



expertise in action™

The Check Is Not in the Mail:

How ACS EPC Solutions Save Government Agencies Money—and Still Get Benefits to Program Recipients Faster

Waiting by the mailbox for a benefits check? Not anymore. Now you can just reach into your wallet. Government agencies are saving money and improving service by disbursing benefits on electronic payment cards. Funds delivery is fast and convenient. Everyone benefits.

July 2008

Paper or plastic? When it comes to administering government programs, the answer becomes very simple: plastic. Specifically, small, rectangular pieces of plastic, known as electronic payment cards (EPC), that are speeding funds to program recipients faster — and saving government agencies millions of dollars in the process. It's a benefits and payments-delivery mechanism that, literally, benefits everyone.

The genesis of electronic payment cards was nearly two decades ago, beginning with the food-stamp program. At the time, the government was printing millions of food stamps, and the system just wasn't working. When an individual paid for groceries with food stamps, it was obvious — and often humiliating. The program was an inconvenience to retailers, who had to go to the bank to get their money. Theft rates were high, with no tracking mechanism. And some people went hungry, while others bought, sold and bartered the paper stamps on the open market.

The “plastic” solution was food stamps delivered on a reloadable, debit-like card. It was a closed-loop system, accepted only at authorized food-stamp retailers — and it worked. The program was so successful that it was taken nationwide, and it continues to thrive today.

Expanding the Concept to TANF

The plastic food-stamp program was working so well that many states extended the system to Temporary Assistance for Needy Families (TANF) payments. Since recipients were already on the food-stamp program, some states piloted an effort to put TANF funds on the same debit card. Although conceptually sound, this effort presented its own set of problems.

Recipients could get their funds faster, but they were still limited to shopping primarily at the same food-stamp retailers with minimal access to other goods and services and ATM cash access – ones that may not be conveniently located nor have the merchandise recipients needed.

The solution? A separate Visa/MasterCard electronic payment card for TANF benefits. This card eliminates the need for paper checks and enables recipients to get their monies electronically. Just as important, instead of being accepted only at 200,000 or so food-stamp retailers, these EPCs are accepted by the million-plus retailers that accept Visa or MasterCard. Because they look like traditional debit stored-value cards, the EPCs can be used without any social stigma, preserving the recipient's dignity while providing the assistance his or her family needs. And, unlike the direct-deposit system, no bank account is

ACS' EPC program saves government agencies an average of \$2.00 per check, which adds up to millions of dollars in savings each year.

required for recipients to receive the benefits. The cards can be used at ATMs; and most utilities now accept debit cards as a form of payment. The need for money orders — and their fees — is eliminated. Recipients also have the ability to track their purchases and inquire about balances, and they have a tangible mechanism for managing their finances better.

But program recipients aren't the only ones benefiting from EPC. The system greatly reduces the costs associated with check printing, mailing and reconciliation, saving an average of \$2.00 per check. A state that issues 100,000 checks a month saves \$200,000. Lost or stolen cards can be cancelled and replaced, and incidents of forgery are dramatically reduced.

Currently, four U.S. states are using this system for TANF payments. Mississippi and Oklahoma moved from combined payments on food-stamp cards to the EPC. Ohio and Virginia are completely transitioned from paper checks to the EPC system, with great success. With tighter budgets and greater community needs, other states are considering the move from “paper” to “plastic,” as well.

Making a Smooth Transition

Moving from a check-based system to an EPC-based system is surprisingly easy. Typically, a state will send notifications to benefit recipients, informing them that it will be transitioning away from paper checks and giving them the opportunity to set up a direct deposit to their checking account — or to receive funds through an EPC card.

ACS establishes an automated interface with the state agency. The state sends the records of individuals who have signed up for the cards, and ACS sets up an account for each person who will receive a debit Visa/MasterCard and payment. Then we mail the card with educational materials and set up the ACH number on our system. The cardholder activates the account by selecting a personalized identification number (PIN) through an automated IVR.

The state simply plugs in the benefit issuance the same way it would an ACH transaction. The next time it issues the benefit, the funds route through ACS and are automatically placed on the appropriate debit cards.

Because most states are already set up for direct deposit, the transition requires few, if any, system alterations. Typically, a state can move to an EPC-distributed benefits system with no upfront costs or fees at all — and have a fully implemented program in 90 days or fewer.

A successful program includes a resource for help and human interaction. With the ACS program, recipients can check their account balances, report lost or stolen cards or get help around-the-clock, either through a pre-established Web site or by calling a customer service center.

Securing Social Security

In January 2008, Comerica bank and ACS won a contract with the U.S. Department of the Treasury to issue debit cards for both Social Security and Supplemental Security Income payments. Approximately 20 percent of the current benefits-recipients receive payments via paper check. During the initial pilot phase of the EPC project, which began on April 23, 2008, approximately 10,000 recipients signed up for the EPC cards.

ACS is doing a number of things to make this transition more comfortable for everyone involved by adding a human touch. For many Social Security recipients, receiving that check in the mail is a ritual of sorts. They know the day it arrives, and they might even plan their day around its arrival. This demographic also tends to worry if it doesn't physically see the paper check. To counter these concerns ACS devised a system whereby recipients can receive a phone call or e-mail — whichever he or she prefers — as soon as the deposit is posted. Recipients can get low-balance alerts by phone and e-mail, as well. If a recipient wants to make an IVR fund-transfer for a larger payment, like a mortgage, ACS enables that person to transfer those payments for around \$1.50, an extremely low rate compared to other options. The idea is to provide the lowest cost card with the highest functionality — a card that not only saves money for government agencies but one that also offers more convenience to people who receive and use the cards.

The state of North Carolina began using ACS' EPC to deliver unemployment benefits — and saved \$4 million in the first year of the program.

Delivering Value in All Types of Applications

The true beauty of the EPC system is that it can be replicated successfully in a variety of applications. Any program that makes recurring payments and that currently issues checks on a regular basis can recognize significant savings from a comprehensive EPC implementation — and they can do it with no capital expenditures or downtime. ACS currently handles payment-card programs for 16 different states, as well as for the federal government.

The returns can be staggering. Consider the state of North Carolina, which began using EPCs to deliver unemployment insurance in January 2007. Seventy-five percent of the claimants chose the cards over direct-deposit options. This program alone saved the state a whopping \$4 million in the first year.

In Georgia, ACS' EPC is used for child-support disbursements to custodial parents. Not only is this program saving the state \$4 million each year in check-writing and processing costs, but it's dramatically impacting recipients. In the past, the average recipient would spend \$9.00 in check-cashing fees. The ACS program reduced this cost to an average of \$1.66, primarily for ATM fees. Cardholders are also avoiding money-order fees, saving an estimated \$4.00 to \$13.00 per month. As a result, recipients have an extra \$7.00 to \$15.00 a month to spend on their families.

In Mississippi, people can use the same card for child support, disability payments, unemployment benefits, foster care and adoption. Georgia, Utah and Virginia use this delivery option for their state employee payrolls, as well. The benefits are the same: measurable savings for the state and reduced fees, more options and faster delivery to employees.

Benefiting All Who Participate

Help comes in a variety of forms. But government agencies and individuals around the country are choosing that help in the form of a small, plastic card. The success of these initial programs has spawned interest worldwide. It's a system that delivers that rarest of results: "something for everyone." Saving government entities' money, while enabling recipients to receive support with more dignity, it's a program in which everybody benefits. Literally.