secure stream of income based on accrued rights, and sometimes savings, earned during the working years.

Retirement pension programs that are Bismarck-influenced provide coverage that is based on time in the workforce and earnings. Workers are considered

to be members of the program. Beveridge-influenced programs are also usually based on the period of work but rarely on the level of earnings. Programs are intended to provide a minimum level of subsistence to an individual or family and are funded by taxes or contributions. For the remainder of this section, the term "member" will be used in a generic sense to represent persons eligible for benefits within both the Bismarck and Beveridge approaches.

For developed countries the retirement pension program is the core of the national social system. In developing countries and those countries in transition to a market economy, the establishment of a sustainable retirement program is often afforded the highest priority. Notwithstanding the obvious benefits a retirement program offers to members, the establishment of a social fund is often a source of much needed investment capital that is used to help fund a country's development.

The retirement pension program is the one social program that almost the entire population has the opportunity to participate in and draw benefit from. While almost every country in the world supports some form of retirement pension program, they differ considerably in their makeup, funding, administration and the roles of the public and private sector.

Public retirement pension programs are usually designed and administered at a national level (e.g., USA, UK, Canada, Australia, Japan) although there are many countries where retirement pensions programs are designed and/or administered at a provincial or state level (e.g., Switzerland, China) and/or by industry or professional association (e.g., Germany, Belgium). In many countries there are separate schemes for civil service workers and the armed forces. These schemes traditionally offer more generous benefits than those offered to the general population.

The Evolution of Retirement Pensions

The traditional model of retirement pension systems that developed through the late 19th century and into the first half of the 20th century was based on providing social protection for workers using a pay-as-you-go (PAYG) approach managed by government and public institutions. PAYG means that funds from workers contributions are used to pay today's retirement benefits to pensioners. Surplus funds may be held in a separate social fund and invested or they may be passed over to the consolidated revenue fund of the government.

During the latter half of the 20th century many countries began to consider reforms in response to the demographic challenges presented by aging populations and falling birth rates. The reform agendas in most countries resulted in new models that were a blend of the Bismarck and Beveridge principles

where risk was spread over what was termed a multi-pillar approach. The multi-pillar approach at that time consisted of three pillars:

- Pillar one: mandated, PAYG and publicly managed defined benefit system;
- Pillar two: mandated, funded through privately managed defined contribution system; and
- Pillar three: individual voluntary retirement savings.

How the pillars were structured and the relative importance afforded to each pillar varied from country to country. What was generally accepted, however, was that a sustainable and equitable retirement pension program required elements of all three pillars.

Reform in the 21st Century—The Five Pillar Model

As the need for more sophisticated and innovative public policy responses has emerged at the beginning of the 21st century, the three pillar model has been extended to a five pillar approach.[12] The World Bank is now promoting a multi-pillar approach that combines aspects of five basic elements to deliver retirement pension outcomes in a fiscally responsive manner. These elements are:

- Pillar zero—non-contributory that provides a minimal or basic level of protection for all citizens;
- Pillar one—a contributory system that is linked to earnings and seeks to replace some portion of income;
- Pillar two—a mandatory individual savings account that is constructed in a variety of ways;
- Pillar three—voluntary arrangements that can take many forms (individual, employer sponsored, defined benefit, defined contribution) but are essentially characterized by their flexible and discretionary nature; and
- Pillar four—informal intra-family or intergenerational sources of both financial and non-financial support to the elderly including access to health care and housing.

For most countries, the retirement pension program is now a mix of elements of each pillar, bringing together traditional retirement pensions, forms of social assistance and public and private savings models. How the pillars are structured and the weighting given to each depends on many factors, such as historical background, transaction costs, regulatory frameworks, institutional capacity and the maturity of financial markets.

[12] *Old-Age Income Support in the 21st Century: The World Bank's Perspective on Pension Systems and Reform.* Robert Holzmann et al, World Bank 2004.

The remainder of this section relates to the typical zero, one and two pillar schemes. These are the public pillars where the most significant reforms are happening. Voluntary pension schemes and savings have no direct public involvement. In some countries, voluntary pension plans and other forms of saving are afforded taxation arrangements to encourage people to save more for their retirement and are often regulated by government. While important elements of the overall retirement pension policy, they are not considered in any detail in this section.

Retirement Pension Entitlement

The amount of income replacement or entitlement varies according to the pillars. Entitlement for a zero pillar pension is usually a fixed rate set at a subsistence level. First and second-pillar models are based on a payment structure determined by pre-retirement wages/salary and contributions made. Either way, the amount of both income-related and fixed pensions can vary by one or more of the following factors:

- Duration of their participation in the program as a contributor (e.g., USA, continental Europe);
- Occupational sector in which they have been professionally active (in some countries benefits can vary by occupational sector (e.g., Germany, Belgium);
- Dependents—partner and/or children;
- Level of income and assets (in countries such as Australia and Hong Kong, where a means test is applied); and
- Investment return on contributions made (e.g., Singapore, Malaysia, Sweden).

For pillar one and two schemes which are employment related, there are many countries that allow for certain periods of inactivity to be counted as if employment-based contributions were made. Time spent studying, on maternity leave, in military service, while imprisoned, not working due to sickness or unemployment can be taken into account. The normal period of employment activity required to attract maximum benefits is between 35 and 40 years.

Under pillar one and two schemes there is usually a minimum number of years that a person must be a member of a program in order to be entitled to a pension. Failing to meet this minimum limit means there is no entitlement to a pension, although in a defined contributions scheme the contributions paid in will often be refunded.

3.4.2 Current Industry Dynamics

The current dynamics of the retirement pension subsegment are characterized by a number of themes which, if not universal, are very common. These are discussed briefly here.

Accepting the Aging Crisis

The combined effects of falling birth rates, increasing life expectancy, and a fall in the participation rates of older workers is causing a funding crisis for developed nations. Another of the basic premises that retirement pension programs were founded on, that each generation would be larger than the preceding generation and could therefore afford to pay for the retirement needs of that generation, now no longer applies. The expected impact of this aging crisis is that the proportion of population eligible for public pensions will increase dramatically over the next 20 years as the baby boomer generation reaches retirement age.[13] The proportion of contributors will shrink. Without reform, public finances will deteriorate severely and for a prolonged period. Reform is progressing at varying rates throughout the world.

Maintaining Public Confidence

Governments have the challenge of maintaining public confidence in the sustainability and value of the retirement pension system in the face of the aging crisis. Funding models from both the input (contributions) and output (benefits) perspective will have to change in response to the affects of the aging crisis. Public confidence levels are falling as younger people seek to opt out of the public retirement pension program as they begin to think that there is no value in contributing to a system that will not deliver a pension that represents value for money. A cycle could develop where falling confidence leads to stronger resistance to reform that leads to confidence levels falling further. The necessary reforms are then put off even further in to the future which means that even more radical and most likely very unpopular changes will have to be enacted, perhaps without consensus. In many countries, maintaining public confidence in the pension system is a major political occupa-

[13] Fertility rates had been generally falling in the industrialized world since the beginning of the 20th century. It is a function of the rate of industrialization, urbanization and economic development of a country. The Baby Boomers phenomenon was a period of time (generally regarded as the period 1945–62) where fertility rates increased to well above the long term average in the aftermath of World War II. This phenomenon was not common to all countries nor is the beginning and end date of 1945–62 applicable to all countries. It applies mainly to those countries directly impacted and involved in World War II. For developing countries fertility rates are decreasing in line with their economic growth and an aging crisis is also looming. In China, the one-child policy is contributing to an acceleration in population aging that will impact economic growth in a timeframe similar to developed nations.

tion and has dominated headlines in Germany, France, Japan, the United States and the United Kingdom, among others, for a number of years.

Gender Inequality

Women have traditionally been discriminated against in many retirement pension systems due to periods of non work while raising children. Retirement pension plans were often developed on the basis of supporting the male primary wage-earner who would in turn continue to support his spouse in retirement. Increasing participation rates in the workforce by women and the breakdown of traditional family structures is forcing governments to address these gender imbalances so that fairness and equity in the pension scheme is independent of gender. Most countries have now removed, or are in the process of removing, structural inequalities in their retirement savings systems.

Changing Work/Life Patterns and Labor Mobility

Many systems were designed around a notion that workers would remain in the same industry and even the same organization for life. It is now typical in many countries for people to frequently change jobs, possibly interspersed with periods of unemployment (both voluntary and involuntary). Consequently, the ratio of full-time to part-time work/contracts and casual workers has altered significantly. Continuity of pension coverage becomes more difficult to manage and many workers lose pension rights as they move through different work/life phases. Retirement pension schemes also act as a barrier to labor market mobility when pension rights are not portable from one job to the next. Portability of pension rights encourages labor mobility which is an essential factor in sustained economic growth. This is even more so in the public sector employment market where civil service pension schemes usually offer more generous benefits thereby reducing the incentive for public sector workers to move into the private sector. Many countries have moved to address changing work patters through greater portability of pensions, typically though greater use of private pensions.

Contribution Rates and Savings Rates

Contributions to retirement schemes either by employers, employees or both are essentially a tax on income. They are a system of forced saving. Increasing savings rates is necessary to guarantee better retirement pension outcomes. Increasing taxes is rarely politically popular but as financing retirement pension schemes becomes more acute, governments will have to consider this option and provide additional incentives to improve voluntary savings.

Contribution Delinquency

For many countries the contribution delinquency rate has become a major public issue affecting the financing and long-term viability of the retirement pension system. Small business enterprises, the self employed, itinerant and younger workers can be a significant risk to the pension fund as they seek to avoid making contributions either through ignorance, financial distress or fraudulent intentions. Pension fund managers will continue to explore innovative methods to prevent, detect and deter contribution fraud and non-compliance.

3.4.3 Future Industry Dynamics

The issues that will dominate the future public policy debate on retirement pensions are:

- Will it be possible to transfer wealth between today's workers and dependent non-working members of society in a way that does not give rise to unacceptable societal and inter-generational conflicts;
- How can society begin to (or once again) value and encourage the contribution of older people to society and economic prosperity (e.g. flexible retirement options);
- How can governments optimize citizen participation in pension plans so that individuals save enough for their retirement years and do not need to access social assistance programs;
- How can pension organizations accommodate flexible retirement options;
- How can pension, health and long-term care be best reformed in a coordinated and sustainable manner;
- What changes are required in the financial infrastructure to support the development of funded defined contribution systems; and
- How can aging countries continue to improve their overall standard of living in a globalized economy?

Most countries now subscribe to the goal that a retirement pension system should be universal and cater to the whole population. It should provide income support for the elderly poor as a high priority. In addition the retirement pension system should provide mechanisms for individuals to save for their old age and should mandate the formal employment sector, including the self-employed to fund adequate, affordable and diversified pensions. It should not discriminate based on gender or age and should encourage people to save and self-provision. We therefore expect to see the following dynamics dominate discussion over the next five years.

Removal of Incentives to Retire Early

In most countries there is no economic or biological basis for retirement when people are in their 50s or 60s. Statutory retirement ages are a function of an era where average life expectancy was much less than it is today. Financial incentives for early retirement and disincentives for later retirement are being examined. A more flexible work life transition that enhances the capacity of people to lead productive lives in the society and economy as they grow older is needed. The concept of active aging implies flexibility in how people choose to spend their time—in work, in learning, in leisure and in care-giving. This is in contrast to a model that requires a person to stop working as soon as they reach a statutory retirement age. We expect to see structural reform to not only continue the removal of incentives, but also to support phased retirement, allowing part time work and part time retirement simultaneously and thereby prolonging workforce participation. This will require new eligibility and entitlement models and greater investment in computerization to track more complex life transitions.

Redistribution—The Risks of Moving from Defined Benefit to Defined Contribution

Retirement programs were predominantly based on a defined benefit approach which translates to acquired rights to a pension at a predetermined level. The policy trend is now shifting towards defined contribution where all or part the investment risk is transferred from the government to the individual. The principle of solidarity and pooled risk that is a feature of defined benefit schemes is not as strong in defined contribution schemes especially those that involve individual savings accounts.

The trend towards defined contribution schemes and individual accounts raises the issue of the risks of adverse selection—as workers are required to take responsibility for investment decisions that will affect their retirement income outcomes, what duty of care does government have to ensure and/or assist workers to make wise investment choices. Adverse selection is a significant risk that will need to be mitigated through education and community awareness activities.

Public Funding/Administration to Private Funding/Administration

Funding and administration has traditionally been in the public domain but new models are emerging where both administration and funding is entirely within the private sector (e.g., Latin American countries such as Chile). There will also be hybrid models (e.g., Sweden). The challenge for these hybrid mod-

els will be how to co-ordinate and collaborate across the organizations involved in a multi-pillar system so that retirement pension information is delivered in a citizen-centered manner—i.e., how to provide a single view on the likely pension outcome at any given time across the different pillars and the organizations that are managing them. We expect to see significant increases in hybrid models as the next phase of pension reform with the inevitable increases in complexity of IT support required. New tools will be required to support better forecasting for members so they can see their collection of pensions, public and private, and understand the implications on their long term income and the risks associated with it.

International Reciprocal Agreements

In response to high levels of immigration within most developed countries during the 20th century and increased labor mobility across international borders, especially within the European Union, many countries have enacted bilateral agreements to offset the negative effects on pension entitlement and contributions for people who have lived and work in more than one country. The general principle of reciprocal agreements is that years worked and/or lived in one country counts towards eligibility for a retirement pension in the other country and vice versa. These are known as totalization agreements and most major countries now have implemented them. Currently, much of the processing associated with totalization is undertaken manually. As the current workforce ages, and the next generation comes into retirement, it will coincide with the increase in cross-border working that was supported with the growth of air transport in the 1950s to 1970s. We expect to see a large growth in totalization calculations and increasing complexity of cross border eligibility and entitlement calculations. New collaboration networks will form to process payments and manage data between governments.

3.4.4 Industry Example

Sweden: A Case Study of Reform

Sweden reformed the public pension system in 2001 by switching from a publicly financed defined benefit insurance scheme to a defined contribution scheme while retaining the universality and safety net principles through a mix of public/private financing. Faced by largely the same demographic challenges as other OECD countries, leading to rising expenditure on pensions as a proportion of GNP, Sweden began considering reform of the public pension system in 1992.

A radical reform approach of the pillar one scheme was considered necessary as the existing system was considered unsustainable in light of the aging population, falling fertility rates and lower economic growth. Sweden replaced the

pay-as-you-go defined benefit system with a pay-as-you-go notional defined contribution (NDC) system and an advance funded second pillar with privately managed individual accounts, supplemented with a guarantee at age 65 for persons with low lifetime earnings.

Sweden has moved from a traditional income related defined-benefit system (pillar one), complemented by a flat rate system (pillar zero), to two types of defined-contribution systems (pillars one and two). In the new system, 14% of contributions (2.5% of earnings) go into individual financial accounts (fully funded), while the remaining 86 % (16% of earning) is paid into the new pay-as-you-go system. The capital that accrues through the contribution is recorded as a notional asset. Funds collected are still used to pay current pensioners.

There is no formal retirement age in the new system. Pension credits will always be earned and added to the notional (as well as financial) accounts if the individual has pensionable income, regardless of his or her age and of whether the individual has begun to draw a pension.

Pensions from the pay-as-you-go system are calculated at the time of retirement by dividing the notional-account balance by an annuity divisor. The annuity divisor reflects the person's life expectancy at retirement. As average life expectancy increases the same notional capital will produce a lower yearly pension for a person at retirement if the conversion to an annuity (pension) is made at the same age.

The new individual system is called the premium-pension system. Members select the funds in which their premium-pension moneys will be invested. There are over 500 approved funds and an individual may choose a maximum of 5 different funds. A new agency, the Premium Pension Authority (PPM), an autonomous government agency, manages the transfer of funds to the funds managers on behalf of individuals.

The survivors and disability schemes that were a part of the old pension scheme have been diverted to separate systems and are fully funded by the state from taxation revenue.

A universal basic state funded pension (pillar zero, the safety net) has been preserved. Pillars 3, 4 and 5 are present in the Swedish system and complement the reformed state pension system.

3.5 Child Welfare

At the most basic level, child welfare organizations work to improve the well being of children and families. But there is little that is basic about child welfare. This is in large part because no other human services program area is faced with the fundamental dichotomy that confronts child welfare organizations:

they must not only meet the needs of abused and neglected children, they must also meet the needs, desires and rights of the parents who may be responsible for that abuse and neglect.

3.5.1 Introduction to Child Welfare

Child welfare systems and organizations worldwide serve some of the most vulnerable and troubled families in crisis—children who have been abused and neglected, children who have special medical or mental health needs, or in some cases, children who are delinquent. The mechanisms for legal intervention in cases of child abuse and neglect, and the public child welfare organization mandated to carry out the intervention can be found at various levels of government. For example:

- State (Australia, United States);
- Provincial (Canada);
- Prefecture and municipality (Japan);
- County (some states like California, Georgia); or
- Local Authorities (UK).

Federal or central government involvement is typically funding-related and/or regulatory and rarely in the provision of service.

Typically, child welfare almost always refers to the following three programs:

- Child Protective Services;
- Foster Care; and
- Adoption.

Child welfare organizations worldwide may fund, provide, and/or administer a variety of programs and services including:

- Child Poverty;
- Substance Abuse;
- Day Care;
- Child Care Subsidy;
- Child Care Resource and Referral;
- Adoption across Borders;
- Teen Pregnancy;
- Family Preservation;
- Parenting Skills Training;
- Juvenile Justice; and
- Child Support.

This section will focus on the three core programs of child welfare—child protection, foster care and adoption—as well as the business processes that are traditionally associated with these programs. The section will also highlight many of the issues and trends that are not only driving change in child welfare organizations today, but are expected to force systemic change in the future.

Child Protection

A child or family typically comes into contact with the Child Protective System when an incident of abuse or neglect is reported. By definition, child abuse and neglect involve the maltreatment of a child physically, emotionally, or sexually, by a parent or guardian. In instances in which a child is in jeopardy or harmed by someone other than a parent or guardian, it is usually the responsibility of law enforcement officers to respond. This does not mean, however, that law enforcement officers will not become involved in a child abuse incident. In fact, cooperation between child protective workers and law enforcement is becoming more and more frequent. But historically, responding to child protection incidents has been the purview of social services organizations. A "typical" child protective case will proceed through the following stages:

Reporting—A mandated professional or lay citizen calls a child abuse "hotline" or call center to report a suspected case of child abuse or neglect.

Intake—The intake worker collects specific information from the caller that will be used to help determine whether or not the child is at risk.

Prior History Check—The intake worker queries the agency database to determine whether the child or alleged perpetrator has a prior history of abuse or neglect.

Screening—The intake worker uses the newly collected data and historical data to judge whether or not the child is at risk.

Screened in—If the worker determines that the child is at risk, a child protective caseworker, and depending on organizational policy and the severity of the incident, a law enforcement officer, is sent to the child's home. In most cases, this must happen within a matter of hours.

Screened out—If the intake worker determines that the child is not at risk, the reported incident does not meet the legislative threshold for child protection, or the caller does not provide adequate information for the worker to make a judgment, the case is closed or referred to a more appropriate organization.

Preventive Track—In some localities, child protection organizations have added an alternative to screening a case in or out. A prevention track is available for those incidents that, for whatever reason, do not meet the standard for abuse or neglect, but which do require some response from the child welfare organ-

ization. An example might be an incident where the child is not at risk for serious harm, but the parents can benefit from nutritional assistance for the children and subsidized day care services.

Investigation—During the investigation process the investigator must make a judgment regarding the degree of risk present in the home, whether or not the child must be removed from the home, whether or not law enforcement must be called (if they haven't been already), and what types of services are needed by the child and family.

During the investigation, the investigator will collect information that will ultimately lead to an "indication" or substantiation of the allegations, or an "unfounding" of the allegations. A series of reports, at intervals usually prescribed by law (30 days, 60 days and 90 days for example), are filed throughout the course of the investigation.

Determination—The investigator, in conjunction with a supervisor and sometimes a group of peers, makes a final determination of whether the allegations are true or false at the end of the investigation process. If the allegations are substantiated, any number of treatments or penalties can occur.

In less extreme cases, the child will probably remain in the home and the perpetrator may receive a variety of social services to help overcome the factors that may have contributed to the abuse. These services may include parent training, benefits such as nutritional services, or job training. In particularly serious cases, the abused child and siblings may be removed from the home and placed in foster care. The perpetrator may be arrested and, eventually, placed in prison.

Foster Care

The foster care system was created as a temporary placement for children who, for a variety of reasons, could no longer stay in their own homes. A foster home may be an individual home where an adult or couple (sometimes a relative of the child) agrees to care for that child. The foster parent receives a payment from the government (subsidy) to cover the cost of caring for the child. In some countries, there are also foster group homes that are operated by non-profit organizations and staffed by professionals for children who need closer attention due to behavior problems. Today, the most common reason for a foster care placement is abuse or neglect, but children are also removed from the custody of their parents (voluntarily or by court order) because the parent is unable to properly care for the child.

The goal of most foster care programs is to move children into a permanent home, either back with their own parents, a relative, or as a last resort an adop-

tive home, within a specified period. The reality is, however, that tens of thousands of children sit in foster care for many years before moving to a permanent home. Some stay in foster care until their 18th birthdays when, in most instances, they are moved to independent living situations.

Many of the children in foster care today have "special needs." They may be physically, mentally or emotionally disabled; or they may have special health needs. Some of these children were born with their disability, while others became disabled as a result of their parents' abuse, neglect, and/or drug use. Enhanced subsidies are often provided for the care of children with special needs. If a child is unable to be returned to their biological parents or legal guardian, they are "freed for adoption" and the search for a permanent adoptive home begins.

Adoption

When most people think of adoption, they think of a childless couple going to an orphanage and picking out an infant to bring home and raise as their own. The reality is, however, that orphanages no longer exist in many countries.

Children who are in the foster care system, and who cannot be returned to their biological parents, are eventually "freed for adoption" once parental rights have been terminated. While most jurisdictions are trying to speed up the process of terminating parental rights so that children will not have to spend many years in the foster care system, often moving frequently from one foster home to another, the termination of parental rights can take years.

The process of matching suitable parents to children usually involves investigations to confirm the prospective adoptive parents' suitability. Once a suitable match is made, the legal proceedings for the adoption begin.

Children who have special needs are typically eligible for the same (or similar) type of subsidy that is available through the foster care system. The intent of these subsidies is to offset the cost of addressing the child's special needs.

Children deemed "hard to place" because they are part of a sibling group that is to be placed together, or because of their age or length of time in foster care, are also often eligible for subsidy payments.

While this might sound relatively simple and straightforward, the reality is that the process for adoption is time-consuming, complex, and frustrating for both the child and the adoptive parents.

Other Related Child Welfare Programs

While child protection, adoption and foster care are almost universally a part of any child welfare organization, there are a number of other programs that

are often, but not always, found in child welfare organizations. These include programs such as: teenage pregnancy prevention, juvenile justice, day care, and child support enforcement. Some of these programs, such as day care and child support enforcement, will be discussed elsewhere in this book, while others are beyond the scope of this document. For the remainder of this section, we will focus on the dynamics of the three core child welfare programs.

3.5.2 Current Industry Dynamics

Across the world, child welfare systems are at various stages of development with very different philosophies. City-based child welfare systems have business processes, data needs, and case management requirements that can differ significantly from systems which are operated at the state or provincial level of government. Similarly, systems that include, or rely on, law enforcement to respond to suspected incidents of abuse have requirements that are different from systems which rely on social workers to respond to child protective incidents. However, there is some commonality among systems that allows us to define the current industry dynamics.

Adapting to Legislative Change

An aging workforce is leaving many child welfare organizations either understaffed or staffed with workers who are inexperienced and poorly trained. At the same time, the volume of legislation is continuing to increase and organizations are struggling to adapt quickly and effectively. As a result, the complexity of programs has reached an all-time high and workers are struggling to keep pace. Child welfare organizations often do not have the tools necessary to easily train large numbers of new workers, or to make regulatory mandates and policy requirements readily accessible to staff.

Doing More with Less

The financing of programs is reaching the limit of affordability in many countries, causing politicians to attempt to reduce overall expenditures. Programs are being asked to do more with less or at the very least, to continue doing the same with less. Organizations are looking to technology to help them conduct business more effectively and efficiently. This is one of the reasons we are seeing an increased use of risk assessment tools to help workers identify the children and families most in need of intervention. Up until now, these tools have been actuarial paper-based tools. But in recent years, child welfare organizations have started to look at more sophisticated risk assessment tools that can help their workers make better decisions.

Siloed Legacy Systems

Organizations are dependent on old and struggling legacy systems with which to support the delivery of their services. For a system that serves children and families who typically receive benefits and services from more than one department or organization, the inability to easily share information across programs, organizations and geographies is a serious limitation and cost burden. Compounding this issue is the trend toward the devolution of service provision from government to non-profit and community-based organizations. Existing legacy systems are not easily extended to include these programs, which have therefore been implemented with little technological support.

3.5.3 Future Industry Dynamics

We expect the following dynamics to become the major discussion points:

Integrated Case Management

The continued reliance of child welfare organizations on other government and non-government organizations will require new, inclusive case management systems. The ability to share client information among business partners, while ensuring the privacy and security of that information, is already an issue for child welfare organizations. It will become even more critical in the next few years. We expect to see integrated case management systems implemented to provide that integration.

Outcome-Based Performance

There is an ever-increasing focus on program results and outcomes. In the past, programs were typically only asked to report descriptive statistics: how many clients were served; how many beds were filled; how much was spent per client. With increasing frequency, they are being asked to demonstrate that programs and services are achieving the intended outcome. To do this, they need data and easy access to data. They require the flexibility to utilize their data to answer complex social policy questions that may not have been evident a year ago. They need access to their data to help them make informed decisions about children and families.

Adoption across Borders

Adoption across geographic borders (state, provincial, international) and the need to manage these cases is not a new issue. What is a new issue is the growing need to manage adoption cases across borders. Government organizations are looking for more effective ways to manage case data and track case progress

as children and their prospective adoptive parents move through the adoption process. This is not just an issue of information sharing, it is an issue of ensuring that waiting children are placed in good homes as efficiently and effectively as possible so that they do not wait an inordinate amount of time while necessary paper work and approvals are bogged down in an overloaded system.

A Holistic Approach to Services

Child welfare organizations realized years ago that the most effective treatment for abusive parents is an holistic approach. If a parent is abusing a child, but also struggling with unemployment, drug or alcohol abuse, social isolation, or mental health issues, the abusive behavior cannot be successfully addressed without also addressing these other problems. Child welfare organizations are increasing implementation linkages between child welfare and other social assistance programs.

Remote Working

Child welfare workers frequently do their jobs in the field. Child protective investigators are in the child's home interviewing family members. Prevention workers are often on-site working directly with the parent. Foster care and adoption workers need to conduct home studies and pay regular visits to the child. It is critically important that these workers have access to the case information they need to do their jobs. And when they need to update case files, they should only have to handle the information once. They do not want to collect it in the field, and then have to manually enter the information into the system when they return to the office. Child welfare organizations will be looking to hand held devices, wireless laptops, and tablet PCs with integrated applications and access to data to help workers do their jobs more effectively and efficiently.

International and On-Line Pedophilia

As globalization has occurred and the use of the internet has become more pervasive, addressing the problem of pedophilia has become more complicated. For example, child welfare organizations now have to address on-line pedophilia. Unfortunately, the content creators could be anywhere in the world, while the viewers may be in the organization's jurisdiction. To address this, organizations are developing international cooperation networks and agreements to track, monitor, and prosecute perpetrators.

Another example involves the adoption process. Organizations are looking to the Internet as a potential solution to facilitate adoption. Prospective parents

can now go online to search for children waiting to be adopted. They can read descriptions of the children, see pictures, and share e-mails. The problem is that this system is potentially open to pedophiles. While child welfare organizations are well aware of this and have put safeguards in place to help protect children, this will be a growing and continuing concern as technology continues to play a more prominent role in the adoption process.

Similarly pedophiles are more frequently crossing international borders. This has made it more difficult for local authorities to track and arrest a perpetrator, particularly if the countries being traveled to have weak laws against pedophilia. As governments fight back, by passing legislation that allows them to make arrests for acts committed in other jurisdictions, they will be looking to technology to help them manage these complicated cases.

3.5.4 Industry Examples

US: Louisiana SACWIS (Statewide Automated Child Welfare Information Service)

The Louisiana Department of Social Services Office of Community Service (OCS) needed a comprehensive case management and eligibility system that provided web access for clients, staff, providers and other business partners. The system (named ACESS) provides automation for support of the primary business functions for child welfare program areas and many of the administrative functions necessary to support staff and administer programs.

Canada: Alberta Children's Services

In 2002, the Government of Alberta, Canada approved a corporate Information and Communication Technology Strategy, GAEA (Government of Alberta Enterprise Architecture), which would help bring down departmental silos and increase interdepartmental cooperation. In response, Alberta Children's Services (ACS), the provincial government child welfare organization, identified the need to develop a business architecture that would help answer some key questions and provide support for ACS' compliance with the broader mandates of the GAEA. Among the issues that ACS wanted to investigate were:

- What business processes should be common;
- What applications can and should be shared;
- What data should be shared;
- What is an effective way to share it;
- What infrastructure is required;

- What infrastructure can and should be shared; and
- What overall security and privacy measures are needed to mitigate risks?

As a result of the investigation Alberta Children's Services:

- Identified business functions that were key to their organizational mission;
- Specified where they could eliminate duplications and optimize processes across silos;
- Identified ways in which ACS could adapt more quickly to rapidly changing political environments;
- Increase transparency around costs; and
- Supported informed decision-making regarding strategic alternatives.

3.6 Workers' Compensation & Disability

The Workers' Compensation and Disability subsegment addresses social organizations that protect against the risk of injury at work and the resulting interventions when such an injury occurs.

3.6.1 Introduction to Workers' Compensation & Disability

Rising long term disability costs, increasing expenditures for an aging workforce, and increasing health care costs have put pressure on workers' compensation organizations to identify sustainable solutions to address these growing challenges. Beyond the pressures that these issues have put on organizations, they have placed the improvement of program administration at the forefront of much public policy discussion.

The problems are complex. On the one hand, workers are concerned with receiving fair, adequate, and timely benefits for financial and physical suffering, while employers are concerned with equitable assessment rates and controlling costs in order to remain competitive. In this section we deal with the historical context behind the establishment of one of the oldest social institutions in existence since the industrial revolution, and a discussion of the significant challenges that face workers' compensation organizations today.

Historical Context

Compensation for workplace injury and disease is considered a public matter in most jurisdictions worldwide. In North America, a "historic compromise" was reached between employers and labor in the early 1900s, whereby workers gave up the right to litigate against employers in return for employers fund-

ing a workers' compensation accident fund to provide financial and medical benefits to workers injured or incapacitated during the course of employment.

In Europe, a similar compromise was made in 1883 when Chancellor Otto Von Bismarck introduced a plan where certain employees who became sick or could not work received medical care and cash benefits from a fund into which both employers and employees paid. This was the first modern example of state protection against economic hardship due to workplace causes.

Today, workers' compensation organizations are responsible for providing medical services, vocational rehabilitation, and financial compensation to workers and their survivors and dependents for work related injuries and illness.

Organizations may be aligned on industrial lines (such as an organization for coal miners or firemen), on geographic lines (such as a state or province, which may then asses risk by industry) or by a combination of the two.

Some countries that operate closer to the Beveridge model do not provide employer-based compensation funds, but deal with disability benefits as a form of social assistance. These funds rarely differentiate between workplace injuries and other forms of non-work related injury or disability. In these cases, countries usually operate a supplementary employer-based private sector model to provide enhanced injury disability benefits over those available through social assistance programs.

In the remainder of this section, these social assistance-based disability programs are explored at a high level only and the majority is focused on employer based injury programs.

Compensation Today

The names of these compensation programs that provide benefit payments vary globally, from Workplace Accident to State Compensation Funds to Workers' Compensation Boards. In this document, we will use the term Workers' Compensation programs. These programs are designed to provide some or all of the following:

- Benefits and claims administration;
- Disability awards;
- Vocational rehabilitation;
- Contribution and determination of premium rates;
- Accident and disease prevention; and
- Disability Compensation for Veterans.

Each of these areas is described below:

Benefits and Claims Administration

Workers with compensable injuries or illnesses are usually entitled to medical aid, wage loss benefits, survivor and rehabilitation benefits. Wage loss benefits are usually associated with the workers' level of earnings at the time of the injury.

The range of benefit entitlements is wide, and in most jurisdictions would include: costs of physician and hospital services, medications, diagnostic requirements, transportation, clothing and equipment. Certain jurisdictions allow the worker free choice of the attending physician, while other jurisdictions require the appointment of an employer physician.

An individual may receive social assistance benefits on an interim basis while waiting for their workers' compensation benefits to begin.

Disability Awards

In most jurisdictions, a separate disability awards function is responsible for adjudicating permanent disability and fatal claims. If a worker is permanently impaired after temporary benefit payments have terminated, the worker is often entitled to a pension award for permanent disability.

There is often an overlap between long term disability awards by workers' compensation organizations and national disability pensions. To illustrate this we can look at the United States programs. There are similar overlaps in many social systems.

In the United States, Social Security disability benefits and workers' compensation are the two largest disability benefit programs. While the two programs seem to be similar and in many ways duplicative, they are actually quite different. Workers are eligible for workers' compensation benefits from their first day of employment while Social Security disability benefits are paid only to workers who have a substantial work history. Workers' compensation provides benefits for both short-term and long-term disabilities and for partial as well as total disabilities and only cover disabilities arising out of and in the course of employment. In contrast, Social Security disability benefits are paid only to workers who have long-term impairments that are expected to last a year or more or result in death, and that preclude any gainful work, regardless of whether the disability arose on or off the job. The impairment has to be of such severity that the worker is not only unable to do his or her previous work but is also unable to do any other type of substantial gainful work. Social Security disability benefits begin after a 5-month waiting period.

Vocational Rehabilitation

The objective of a referral to vocational rehabilitation services is to return the injured worker to their pre-injury employment or to an occupation with earnings capacity comparable to the pre-injury employment. Vocational rehabilitation services provide physical therapy assistance for workers to recover from injury or disease and any counseling needed to help the worker maintain a positive attitude and to maximize social and economic capacity.

Contribution and Determination of Premium Rates

In many jurisdictions, employers are the sole source of premium income for funding workers' compensation claims and administrative costs. Employers pay a premium based on an annual assessment of their industry's risk class, adjusted by the employer's individual claims experience. Another source of funding for workers' compensation organizations would be investment income.

Workers' compensation organizations establish premium assessment rates with the goal of covering liabilities for future claims costs. An unfunded liability exists when incurred claims costs exceed premium income and investment income.

Many workers' compensation programs operate under the social insurance model. Contributions are made by the employer to an organization responsible for payments in the event of an accident. This is the role of organizations such as Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (INAIL) in Italy, the Workers' Compensation boards in the United States, and the labor accident organizations in Germany. In these cases, when a worker makes a claim for a work-related injury or illness, the claim is made through the social security system.

Accident and Disease Prevention

In some jurisdictions, Workers' Compensation organizations also administer occupational safety and health programs. This program of standards would be enforced in the jurisdiction, and would include the issuance of compliance letters and penalties. The organization would advise legislators where new legislation is required to enforce a safety principle.

Workers' Compensation prevention programs may also include delivering education programs for worker and employer safety, making available best practice publications, and granting prizes and awards for achieving workplace safety targets.

Accident and disease prevention inspection, certification and education services may also be undertaken by other government bodies separate from the workers' compensation organization.

Disability Compensation for Veterans

Military veterans with a service-related disability may qualify for disability benefits. These benefits are paid to veterans who have injuries or diseases that happened while on active duty, or were made worse by active military service. Eligibility is typically dependent on the individual having a service-related disability and being discharged under other than dishonorable conditions. The amount of the benefit is dependent on factors like the severity of the disability and the proportion of disability attributable to military service, and whether the veteran has a spouse, children or other dependents. It may even include whether the spouse is seriously disabled.

3.6.2 Current Industry Dynamics

The current dynamics of the workers' compensation industry are focused primarily in the following areas:

Adapting to New Working Patterns

Many workers' compensation systems were designed and first implemented in the early 1900s when, among other things, there was an expectation of a job for life—often with the same employer—the husband of the family was the primary wage earner, there was a standard work day and work week, and there was an extended family support system to care for someone who was unable to work. Those patterns have, of course, changed. There has been a shift from a manual labor to a knowledge worker workplace, an aging workforce more susceptible to injury and disease, advances in medicine and technology that allow for detecting new diseases and injuries, and increasingly expensive medical drugs and treatments.

Need to Differentiate the Claims Process

Currently, most workers' compensation organizations apply the same administrative process to all time loss claims. This means that relatively simple and inexpensive claims are handled in the same way as complex and expensive claims. Workers' compensation organizations are looking for ways to triage claims so that potentially resource intensive claims are identified more quickly so that costs can be mitigated and claimants can receive needed medical treatments sooner.

Need for Process Automation

In many organizations there is often a lack of process automation of routine claims, and sophisticated tools for case management and decision support. There is often significant data handling, manual manipulation and re-entry across several systems. Many workers' compensation organizations have old, siloed legacy systems that do not support the functional needs of the business today and are inflexible to change. Where organizations have updated their systems, they have often designed them to process transactions within silos which inhibit efficiency and citizen-centered service.

These issues are well understood by many organizations and plans to enhance or replace legacy systems are underway in many places.

More Effective Return-to-Work Programs

Many experts believe that much of the current effort expended to return injured workers to the same job or modified work on a timely and durable basis have been ineffective. The variables for predicting when early medical intervention is effective and ineffective have been largely anecdotal, without regard to controlling certain variables like age, type of injury, health at the time of injury and so forth. While the problem has been recognized for some time, consensus for effective interventions is still in development.

Claims Benefits Abuse

Claims leakage is the avoidable expenditures related to the claims settlement process which include inefficient processing, improper payment, compliance fines, and poor decision making. In jurisdictions where employers have weak workplace health and safety policies and practices, combined with workers' compensation systems that allow for claims leakage to occur, the probability of fraudulent or exaggerated claims is increased. Many workers' compensation organizations have implemented tools to help guide and support their staff and facilitate significant counter-fraud and abuse activities.

Adjudicator Error and Inconsistency in Decisions for Disability Impairment Ratings

The processes for claims adjudication do not always result in the same level of compensation benefits for similar injuries and impairments. Some workers are under-compensated while others are overcompensated. The process often lacks objectivity and consistency. Many organizations have and continue to build knowledge-based systems to support staff in making accurate and consistent decisions.

3.6.3 Future Industry Dynamics

We expect the following dynamics to become the major discussion points over the next five years:

Holistic Approach to Workers' Compensation

Workers' compensation and disability is a multifaceted issue that for any one individual may include serious physical and mental disabilities, accident prevention, and other family members. In order to effectively address the multiple needs of workers who are injured on the job, workers' compensation programs will need to do a better job of addressing and managing all of the individual's needs. We believe that taking a holistic approach to workers' compensation and disability management that includes a coordinated view of the person across multiple government and non-government organizations will become the norm rather than the exception.

Focusing on Safety and Prevention

We expect there will be a greater focus on safety and the prevention of accidents, rather than penalties and compensation after the fact. There will be more defined links between injury prevention and claims management. The most effective way to minimize claims costs is to prevent its occurrence. This can be achieved by working backwards in the supply chain and to look at why disability claims are made. In addition to workplace health and safety emphasis, there will be a new focus on matching workers to the right jobs to prevent injury and pre-employment evaluations and base lining of worker physical condition.

Early Identification of the High-cost Claims

There is a need for better tools to identify high cost disability claims as early in the process as possible. Long-term disability claims represent a small percentage of total claims volume but a disproportionately high percentage of total claims costs. The earlier in the claims adjudication process a wage loss claim can be identified as a long term disability claim, the quicker resources can be applied to mitigate this cost. This includes a better understanding of when early medical intervention works and when it does not, so that the right resources can be applied at the right time to affect the right outcomes.

Re-Balancing the Administrative Burden

Employer self serve is emerging as an additional means to contain costs. The employer may determine routine, low risk, simple claims for their employees and, in return can receive premium reduction incentives.

3.6.4 Industry Example

Canada: Workers' Compensation Board of British Columbia

The Workers' Compensation Board of British Columbia (WCB) is an example of an agency that has taken a comprehensive range of initiatives to improve administrative effectiveness, stakeholder service, claims management and sustainability.

WCB has implemented a service delivery model that permits one point of contact for stakeholders of workers' compensation business: assessments, prevention, compensation, rehabilitation and labor and industry services. In most WCB organizations, these typically are separate departments requiring that stakeholders determine for themselves who to contact and how to coordinate the myriad services offered.

Currently, large employers who have demonstrated best practice health and safety processes are provided with a dedicated account manager for claims management. In British Columbia, for certain large employers, simple, low-risk claims are adjudicated by the employer in return for lower premium rates.

The WCB is developing specialized services tailored for large and small employers in different industries. In particular, the WCB has recognized that small employers who have infrequent contact with the WCB need a more customer-friendly, accessible channel to report payroll and claims. As well, the WCB is about to embark on a significant project to improve the comprehensive range of claims management processes from incident reporting through case management, return-to-work, analytical decision support tools, reporting and benefit payment.

3.7 Child Support Enforcement

On one level, Child Support Enforcement (CSE) programs are based on the premise that children need to have both parents involved in their lives. But at a more practical level, they are also intended to help reduce welfare costs. Government child support enforcement programs want to send the message, in the strongest possible way, that parents cannot walk away from their children because, when they do, the child and custodial parent frequently end up seeking income support benefits. To accomplish this work, organizations establish paternity, locate non-custodial parents, and establish or enforce support orders. This section examines the various issues and challenges surrounding this work.

3.7.1 Introduction to Child Support Enforcement

The objective of child support enforcement programs is to ensure that children are financially supported by both parents, custodial or non-custodial. Child support enforcement is a complex area as it affects many facets of society including:

- All parties involved in the life of the child;
- Employers of any adult party involved;
- The legal system where child support payments are made and then monitored;
- The social assistance system where, typically, one of the parents may be making claims for assistance as a result of separation or divorce; and
- In an enforcement role, the police, social workers and many other agencies.

Typically, child support enforcement deals with the following business functions:

- Establishing paternity;
- Establishing legal orders obligating parents to pay child support, including health insurance coverage for their children;
- Receiving and disbursing child support payments;
- Taking any administrative and legal actions necessary to enforce support orders when parents fail or are slow to pay;
- Finding parents who are not paying support, and locating their income and assets when necessary to establish or enforce child support orders;
- Coordinating centralized collections functions, including the receipt and disbursement of child support payments and tax refund intercept;
- Providing periodic reports to the central government and other regulatory bodies; and
- Administering the contracts for all parties involved in the case.

Child support systems have two fundamental constructs:

1. Ensuring that the rights of children are looked after and that, when custody is set, payments from the estranged parent are made to ensure that the child is maintained. This is the legal orientation of child support enforcement systems.
2. Ensuring that the custodial parent does not become dependent on social assistance due to his or her inability to work while raising the child. The goal here is to ensure that custodial parents do not support themselves by child maintenance payments. This is the social assistance orientation of child support enforcement systems.

Few governments would admit to the second point as being their primary focus, but it must be noted that in many cases the majority of child support cases are dependent in one way or another on social assistance support. The introduction of child support enforcement systems has led to a reduction in the misuse of social assistance and child support payments.

This section will examine the complexities of child support enforcement programs. CSE programs need to interface with many different organizations and they need to take account of local structural implementation requirements. As a result, these programs have some of the most complex business processes compared to other social service and social security programs.

Payment Calculations

While there are many commonalities in the business processes associated with child support enforcement, there is great disparity in the way that maintenance payments are calculated and administered. Some organizations use percentages of income that vary according to circumstances and income level, others use fixed rates, while some use a combination of both. Some organizations make deductible allowances, other do not. The following give some examples:

- Wisconsin allows the applicable percentage of income in a child support case to be expressed in a variety of ways. A court may express a child support payment amount as a fixed sum (for example, $950 per month), or as a percentage of income (17, 25, 29, 31, 34% of gross income depending on the number of children), or both (17% of income, but not less than $950 per month). If an order is expressed as a percentage, the monthly gross income of the payer is taken into account with no deduction for living expenses;
- In Australia, child support payments represent 18, 27, 32, 34, 36% of gross income depending on the number of children, after the non-resident parent's basic living costs have been deducted;
- In New Zealand, child support payment rates are 18, 24, 27, 30% of gross income after allowing for living costs depending on the number of children;
- In Europe, the rates vary widely, but the Netherlands, for example, uses a complex formula rather than a rate table, while Austria bases liability on a simple percentage of gross income for each child (16, 18, 20, 22%). Unlike the examples above, payments increase as the child gets older; and
- Until recently the United Kingdom used a complex formula, like the Netherlands, but recently transitioned to a rate table (15, 20, 25%).

Enforcement Methods

The following are some of the methods commonly used to enforce child support payments. These methods are by no means universal, but describe the complexity of interagency communications required in a child support enforcement system:

- Payroll deduction from employer;
- Passport denial;
- Liens and seizures;
- License suspension; and
- Lump-sum pension or tax return intercepts.

3.7.2 Current Industry Dynamics

The current dynamics of the child support subsegment primarily focus on the following items:

Adapting New Legislative Regimes for Payment Calculation

When rates and payment calculations change, a number of challenges are created for child support organizations. First and foremost, the new information needs to be made available to staff and clients. Second, new payment amounts need to be calculated for thousands of clients. But the most complicated challenge occurs when payments need to be corrected retrospectively. If payments using an old formula have been made, it is necessary to calculate the amount that should have been paid previously, and increase or decrease future payments accordingly. This is no simple task when dealing with thousands of payments over many months. Technology can help with these challenges, but the computer systems being used by many child support organizations are not up to the challenge.

Rebuilding Computer Systems Introduced in the 1990s to Reflect Current Needs

Government organizations need to respond to e-government mandates, legislative change, and client expectation. This means offering case information online, self-service options when appropriate, and customer service similar to the service provided by the private sector. It also means meeting privacy and security demands that were not required when existing IT systems were built decades ago.

Managing Increasing Caseloads Without Increasing Costs

As is true of many other areas of social services and social security, child support organizations are being asked to improve services, provide outcome measures, introduce new enforcement methods, and work with third-party providers and vendors more effectively. And they are being asked to do this in the face of decreased funding, a less experienced workforce, and increasing caseloads. Organizations need to find ways to do things more efficiently.

3.7.3 Future Industry Dynamics

We expect the following dynamics to become the major discussion points:

New Case Management Concepts to Better Integrate the Parties Involved in a Case

Are family members involved with more than one program or organization? Does the child support organization need to access the tax records of a non-custodial parent in order to determine his or her income? Do they need access to the department of labor to determine employment status? Child support enforcement is becoming a multi-organization issue. There are a variety of reasons why a child support organization might need to share data with other government and non-government entities. Child support organizations will be looking for case management systems that will allow them to view families holistically and share information with partner organizations on behalf of their clients.

Internationalization of Child Support Enforcement

In many countries child support systems are increasingly moving towards use of electronic means for transfer of funds and case data information. Employers are beginning to send collections to government CSE organizations electronically. CSE organizations, in turn, are beginning to send collections received directly into custodial parents' bank accounts. However, international payment solutions continue to be carried out by using domestic denomination checks sent by surface mail. A variety of international banking procedures in use or under development should allow for development of funds transfer and currency conversion solutions to move child support systems towards end-to-end electronic payment solutions domestically and within the growing international child support community.

Improving customer service to the parties involved in a case

Child support organizations need to interact with custodial parents, non-custodial parents, employers, government organizations, courts/judicial councils, and non-government organizations. Each of these parties need access to information and need to provide information. In a sense, they are all customers of the child support organization.

Enable Data-Driven Decision Making and Performance

Government organizations have lots of data. Unfortunately, that data is not always available to the people who need it to help make decisions. Client-facing caseworkers need information to help make decisions about clients. Administrators need information to help make informed policy decisions as well as decisions about funding, continuing programs, staff assignments, and the efficacy of third-party vendors. Older IT systems and databases cannot meet these demands and will need to be improved.

3.7.4 Industry Examples

United States: Wisconsin Child Support Program

The Wisconsin child support program is a state-administered, county-operated program. The Bureau of Child Support is the state agency responsible for the overall administration of the program. At the local level, 71 county and 2 tribal (Native American) child support organizations operate the program in accordance with the provisions of a state and county contract, state and federal laws, and administrative rules and regulations governing child support enforcement. The state and county agreement for the delivery of child support services is renegotiated and renewed annually.

Each designated local child support agency provides most of the child support program's core services, including working directly with families to provide the assistance necessary to establish paternity and obtain and enforce child support. To ensure efficient and effective operations, county child support organizations frequently enter into cooperative agreements with other local officials and agencies for the provision of specific services necessary to carry out the program. For example, many county organizations contract with their county sheriff to provide for service of process.

United States: New York State Child Support Enforcement

The New York State Office of Temporary and Disability Assistance (OTDA) is the government agency in New York State charged with promoting greater self-sufficiency of the state's residents through the efficient delivery of temporary and transitional assistance, disability assistance, and the collection of child support payments. Until recently, the only way that parents could get information about their child support account was by telephone. OTDA implemented a dedicated website that:

- Allows parents to access information concerning amounts owed, previous payments and disbursements;
- Allows parents to be able to submit updated information about themselves and their children;
- Provides access to general information about child support; and
- Eventually allow for on-line child support applications and payments.

3.8 Public Health

For the purposes of this section, the term "public health" will include the fields of Mental Health (MH), Mental Retardation and Developmental Disabilities (MRDD), and Drug and Alcohol Abuse (DAA) treatment and prevention. Depending on the state or country, services in each of these fields may be provided by one or more organizations.

3.8.1 Introduction to Public Health

In some countries, one government agency might oversee programs for mental health, mental retardation and drug and alcohol abuse. In others, MRDD and MH services may be offered by one agency while DAA programs are provided by a second agency. In still others, each of the three areas is overseen by an independent agency.

Regardless of the service delivery configuration, the mission for each of the areas is generally to improve the quality and efficiency of public and private services and supports for people with mental illnesses, mental retardation and developmental disabilities, or drug and alcohol abuse problems. The intent is to increase opportunities for these citizens so that they can lead lives of dignity and independence.

To the public, the distinction between mental health, mental retardation, and drug or alcohol abuse is often confusing. It is important, therefore, to understand how each is different from the other.

Mental Retardation and Developmental Disabilities[14]

The term "developmental disabilities" refers to a variety of conditions that become apparent during childhood and cause mental or physical limitation. These conditions include autism, cerebral palsy, epilepsy, mental retardation, and other neurological impairments.

People with developmental disabilities may not learn as quickly as others or express themselves clearly. Others may have limited ability to take care of their physical needs or limited mobility. Many have more than one disability.

Developmental disabilities have a variety of causes, which can occur before, during or after birth. Those occurring before birth include genetic problems, poor prenatal care or exposure of the fetus to toxic elements, such as drugs or alcohol. Occurrences during birth, such as a cutoff of oxygen to the baby, or accidents after birth, like car accidents causing traumatic brain injury, also can cause developmental disabilities.

It is difficult to define the limits of people with disabilities. While people who have developmental disabilities face a more challenging future than most, they still can enjoy a full and active life. What they need most is encouragement, understanding, and the willingness of others to help them maximize their opportunities for becoming part of their community.

Mental Retardation

People with mental retardation show delays in learning, a slower pace of learning, and difficulty in applying learning. Worldwide, there may be as many as 170 million people who have mental retardation—about 3% of the global population.[15]

Mental retardation can result from a variety of factors, among them premature birth, genetic abnormalities, malnutrition, exposure to toxic agents, and social deprivation.

Assistance for people with mental retardation usually includes diagnosis and help early in life, family counseling and training, education, job training, and housing services. Virtually all people with mental retardation can learn to take care of their basic needs and to live in the community.

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[14] Most of the information describing mental retardation and other developmental disabilities is drawn from the Web page of the New York State Office of Mental Retardation and Developmental Disabilities. National incidence statistics included in these sections were gathered from a variety of sources.

[15] Statement of David Satcher, M.D., Ph.D., Surgeon General, U.S. Public Health Service Department of Health and Human Services on the Special Hearing on Promoting Health for People with Mental Retardation before the U.S. Senate Committee on appropriations, March 5, 2001

Cerebral Palsy

Cerebral palsy is a group of conditions that result in limited or abnormal functioning in the parts of the brain that control movement. Cerebral palsy usually is caused by brain injury before or during birth. However, brain damage or injury at any time in life can have the same effect. Worldwide, more than 15 million people are reported to have cerebral palsy.[16]

Epilepsy

Epilepsy applies to numerous nervous system disorders that result in abnormal electrical discharges of brain cells. This produces seizures that may cause convulsive movements, or partial or total loss of consciousness. Only a small percentage of people with epilepsy also have mental retardation. Approximately 50 million people worldwide have epilepsy.[17]

Autism

Autism is an extensive developmental disorder that limits learning and slows intellectual development. People with autism have great difficulty relating and responding to persons, events or objects. According to the Centers for Disease Control and Prevention, autism occurs in about 1 in 500 people. And it may be as many as 1 in 166 births (30 million).[18]

Neurological Impairments

Neurological impairments are a group of disabilities, including disorders of the brain and central nervous system that considerably limit a person's development, understanding, memory, attention span, fine muscle control, use of language, or ability to adjust to new situations. Generally, these impairments begin during childhood or adolescence.

Mental Health

Despite being one of the most prevalent and debilitating illnesses worldwide, mental illness goes largely untreated and misunderstood. More than 450 million people worldwide suffer from some form of mental illness.[19] In addition,

[16] The Cerebral Palsy Association of Western Australia Ltd, http://www.cpawa.com.au/cerebral.htm, April, 2005.

[17] The International League Against Epilepsy, The International Bureau for Epilepsy, and The World Health Organization, The ILAE/IBE/WHO Global Campaign Against Epilepsy

[18] National Alliance for Autism Research, *http://www.naar.org/aboutaut/whatis_hist.htm*

[19] Harvard Medical International, 2005, *http://hmiworld.org/*

4 of the 10 leading causes of disability in other developed countries are mental disorders such as major depression, bipolar disorder, schizophrenia, and obsessive-compulsive disorder. Many people suffer from more than one mental disorder at a given time. The World Health Organization has estimated that the cost of mental illness in developed countries is three to four percent of the gross national product.[20]

Mental disorders may include:

- Depressive disorders;
- Suicidal tendencies;
- Schizophrenia;
- Anxiety disorder;
- Eating disorders; and
- Alzheimer's disease.

Drug and Alcohol Abuse

Organizations whose mission is to prevent and treat drug and alcohol abuse focus on the use and abuse of illicit drugs, alcohol and tobacco by both adults and children. Within this context, most organizations have the following types of goals:

- Establish and maintain an inclusive and collaborative strategic planning process to reduce the demand for illicit drugs, as well as underage use of alcohol and tobacco;
- Increase public awareness concerning alcohol, tobacco, and other drug abuse and awareness of prevention, intervention and treatment programs;
- Develop prevention and education programs that prevent alcohol, tobacco, and other drug abuse among all people and in particular its youth;
- Promote the development and implementation of prevention, intervention, and treatment programs and services based on documented needs, program effectiveness research and program outcome measures;
- Increase access and remove barriers to treatment for people in need of treatment;
- Build and maintain databases to track program effectiveness and cost-effectiveness; and
- Partner with other federal, regional, state, local, and community organizations to ensure the most effective use of prevention resources.

[20] World Health Organization, Investing in Mental Health, 2003

It should come as no surprise that people with mental illness, mental retardation and/or developmental disabilities sometimes abuse drugs and/or alcohol. In fact, drug and alcohol abuse among people with a mental illness is a significant problem that is drawing more and more attention.

It has been estimated that 50–75 percent of consumers in substance abuse treatment programs have co-occurring mental illness while 20–50 percent of those treated in mental health settings have co-occurring substance abuse.[21] Individuals with co-occurring disorders tend to be more symptomatic, to have multiple health and social problems, and to require more costly care. Many are in jails and prisons, where they may receive treatment that is inappropriate, if they receive any treatment at all. Others end up homeless.

3.8.2 Current Industry Dynamics

The current dynamics of the public health subsegment primarily focus on the following items:

CBOs and NGOs

Since the 1960s and 1970s, with the closure of large, government-operated institutions, there has been an ever-increasing reliance on community-based organizations and services provided by private, not-for-profit and other community-based groups. There is, however, almost no capacity for these organizations to share client information with each other, or with the government entities that fund and regulate them. Integrated case management is a vital need.

Building integrated case management systems will become a higher priority so cases can be managed across providers and more holistic care can be enabled. Doing this while maintaining citizens' expectations of privacy will be a challenge for many organizations, but one that a well-designed and implemented case management system can solve.

Rising Costs/Decreasing Funds

As is true with other program areas, public health organizations have experienced increased expectations at the same time that their budgets have been flat or decreasing. Unlike other program areas, there has also been an historical reluctance on the part of politicians to expend public resources on these programs. Perhaps more than any other social program area, public health programs have had to find ways to do more with less.

[21] Substance Abuse and Mental Health Services Administration (SAMHSA), Treatment Improvement Protocol, January, 2005.

Client Involvement

Consumers of services are taking an ever-increasing role in their own treatment. They want to be involved in decisions that concern them and, as a result, they want access to their information. Privacy and security of personal information has always been a significant issue in this field. It's now more important than ever.

3.8.3 Future Industry Dynamics

We expect the following dynamics to become the major discussion points over the next five years:

CBOs and NGOs

There will be a continued and increased reliance on community-based programs and services provided by private, not-for-profit and other community-based groups, and, as a result there will be an increased need for coordination of services and case management tools. There will be increased sharing of case records and an increased need to coordinate services among multiple providers. Security and privacy concerns will also continue.

Accountability Demands

Fraud, abuse and billing errors—particularly as they relate to health insurance—will be a growing concern. As programs struggle to manage multiple funding streams they will be looking for better ways to meet new and more stringent accountability demands, document the provision of services, and manage finances. These demands will become even more important as competition between state organizations and community-based groups for scarce resources increases. New reporting systems will be required to document outcome effectiveness and report on program spending.

3.8.4 Industry Example

United States: New York State Office of Mental Health HIPAA Assessment and Implementation

New York State has a large, multi-faceted mental health system that serves more than 500,000 individuals each year. In addition to the psychiatric centers that it operates across the state, the Office of Mental Health (OMH) also regulates, certifies and oversees more than 2,500 programs which are operated by local governments and nonprofit agencies. These programs include various inpatient and

outpatient programs, emergency, community support, residential and family care programs.

The 1996 Health Insurance Portability and Accountability Act (HIPAA) is a federal law designed to reform health care coverage by:

- Improving the portability and continuity of health insurance;
- Combating waste in health care delivery;
- Simplifying the administration of health insurance; and
- Safeguarding the privacy and confidentiality of patient information.

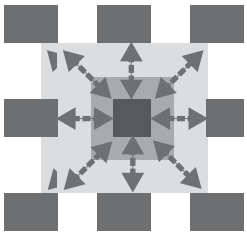
The law requires health care organizations—providers, plans and payers—to adopt national standards for the electronic processing of patient health information. Its main purpose is to simplify the automated transfer of administrative and financial health care data by replacing the many non-standard formats now being used with a national set of standard transaction forms. HIPAA also requires health care organizations to protect and safeguard the privacy and confidentiality of patient health information as long as it is in their possession.

OMH was faced with the challenge of complying with the security and privacy requirements contained within HIPAA. The question was: How to address such a big challenge?

By addressing the challenges in a structured way and leveraging industry-best practices, OMH was able to:

- Maintain and improve the security of client data;
- Utilize technology to make information easily accessible to the right people at the right time;
- Maintain and improve data accuracy; and
- Build a trusted environment where information can be exchanged securely among clients, staff, provider organizations and other authorized business partners.

CHAPTER 4



IBM's Social Segment Solution Framework

4.1 IBM Global Social Segment

In 1999, IBM decided to leverage the skills and experience that it has gained in the social services and social security market through the formation of the IBM Global Social Segment to capitalize on an extensive project portfolio and client experience.

The IBM Global Social Segment is led by an international team of business experts in social services and social security. The team is responsible for IBM thought leadership development, solution investment and determining how we meet the needs of our social services and social security clients around the world.

4.1.1 National Practices

IBM has practices in most major countries across the world focused on the social services and social security industry. Regional and global teams of Social Segment solution specialists are also available to help support solution implementations.

IBM has invested heavily in social services and social security business skills in these consulting groups and continues to invest in recruiting skilled consultants to meet project demands and growing the knowledge and awareness of the industry. At any point in time, we normally have in excess of 3,000 staff members working on social services and social security projects around the world.

The IBM Global Social Segment supports this range of national practices, and business partners, that implement our value proposition for social organizations.

4.2 IBM Value Proposition

> IBM helps social organizations *achieve their outcomes* by *understanding their business problems*, offering a *range of solutions*, and delivering a comprehensive *roadmap for transformation*.

Through our research, investments, project experience and extensive relationships with social organizations, we believe that we can deliver an unrivalled value proposition to the social services and social security industry.

Throughout this book, we have described our understanding of the dynamics of the industry. There are a number of consistent themes:

1. Social systems and the supporting organizations are complex, and are having to change at an increasingly fast pace;
2. New business models are emerging that require a shift from transactional benefit processing to service oriented, outcome based case management models; and
3. Previous investments in IT are constraining the ability to meet the future business needs.

This understanding is captured in the IBM solutions for social organizations.

4.3 IBM Solutions for Social Organizations

IBM has invested in a range of business solutions to support social organizations around the world. The solutions are designed to meet the needs of organizations today and to prepare them for the business models of the future.

The IBM Social Segment Solution framework represents the end-to-end business processing requirements of any social organization. It:

- Enables social organizations to clearly articulate their current and future business model;
- Assists organizations identify their investment priorities and build a plan for deployment; and
- Shows how solution components can be used to implement future business infrastructure and selectively augment existing business assets.

The IBM Global Social Segment Solution Framework is managed and maintained within the context of the IBM Global Social Segment Component Business Model.

4.3.1 IBM Global Social Segment Component Business Model

The Component Business Model (CBM) is a unique IBM business modeling technique that divides organizations into non-overlapping components to identify opportunities for innovation and improvement. It is a powerful tool that allows organizations to see their business through a number of lenses, and allows an analysis of business components that cut across siloed business units. The IBM Global Social Segment CBM is illustrated in Figure 1. It defines eight key competencies that most social organizations need to be able to undertake to operate effectively and efficiently. The model has been tested for appropriateness in all three types of social system, all eight sub-segment areas and in all major countries.

Version 2

	Social Marketplace	Social Program Development	Outreach	Relationship Management	Case Management	Collections	Compliance and Integrity	Business Service
Policy and Strategic Planning	Policy Analysis Customer Segmentation Community Engagement Strategy	Legislation Support and Management Policy Interpretation Program Planning	Campaign Planning Discovery	Service Delivery Strategy		Collections Strategy Loans and Debt Strategy	Risk Management Framework Privacy Strategy Audit Strategy	Financial Strategy HR Strategy IT Strategy
Oversight and Accountability	Outcome Evaluation Performance Management Reporting	Product Design Product Administration	Campaign Administration	Account Management Service Provider Management Activity Management	Case Supervision Case Account Management Outcome Management Appeals Monitoring Records Management	Funds Management Reconciliation	Risk Trend Analysis Privacy Management Audit Control	Financial Management HR Management IT Management
Service Delivery	Market Research Community Building	Product Implementation Capacity Building	Prospect Identification Marketing and Advertising External Campaign Execution	Provider/Client/ Employer Registration Intake Screening Referral Change of Circumstances Notifications	Assessment Validation Service Plan/Corrective Action Plan Benefit & Service Eligibility Determination Recertification Payment Instruction	Liability Calculations Collections Accruals Allocation	Quality Assurance Risk Assessment Disaster Response Risk Prevention Risk Detection Remediation Audit Delivery	Financial Delivery HR Delivery IT Delivery

Figure 1. The IBM Global Social Segment Component Business Model

The IBM Global Social Segment CBM enables a social organization to understand:

- Which parts of their business delivers value;
- How resources are being consumed;
- Where investments are required; and
- How effectively business and IT strategies are aligned

The IBM Global Social Segment has used the CBM to align the IBM solutions for social organizations. Clients can easily see their business functions, identify their needs and find the appropriate solution and business partner to fulfill their requirements. Figure 2 shows the IBM solutions mapped to the CBM.

The consulting and business solutions we offer our clients, based on the IBM Global Social Segment Component Business Model, are:

- **Social Transformation**—Consulting services designed to support transformation to a citizen-centered, outcome based organization;
- **Integrated Case Management**—Bringing together clients, programs and providers through integrated channels to achieve social outcomes;
- **Risk Management**—Preventing fraud, abuse, and error and targeting services to those most in need, through more effective use of information and knowledge; and
- **Resource Management**—Effective Human Resources, Financial Management and Information Technology, to better value people, manage costs and deliver organizational agility.

4.3.2 IBM Social Transformation Solution

The IBM Social Transformation solution encapsulates best practice thinking around the evolving strategic needs of social organizations. The IBM Social Transformation solution is designed to help social organizations:

- Implement more effective and efficient service delivery through multiple channels;
- Increase the flexibility of organizational structures and improve the ability to adapt to evolving mandates;
- Reduce duplication and optimize business processes;
- Focus on core business and identify possible arrangements to manage supporting functions;
- Identify legacy systems that can be consolidated; and
- Identify business areas where integrated data and information should be used as an integral part of decision making.

Version 2

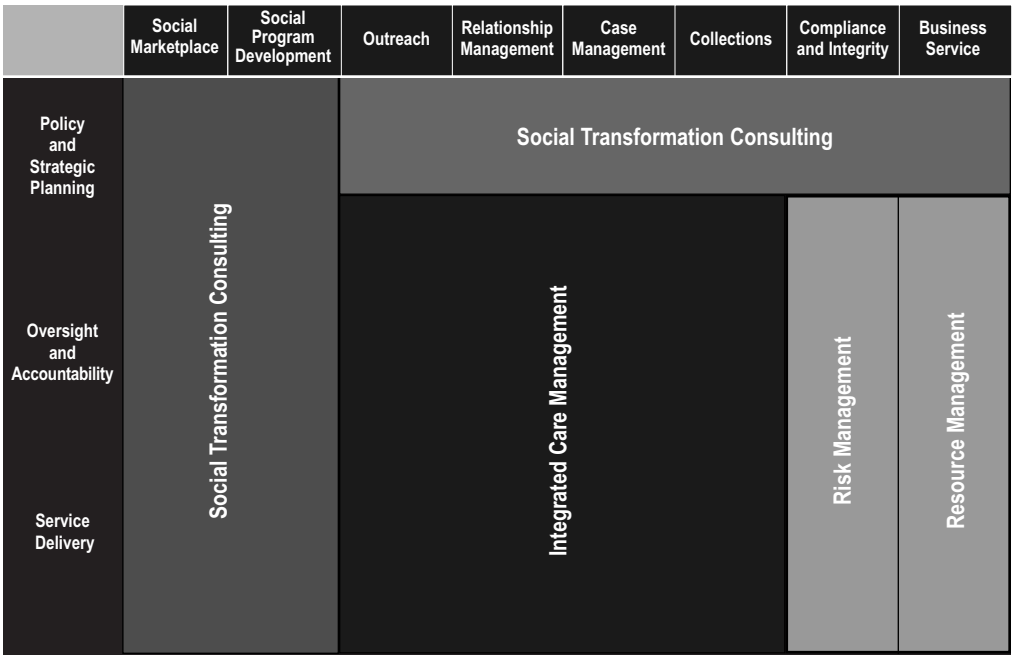


Figure 2. IBM solutions for social organizations

The IBM Social Transformation solution is a set of IBM consulting services that builds a unique CBM for a social organization and works the executive team to:

- Prioritize opportunities for business improvements and change;
- Clarify business problems and desired outcomes;
- Identify areas of best practices that can be leveraged across the organization;
- Identify business processes that are common across the organization for different social programs; and
- Build a roadmap for transformation and agree on solutions to achieve the organization's desired outcomes.

4.3.3 IBM Integrated Case Management Solution

In order to meet the needs of the emerging business models and to update legacy systems, we have developed the IBM Integrated Case Management solution. This solution is a set of re-usable methods and business assets that are used to implement best practice case management frameworks from leading software suppliers.

- Cúram from Cúram Software;
- ySAP from SAP; and
- Siebel from Siebel Systems.

IBM has strategic agreements to support each vendor in the development of their product sets and meet the needs of social organizations today and in the future. IBM has invested in consulting and support teams around the world to support the implementation of integrated case management in social organizations.

The IBM Integrated Case Management solution allows social organizations to implement outcome based business systems that:

- Reach across all of the programs within an organization;
- Manage family members and provide a "one-client view";
- Integrate all service delivery channels;
- Manage cases, claimants, employers and providers under a secure and protected system;
- Track case histories, referrals and interventions for individual clients or groups of clients, such as whole families;
- Process, manage and track services and benefits;
- Allow new legislation and policy decisions to be implemented faster, and at less risk, by helping enable advanced administrative tools.

4.3.4 IBM Risk Management Solution for Social Organizations

The IBM Risk Management solution is a collection of consulting services and software tools that allow social organizations to focus on reducing loss from fraud, abuse and error, and targeting services to those most in need, through more effective use of information and knowledge.

IBM's predictive modeling capability involves analyzing structured and unstructured data for patterns and relationships and developing mathematical and statistical models to support the benefits eligibility determination process. This is particularly relevant in application screening. The models analyze structured and unstructured data (retrospectively and prospectively), and use text and data mining algorithms to classify data. The model is then applied to the business process to generate management actions or to predict eligibility outcomes. This can be used to target resources on the clients that need the most help, and reduce resources on those that do not need as much help.

IBM's Fraud and Abuse Management System (FAMS) supports major business processes by increasing the productivity and effectiveness of investigators and auditors. The foundation of FAMS is a deviation detection system that uses

peer group profiling of similar providers. FAMS uses the IBM Enterprise Profile Modeling System (EPMS) technology, developed in the IBM Watson Research Lab, which applies advanced analytics such as fuzzy logic, peer group modeling, visual data mining and segmentation to score transactions for risk of improper payments. EPMS can be used by organizations who wish to develop their own deviation rules sets, while FAMS contains a range of provider fraud templates for easier implementation.

The IBM Entity Analytics Solution (EAS) is an entity recognition solution that can detect and prevent potential beneficiary's deliberate attempts to mislead organizations and programs using false identity. IBM EAS can detect and prevent fraud and improper payments at the time that the initial claim is filed by establishing a real-time link between data from organizations that dispense benefits with those that contain information from other data sources.

4.3.5 IBM Resource Management Solutions

In addition to the IBM Global Social Segment solutions described above, IBM offers a huge range of business and technical solutions that can support social organizations. This section is intended as a brief overview of the services we consider most relevant. For more information on IBM solutions, please contact your local IBM representative or visit **ibm.com**.

- **Human Capital Management solutions.** Our approach is simple, direct, powerful and effective. It drives out fixed costs and replaces them with variable costs. It increases efficiency. It empowers your workforce to do more and in a way that makes your business resilient and responsive. It places vital management information in the right hands, at the right time, and eases the communication process across the enterprise;
- **Financial Management solutions.** Our Financial Management practice helps CFOs design and implement the financial processes and underlying technologies required to overcome today's most complex business challenges. We help clients better integrate process, technology and information to:
  - Drive enterprise-wide cost reduction and stakeholder value;
  - Create a "finance on demand" organization that is responsive, variable, focused and resilient;
  - Reduce the cost of finance through efficient transaction processing;
  - Provide decision makers at all levels with the right information, when and where they need it;
- **Information Technology solutions.** From technical consulting, operational improvement, application development services, systems management services, security and privacy, all the way through to Strategic Outsourcing;

- **IBM Software.**
  - **DB2:** Information on demand using the power of integrated information;
  - **Lotus:** Software for collaboration and human productivity;
  - **Rational:** The software development platform for an on demand world;
  - **Tivoli:** Intelligent management software for the on demand world;
  - **WebSphere:** Integration and application infrastructure software; and
- **IBM @server and IBM Total Storage.** Application flexibility, solution choice and innovative technology for extreme performance, outstanding scalability, reliability and security.

4.3.6 Further information on the IBM Global Social Segment and solutions for social organizations

IBM Global Social Segment Web site

This Web site provides an overview of the IBM Global Social Segment, our solutions and access to our published materials such as:

- White papers;
- Brochures;
- Case studies; and
- Solution overviews.

The Global Social Segment Website can be found at:

- http://*www.ibm.com/solutions/government/socialsegment*

Glossary

Abuse. Infliction of physical or mental cruelty. Also used to describe unintended oversupply of goods or services by service providers when linked with the term Fraud.

Active Labor Market. A term used to describe programs designed to help citizens be better prepared for the job market. Programs may include resume preparation, career counseling, basic skills enhancements, vocational training, all the way through to job subsidies, and barrier-removal programs such as drug treatment.

Benefits. Payments made to people under a social program. Can sometimes include services as well as payments.

Beveridge. A type of social system based on universal application of benefits and services. Eligibility is determined on the basis of need.

Bismarck. A type of social system based on the social insurance application of benefits and services. Eligibility is determined on the basis of your membership in a social insurance organization.

Case Management. The process of managing a case or claim from end to end, from intake through to payment and any maintenance afterwards.

Child Care. The provision of day care services for children of working parents or guardians.

Child Protection. The business processes associated with protecting children from abuse.

Child Support Enforcement. The business processes associated with ensuring that children are financially supported by both parents, custodial or non-custodial.

Child Welfare. The business processes associated with ensuring that the welfare of children is provided for including Child Protection, Adoption and Fostering services.

Claim Management. The process of managing a claim from end to end, from application through to payment and any maintenance afterwards. Our definition of case management includes claims.

Claimant. The person making a claim or initiating a case to obtain benefits or services.

Citizen-Centered Service. Business processes that are focused on a client rather than an individual program.

Community Based Organization (CBO). Organizations based in a community that provide social services to recipients. These organizations will often be charitable institutions and support volunteering.

Consent. Usually used in a privacy context. Consent describes the process by which an organization secures approval from a client to be able to share their data with other organizations, usually to allow better provision of service.

Contribution Collection. The business process to collect social contributions from employees, employers, the self-employed. Can be statutory or voluntary.

Co-payment. A co-payment is a contribution from the recipient of a service towards the cost of the service, the remainder being provided by government.

Day Care. See Child Care and Old Age Care. Day Care is a collective term used to encompass both programs.

Developmental Disabilities. A variety of conditions that become apparent during childhood and cause mental or physical limitations.

Eligibility Determination. The business process that is used to determine if a person is eligible for benefits or services.

Entitlement. The business processes to calculate the amount, period, and frequency of a benefit or service.

Error. Mistakes in processing claims or cases, usually relates to process deficiencies in the social organization that lead to under payments or over payments of benefits or services.

Family Benefits. Benefits or services that are provided for families with children or aged people.

Fraud. Attempts, successful or otherwise, to obtain benefits or services to which a person is not entitled.

Health Insurance. Programs associated with refunding medical expenses.

Income Supplement. A type of program or scheme that provides additional payments or payments in kind for people on low income.

Intake. The process of collecting information from a claimant when a claim or case is initiated.

Medicaid/Medicare. Terms used to describe the United States public health insurance programs for people on low income.

Mental Illness. The term that refers collectively to all diagnosable mental disorders.

Mental Retardation. Describes people with delays in learning, slower pace of learning and difficulty in applying learning.

Means Testing. The process of testing if a person has income and/or assets of a certain value. Benefits or services that are means tested will only be available to people with income and/or assets below a threshold.

Non-Government Organization (NGO). Any organization involved in providing benefits or services that is not a public body. They are often not-for-profit organizations, but also include for-profit organizations.

Not-for-profit organization. A private or semi-public organization which aims to deliver social services and recover costs, but not with the aim of making a profit.

Old Age Care. Services provided for aged people. Can be delivered in their home, in specialist homes, or in medical establishments.

Participation. Participation, or activation in some countries, is the term used to denote an increasing emphasis on ensuring that citizens who are able to work actually do participate in the labor market.

Payment in kind. The provision of services of a monetary value without actual payments changing hands.

Program. Type of benefit or service available through social organizations. Typically used in North America and directly analogous to the European and Asia Pacific term "scheme."

Provident Funds. A model of social system where personal contributions are owned by the person contributing them rather than being combined, as in Beveridge or Bismarck models.

Referral. Referral is the process of connecting a client, provider, or partner with another product or provider that enables them to meet the client's needs.

Risk Management. The process of ensuring that risks to people are managed and resources applied to the most appropriate person. Risk management is used in child abuse and fraud detection. It can also be used to detect potential claimants and to encourage uptake of benefits or services.

Sanction. Used to describe penalties applied to a client or provider for not following the rules of a program or organization.

Scheme. A type of benefit or service available through social organizations. Typically used in Europe and Asia Pacific and directly analogous to the North American term "program."

Screening. The process by which a small group of services and benefits are selected from the complete range, so that eligibility is only undertaken on the most likely appropriate ones to meet the client need.

Semi-Public Organization. Describes organizations that have a legal structure that places them partly outside the direct control of government, but not directly in the private sector. These organizations may also be called not-for-profit or non-government organizations. This term is commonly used in Bismarck model of social systems.

Social Assistance. A collective term that describes programs for Income Supplements, Family Benefits and Child Welfare.

Social Insurance. A collective term to describe the types of programs usually provided under a Bismarck social model. Programs are usually based on the level of contributions made, rather than need.

Social System. This defines the construction of social provision within a country. It does not relate to a computers, but the socio-economic structure of social services, social security, health and human services, workforce development and other such terms used through the world.

Social Risks. Social risks is a model that classifies the types of interventions that governments make in their social system.

Social Insured Person. The person who makes the contributions to a Social Insurance organization.

Totalization. The process by which pension organizations calculate overall number of years of eligibility for migrant workers who have contributed to multiple pension systems and then pro-rata entitlement according to the total number of insured years and the number of years in each country.

Unemployment Insurance. A program that provides insurance against being unemployed.

Welfare. Used as a collective term to describe the provision of social benefits and services to people on low income.

Welfare to Work. A social policy that limits social assistance to people who are not willing to work. Also describes services that are available to assist a person moving back into work. See Active Labor Market

Workers' Compensation. Collective term to describe the programs available to assist people who have lost income due to an accident at work or a work-related illness.

Workfare. A term used to represent programs where recipients are required to undertake subsidized, charitable, or voluntary work as a condition of their continued eligibility for benefits.

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Social System Industry Dynamics

A global perspective from IBM

In countries across the world, social systems have grown to reflect the histories, cultures, and values of its citizens. It might seem that there are vast differences between these systems and how they are administered, but there are, in fact, more similarities than there are differences.

All systems share and borrow from one another's principles and best practices that will assist them in achieving their organizational goals more efficiently and effectively. There are external drivers that are common to most countries such as globalization, aging populations, shrinking labor markets, widening gaps between rich and poor, and advancing technology, just as there are internal drivers that are shared across social organizations such as decreasing budgets, being asked to do more with less, inadequate legacy systems, detecting and reducing fraud, and citizen-centered service delivery.

While there are differences between the social systems of each country, and while each organization has its unique culture, processes, and way of doing business, we have found that the similarities are compelling. Lessons can be shared and experiences leveraged between social organizations within the same social system and between countries. With experience in almost every major country in the world, and a global focus on social services and social security, IBM is ideally placed to bring together those lessons.

We have written this book to give social services and social security executives and managers the opportunity to reflect upon their business, the challenges they are facing today, and how those dynamics are shaping tomorrow. This book will give insights on how other organizations in the same industry are facing similar issues and how those issues are being addressed.

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