



THE ELIGIBILITY OPERATIONS DECISION: EVALUATING VENDOR-MANAGED SUPPORT FOR STATE SOCIAL SERVICES SYSTEMS

Executive Summary

State social services agencies operate complex eligibility systems used to determine benefit eligibility for programs such as Medicaid, SNAP, TANF, and child care subsidies. These systems are business-critical, technically complex, and often decades old. Social services agencies frequently contract with external vendors to maintain and operate these eligibility solutions, but changing those vendors midway through the lifecycle of a system presents unique risks and opportunities. This white paper examines the narrative behind these efforts, the perceived concerns agencies have when facing a vendor change, the quantifiable landscape of vendor transitions, and a balanced discussion of pros and cons to inform agency decision-makers.

Introduction

States often experience varying levels of satisfaction with their maintenance and operations vendors for Eligibility Systems. When considering a change, the anticipated effort required for initial implementation is a significant concern. After years with the same vendor, it can be difficult to envision a seamless transition to a new provider without disruption.

This white paper offers insights from Infosys from navigating several such transitions successfully and achieving a more effective operational model. Moving from a single vendor to a multi-vendor environment introduces challenges, but it also brings substantial benefits. A multi-vendor approach fosters competition, leading to improved pricing for both Development, Design, and Implementation (DDI) and Maintenance & Operations (M&O). Additionally, it encourages diverse perspectives, which can spark innovative improvements that may not have been possible with a single vendor.

The purpose of this white paper is not to advocate for or against a particular approach, but rather to inform readers about what is achievable and has been accomplished in practice.

1. The Challenge of Eligibility Systems Implementation

State eligibility systems are among the most challenging technology programs within government. They serve as the backbone for delivering benefits to millions of low-income families and individuals and must interpret hundreds of pages of federal and state policy rules into reliable, compliant code that determines access to vital assistance. These systems often integrate multiple programs, including health coverage (Medicaid/CHIP), food assistance (SNAP), and cash benefits, and must interface with external data sources to verify income, residency, and other eligibility factors. The result is a **highly complex technology ecosystem that cannot fail without risking harm to vulnerable populations.**

Because of the complexity and regulatory burden, most state agencies contract with third-party vendors for system development, maintenance, and operations. These vendors typically hold long-term contracts (often 5–10 years or more) and accumulate deep institutional knowledge about the software and agency processes. Over time, this creates a phenomenon known as **vendor lock-in**, where switching vendors becomes both technically difficult and financially risky.

2. State Concerns When Considering a Vendor Change

When agency leadership evaluates whether

to change its Maintenance and Operations (M&O) vendor, the decision is rarely driven by a single performance issue. Instead, it reflects a strategic inflection point — balancing dissatisfaction, modernization pressures, fiscal responsibility, and risk tolerance. Because eligibility systems sit at the operational core of public benefit delivery, any vendor transition is viewed through a lens of institutional, operational, and political risk.

The concerns outlined below are not hypothetical. They are grounded in decades of public-sector system modernization experience and reflect the operational realities facing Health and Human Services agencies.

a. Loss of Institutional Knowledge

Eligibility systems evolve continuously due to federal waivers, state plan amendments, emergency regulations, and legislative updates. Over time, system logic becomes layered and complex, often with undocumented rule interpretations embedded in code. When an incumbent vendor has supported a system for many years, significant institutional knowledge resides within that vendor's staff rather than within agency documentation.

Leadership fears that replacing the vendor could result in:

- Gaps in understanding legacy integrations
- Loss of historical policy interpretation context

- Delays in implementing new legislative changes
- Increased dependency on reverse engineering system behavior

These concerns are amplified in states where internal IT capacity has been reduced over time and have limited internal familiarity with the system architecture.

Risk Mitigation Strategies:

- Require structured knowledge transfer periods (6–12 months overlap).
- Mandate comprehensive documentation deliverables prior to transition approval.
- Conduct system architecture and business rule audits before procurement release.
- Establish joint transition teams with incumbent and successor vendor participation.
- Retain key incumbent personnel through contractual transition incentives where permissible.

Traditional mitigation methods include structured knowledge transfer, documentation reviews, and transition overlap periods. Today, AI-powered system discovery and knowledge mining tools can significantly accelerate this process.

Example tools include:

- **GitHub Copilot**
- **IBM Watsonx**
- **ServiceNow AI Platform**

These platforms can analyze system artifacts and generate knowledge bases that reduce dependency on individual vendor staff.

b. Data Migration and Continuity

Eligibility systems house highly sensitive personally identifiable information (PII), financial data, and federal reporting datasets. Even when the underlying system remains intact, transferring operational responsibility introduces risk around data stewardship, access controls, audit trails, and business continuity.

Agencies are particularly concerned about:

- Case processing interruptions
- Payment issuance delays
- Federal reporting inconsistencies
- Security vulnerabilities during access transition

Given that benefits must continue uninterrupted, even minor technical instability can have real-world consequences for vulnerable populations.

Risk Mitigation Strategies:

- Implement phased access transitions rather than “cutover” events.
- Conduct parallel operations for a defined stabilization period.
- Require independent verification and validation (IV&V) oversight.
- Establish data validation checkpoints and reconciliation reporting.
- Develop rollback contingencies and incident response escalation plans.

Modern transition strategies increasingly leverage AI-driven monitoring and anomaly detection tools.

AI-Based Operational Monitoring

AI platforms can continuously monitor eligibility system operations during transition periods and identify anomalies before they affect beneficiaries.

Example tools include:

- **Datadog**
- **Dynatrace**



These platforms automatically detect unusual system behavior and alert operational teams.

c. Complexity of Business Rules

State-administered programs such as Medicaid, SNAP, and TANF contain deeply intertwined eligibility criteria. These rules often intersect across programs and rely on complex calculation engines, verification hierarchies, and exception logic. Over time, system customization further increases complexity.

A new vendor must quickly absorb:

- Policy rule hierarchies
- Exception processing logic
- Manual workarounds embedded in system operations
- Integration dependencies with federal and third-party systems

Without sufficient transition time, agencies fear responsiveness to policy changes may degrade.

Risk Mitigation Strategies:

- Develop rule traceability matrices linking policy to system logic.
- Require knowledge repositories accessible to both agency and vendor.
- Conduct structured functional walkthroughs with program subject matter experts.
- Include policy simulation testing during transition validation phases.

AI tools now make it possible to rapidly analyze business rule logic and automatically generate rule documentation.

Example tools include:

- **OpenAI Codex**
- **SonarQube**

d. Procurement Risk and Budget

Public-sector procurement is governed by statutory requirements designed to ensure fairness, transparency, and fiscal accountability. However, these safeguards can introduce delays, protests, or rebidding cycles. Leadership may fear that initiating a vendor transition could unintentionally extend timelines or exceed budget forecasts.

Additionally, transition costs—dual vendor payments, consulting support, IV&V, and stabilization—are often underappreciated during early planning phases.

Risk Mitigation Strategies:

- Conduct pre-procurement market sounding and industry days.
- Use phased or modular procurement structures.
- Secure federal funding participation approvals in advance.
- Build contingency funding (10%–15%) into transition budgets.

- Establish realistic transition timelines with executive sponsorship.
 - » A realistic timeline to complete a transition could be 12 months.

AI-assisted procurement analytics tools can improve forecasting and vendor evaluation.

AI Procurement Analytics

Examples platforms include:

- **Coupa**
- **SAP Ariba**

These tools analyze historical vendor performance and cost data to inform procurement strategy.

e. Technical Modernization Scope Expansion

Vendor transitions can unintentionally trigger modernization initiatives if the new vendor proposes architectural upgrades or cloud migrations.

Risk Mitigation Strategies:

- Clearly separate “like-for-like” M&O transition from modernization scope.
- Establish defined change control governance.
- Conduct technical debt assessments prior to transition.
- Phase modernization initiatives after operational stabilization.
- AI Technical Debt Analysis.

AI tools can assess system architecture and quality technical debt prior to transition.

Example:

- **CAST Highlight**

f. Political and Stakeholder Risk

Eligibility systems operate under significant public visibility. Legislative oversight committees, advocacy organizations, and federal partners closely monitor system performance. A vendor transition that results in delayed determinations or media scrutiny can escalate quickly.

Political leadership often asks a simple question: *“Is the risk of change greater than the risk of staying with the incumbent?”*

Risk Mitigation Strategies:

- Develop executive communication plans.
- Conduct stakeholder briefings in advance of transition.
- Establish performance dashboards with transparent reporting.
- Align transition milestones with legislative calendars where possible.

3. How Many States Have Actually Changed Vendors? What Data Exists

While concerns about vendor transition are substantial, real-world examples demonstrate that change is possible.

Public reporting does not provide a centralized count of states that have replaced eligibility M&O vendors during steady-state operations. However, market analysis reveals several important insights.

First, the vendor landscape is highly concentrated. A small number of system integrators dominate eligibility system development and maintenance contracts nationwide. In fact, one firm has held eligibility system contracts in at least 25 states as of 2023. This level of concentration

suggests that vendor longevity and incumbency are the norm rather than the exception.

Second, documented vendor transitions do exist. For example, a northeastern state HHS agency transitioned five Integrated Eligibility System applications from an incumbent vendor to Infosys Public Services. This case demonstrates that multi-application operational transitions can occur successfully with structured planning and governance.

Third, since 2012, at least 19 states have issued contracts for eligibility system upgrades or re-procurements. While not all resulted in vendor replacement, re-procurement inherently creates opportunity for transition.

Interpretation

Across the United States, vendor transitions in mature eligibility system environments appear limited but not unprecedented. The dominance of incumbent vendors, combined with operational risk sensitivity, suggests that most states prefer continuity unless performance, cost, or modernization drivers justify change.

In other words, vendor change is feasible — but it is typically deliberate, strategic, and highly managed.





4. Pros and Cons of Changing the M&O Vendor

The decision to transition vendors should not be framed solely as risk avoidance. It should be evaluated within a broader strategic lens: operational performance, fiscal stewardship, modernization alignment, and long-term governance maturity.

4.1 Advantages (Pros)



Catalyst for Innovation

Vendor transitions can introduce new operational models, automation capabilities, DevSecOps maturity, and performance transparency. Fresh perspectives often reveal inefficiencies that incumbents may have normalized over time.



Competitive Pricing and Performance Leverage

Re-procurement enables agencies to renegotiate rate structures, service levels, and performance incentives. Clearly defined SLAs, measurable KPIs, and performance-based payment structures can improve accountability.



Alignment with Modern Architectural Standards

A new vendor may bring stronger cloud-native capabilities, API-first integration strategies, or modular architecture practices. Even without full modernization, incremental improvements may reduce long-term technical debt.



Reduction of Vendor Lock-In

Strategic diversification of vendor relationships enhances agency leverage and strengthens negotiating position in future contract cycles.

4.2 Disadvantages (Cons)



Transition Risk to Service Continuity

Eligibility systems operate continuously. Any operational degradation directly affects applicants and beneficiaries.



Learning Curve and Temporary Productivity Dip

New vendor teams must acquire business context. Even with strong documentation, ramp-up periods are unavoidable.



Contractual and Operational Complexity

Transitioning vendor roles requires reassigning system access, third-party interfaces, federal reporting responsibilities, and data governance controls.



Upfront Transition Investment

Dual operations, IV&V oversight, and stabilization phases increase short-term costs even if long-term savings materialize.

5. Policy Considerations and Best Practices

Given the complexity of eligibility system operations, vendor transitions should be approached as structured transformation programs rather than procurement events.

Agencies contemplating change should consider the following strategic best practices:



Comprehensive Documentation and Transparency

Develop complete system inventories, architecture diagrams, rule traceability documentation, and interface catalogs prior to transition. Documentation maturity reduces knowledge asymmetry.



Phased and Controlled Transition Strategy

Implement transition waves, infrastructure access, application management, reporting functions, rather than full cutover. Stabilize each layer before advancing.



Strong Governance and Performance Management

Define measurable KPIs tied to service availability, defect resolution time, policy implementation timelines, and federal compliance metrics. Incorporate performance-based incentives and penalties.



Independent Oversight

Engage IV&V partners or independent technical advisors to provide objective transition risk assessments and validation.



Internal Capacity Building

Strengthen internal enterprise architecture and vendor management capabilities. Long-term resilience depends on institutional knowledge residing within the agency, not solely with vendors.



Executive Sponsorship and Stakeholder Communication

Secure clear executive ownership and maintain transparent reporting to legislative and federal stakeholders throughout transition phases.

6. Conclusion

While the maintenance and operation of eligibility systems are often outsourced due to technical complexity, switching vendors is a major decision with both strategic advantages and serious risks. Because these systems directly impact benefit delivery to millions of residents,

agencies must weigh the decision against the realities of vendor lock-in, procurement rules, and continuity risk. Based on available evidence, most states continue working with long-term incumbent vendors, and only a small number of documented vendor transitions

have occurred in the context of modern eligibility systems, although precise counts are not compiled in a centralized public source. Agencies considering vendor change should align internal governance, procurement strategy, and risk mitigation to support any transition effectively.

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