



**Quality
Improvement
Center**
on the Privatization
of Child Welfare
Services

**EXAMPLES OF
PERFORMANCE BASED CONTRACTS IN
CHILD WELFARE SERVICES**

July 27, 2009

Planning and Learning Technologies, Inc.[®]

The University of Kentucky

and

The University of Louisville

This report was written as part of the Quality Improvement Center
on the Privatization of Child Welfare Services (QIC PCW)
on behalf of the Children's Bureau, US Department of Health and Human Services

Table of Contents

Chapter I – Overview of Findings	1
1. <i>Background</i>	1
2. <i>Methodology</i>	2
3. <i>Purpose</i>	2
4. <i>Findings</i>	3
5. <i>Lessons Learned</i>	6
Chapter II – Summaries of State Contracts.....	8
<i>Florida's Fifth Judicial Circuit</i>	8
<i>Iowa</i>	11
<i>Idaho</i>	14
<i>Illinois</i>	15
<i>Minnesota</i>	21
<i>Missouri</i>	23
<i>Nebraska</i>	26
<i>New Mexico</i>	29
<i>North Carolina</i>	31
<i>North Dakota</i>	34
<i>Tennessee</i>	35
<i>Wyoming</i>	37

Chapter I – Overview of Findings

1. Background

Performance based contracting has been in use for many years. As early as 1982, some federally funded programs -- most notably, those funded by the Job Training Partnership Act -- were listing client-level performance measures in their contracts and applying incentives and sanctions based on their performance (Yates, 1997). The federal government's interest in performance based contracting expanded in the early 1990s. By 1997, federal acquisition requirements were rewritten with specific language about the need for performance requirements and quality standards in both contract requirements and quality assurance. These laws and initiatives discussed the importance of measuring contract performance on both the delivery of agreed upon services as well as the results or impact of services on clients (Eggers, 1997).

Contracts in child welfare have also included performance expectations for many years but in most cases the expectations specified the *quantity* of service units to be delivered, rarely the *impact* of these services on the children and families in care (Wulczyn, 2005). The Adoption and Safe Families Act of 1997 (ASFA) established outcome expectations with respect to the delivery of child welfare services in the areas of child safety, timely permanency, and well-being. As a result of this and an expanded emphasis on accountability within the states themselves, most contracts now list a range of expectations regarding the quantity of service units, and/or the quality of service delivery and, increasingly, the impact of services on child and family outcomes. Few, however, link provider performance directly to contract payments and/or payment schedules.

This paper describes several current models of performance based contracts in child welfare services. The paper describes only those models that directly link payment to performance (rather than those that include performance measures in the contracts but use provider performance as a factor only to determine contract renewal). This paper was prepared by the National Quality Improvement Center on the Privatization of Child Welfare Services (QIC PCW).

The QIC PCW is a five-year project funded by the Children's Bureau, U.S. Department of Health and Human Services in 2005 to collect and share information about public/private partnerships in child welfare services. The QIC PCW is being carried out by a partnership between the University of Kentucky College of Social Work, Planning and Learning Technologies, Inc., and the University of Louisville, Kent School of Social Work.

The QIC PCW has two components. The first is an ongoing national needs assessment involving discussions with state child welfare administrators, national advisory board meetings, regional forums and literature reviews. The study described in this report is part of the ongoing needs assessment activities. The second component of the QIC PCW involves the administration of sub-grants testing models of performance based contracting and quality assurance systems in three states, Florida, Illinois and Missouri. These sub-grants are completing individual evaluations and the QIC PCW is conducting a cross-site evaluation and disseminating information.

2. Methodology

Information for this paper was gathered through informal telephone discussions with child welfare administrators from 27 states (and in a small number of cases, county and/or private agencies)¹ and through a review of the performance based contracts (PBCs) in use in these states. The discussions were held in May, June and July, 2009. The 27 states were identified from similar discussions with child welfare administrators from 47 states in 2008. At that time, each state's official was asked whether they used PBCs in their child welfare services, but few details about the structure of the contracts were collected. Twenty-seven of the 47 states discussed using some form of PBC at that time; many other states described an interest in, or concrete plans to implement them in the future.

For the most recent discussions of 2009, state officials were first asked whether the PBCs they used directly linked payment to performance. Those that reported that they used this approach in at least one service contract were then asked to describe the following about each:

- Service contracted (and target population(s))
- Geographic region served
- When the contract(s) were initiated (and whether this differed from when payments were linked to performance – i.e. were providers given a period of time when they were “held harmless” to adjust to the new measures)
- Performance measures listed in the contracts, and
- Nature and structure of the PBC model.

State officials were also asked to describe one or two major lessons learned about developing and/or operating these contracts.

The following report first briefly summarizes the findings across the 24 states that completed the discussions. More detailed information is presented for the 12 states that are presently using PBCs that link payment directly to performance, and that shared their contracts with QIC staff. Following this synthesis, is a brief description of each state's contract(s).

3. Purpose

The purpose of this paper is to describe a range of PBCs in child welfare services that directly link payment to performance. It describes the service that was contracted, the target population, the geographic region served, when contracts were initiated, the payment structure of these contracts, and what measures were incentivized. This paper does *not* provide information about the impact of these contracts; nor does it provide an exhaustive list of all PBCs in use in child welfare services, especially those administered at the county level. Rather, it is designed to give state and county child welfare administrators examples of the kinds of services for which states have used PBCs and how these contracts are structured. This paper also provides contact information for state and county officials who administer these contracts, to enable future dialogue.

¹ Florida provides an example of a state where a private, lead agency (not a public child welfare agency) uses performance based contracts with its case management agencies. For more details, see the state's contract description on page 8.

4. Findings

States are using PBCs to pay for a variety of child welfare services and activities. These contracts incentivize a range of service and client outcome measures and use a range of PBC models to reward strong performance.

Of the 25 states for which discussions were completed, 14 had some service contracts that directly linked payment to performance. Two of these states, Arizona and Michigan, reported use of PBCs that directly link payment to performance but officials were unable to share these contracts with the study team in time for inclusion in this paper. In Michigan, during the data collection period, new contracts were still under negotiation with the private partners.

Eleven additional states listed performance measures in their contracts but did not currently link payment to performance. Many of these states volunteered that they had begun discussions about how to directly incentivize their measures. For instance, an official in one state explained that the state had recently inserted outcome measures into the service contracts so that when the state shifted to a model that began to reward performance, the providers would have some experience working to achieve these outcomes and tracking their progress. Other state officials made similar comments about only listing performance measures currently in their contracts to establish a realistic baseline for performance expectations in future contracts. Table 1 presents these findings.

TABLE 1
States' Use of PBCs in 2009
 (Based on those States Reporting Use of PBCs in 2008)²

	Operational Definition	States	N
PBCs link contractor payment to performance	States with at least one PBC that links payment to performance, most commonly in the way of service or client outcomes	AZ FL IA ID IL MI MN MO NC ND NE NM TN WY	14
PBCs inform contract renewal decisions	States using performance measures in contracts primarily to gauge contract renewal decisions	AK AR CA CO CT IN LA OH OR WA WI	11
Total			25

Contracted Services

Of the 12 states that are using at least one PBC and shared their contracts with QIC staff,³ nine states described one contract (FL, ID,⁴ MN, MO, ND, NE, NM, TN, WY), three states (IA, IL, NC) described two or more contracts. In all, this report presents 16 examples of PBCs. Of the 16 contracts:

² Interviews were not completed in two additional states identified in the 2008 survey – NY and PA.
³ For the remainder of this report, PBC should be understood to mean contracts that directly link payment to performance.
⁴ In practice, Idaho operates several PBCs that directly link payment to completion of services and/or to client outcomes. Only one of these is described in this paper.

- 7 involve adoption (or foster/adoption resource family) recruitment, licensing and/or placement services (IA, ID, MN, 2 in NC, ND, NM)
- 4 involve foster care case management services (FL, IL, MO, TN)
- 2 involve in-home services (IA, NE)
- 2 involve residential care (IL, WY)
- 1 involves services for children in Independent Living and Transitional Living Programs (IL)

Geographic Region Served

State officials were also asked if these PBCs are statewide initiatives/programs or more limited in jurisdiction. Of the 16 contract models, 13 are used to deliver services across the state — generally through multiple contracts. Three contracts were regionally focused.

Date Contract Initiated and Rewards/Penalties Assessed

The majority of the contracts described in this paper were implemented in the past two to four years. Only four of the contracts took effect between 1995 and 1999 (IL, MN, two in NC).⁵ The remaining 12 contracts were initiated after 2005.

In some cases, the state designated a period for which providers were “held harmless” from financial penalties. For example, in Illinois’ new residential PBCs, the state negotiated the performance measures and PBC model with the private providers and gave the providers a year to become accustomed to the refined system goals before the new payment model took effect. In some cases, state officials discussed making modifications to the financial rewards and penalties over time. An example of this is Iowa, which recently suspended its contract penalties that had reduced the base payment for families receiving in-home services for more than 10 months, and had reduced the payment further after 15 months of services provision. The state official explained that the state would be meeting with their contractors to determine how best to incentivize closing cases as quickly as possible while ensuring child safety.

Performance Measures

Very few of the incentivized performance measures used in these contracts are repeated across states. Some contracts (ID, MN, NC) do not explicitly list performance measures in their contracts and instead incentivize (or pay for) the delivery of certain services. Examples of these services include recruitment of a foster or adoptive home, resource family training, or licensing. Other contracts incentivize *improved* performance in casework activities. Florida’s contracts incentivize earlier and more accurate data entry into the state’s child welfare administrative data system and increased casework contact with biological parents.

Some contracts incentivize a combination of both casework activities and client outcomes. Other contracts incentivize only client-level outcomes, most involving child safety and permanency. However, these contracts vary even in the method and type of

⁵ Michigan’s adoption contracts (that were being re-negotiated at the time of data collection for this paper) are another example of PBCs first implemented in the mid 1990’s.

permanency incentivized. For instance, some pay flat amounts for each completed adoption, some pay higher rates for expedited adoptions, some pay higher rates for the adoption of target (or hard-to-place) children. Both of the residential care contracts incentivize (but in different ways) shorter lengths of stay in residential settings.

Among those contracts that explicitly list performance measures, most incentivize (or provide payments for) all measures listed in the contract. The foster care case management contracts in Illinois and Missouri, however, list several performance measures but directly incentivize only child permanency and placement stability.

Structure of the Performance Based Contracts

Generally speaking, the 16 contracts described in this paper can be classified into one of three performance based contracting models:

- **Incentives and Penalties:** Providers receive base contract payments; on top of which they are paid incentives (or are charged penalties) for their performance on select measures. Idaho offers an example of this model in its resource family recruitment contracts. While providers receive a flat monthly fee for ongoing recruitment activities, they also receive a small incentive payment for each family recruited. These contracts produce the least risk to the private providers as payments for performance are generally only a small part of their contract payment. Florida, Iowa, Idaho and Tennessee fall into this category.
- **Caseload Models:** Agencies are required to accept a certain percentage of their caseload in new referrals, and move a certain percentage to permanency each year. Agencies are expected to manage their caseload balancing the cost of cases flowing in, by moving an equal or greater number of cases to permanency. Similarly, the cost of higher level care cases is balanced by stepping down an equal or greater number of cases to lower level placement setting. Agencies that fail to achieve the standards set under the contract risk serving more children than they are being paid for and having their new intakes placed on hold. While there is variation among them, Illinois' foster care contract and Missouri's contract fall into this category
- **Pure Pay-for-Performance Contracts:** These contracts only pay providers when they have met a key milestone. These contracts produce the greatest risk to the private providers but, as will be discussed below and in the following pages, vary greatly in what is funded and on what schedule. There are three variations of this model:
 - i. **Contracts that only pay when clients have achieved a system goal.*** For instance, in North Carolina and North Dakota, providers are only paid when a child is placed in an adoptive home or when a child's adoption is finalized. In North Dakota, providers receive additional payments when adoptions are completed within 12 months of TPR; and/or when they place children who did not have a pre-identified placement. In Wyoming's residential care

contracts, providers are paid decreasing amounts the longer the child remains in residential care.

- ii. Contracts that pay for a mix of completed services and client outcomes.** In Minnesota for example, all contract payments are linked to completing discrete services (e.g. training adoptive parents and completing home studies) and for placing children into adoptive homes. Minnesota also pays providers enhanced amounts for placing older children and sibling groups.
- iii. Contracts that only pay when target services are delivered.** New Mexico redesigned its contracts to pay providers higher rates for home studies completed more quickly. The state pays three different rates for completed home studies, based on time to completion.

5. Lessons Learned

State officials were also asked to describe the one or two central lessons learned about implementing or operating these PBCs.⁶ Several interrelated themes emerged across multiple states. These themes are also commonly described in related literature (McCullough and Associates, 2005; Lee, Allen and Metz, 2006; US DHHS, ASPE, 2007).

Need for continuous communication between public and private agencies. Nearly all states discussed the complexity of administering these contracts and the critical need to discuss challenges and problem solve on an ongoing basis. State officials discussed the importance of regularly scheduled formal meetings with multiple levels of project administration (from CEOs to supervisors or even front line workers) to clarify challenges and expectations and resolve issues as quickly as possible. State officials discussed the value of preparing written responses to questions.

Need for clear performance measures. Several state officials discussed the need for clearly defined performance measures which, in some cases, were operationalized over time. Some state officials discussed adding language to the scope of work or creating tools to standardize case practice. For instance, Florida incentivized additional face-to-face supervisory meetings and ultimately created a supervisory review tool to clarify the quality, scope, and depth of these meetings.

Need for transparency of fiscal penalties and incentives. As with the performance measures, several state officials described the need to prepare and apply clear and transparent penalties and incentives. They discussed the need for ongoing clarifications of these in light of any modifications to the performance measures and in light of performance itself. Some state officials also discussed the value of sharing performance across providers and have set up “performance dashboards” on state Web sites to inform contractors how they are performing in relation to each other.

⁶ Due to the ongoing research being carried out at the three QIC PCW sites (FL, IL and MO), readers will note that their discussions of lessons learned are lengthier than other states.

Data collection on performance has to be reliable and trusted by both the public and private partners. Both Illinois and Tennessee describe the value of using a third party (generally universities) to gather and analyze performance data. For its initial foster care PBC, Illinois contracted with Chapin Hall Center for Children at the University of Chicago to administer the management information system used to guide decisions about performance and payments to private agencies.

Contracts need to clarify roles and responsibilities of both private and public agency workers. Some state officials discussed the realization that in order to meet system goals expected in these contracts, contract language had to specify what was expected from both the private providers as well as what was expected of (and in what timeframe) *public agency workers*. Iowa, Tennessee and New Mexico discussed the need to train and work with public agency staff to clarify their roles and responsibilities in these new contracting relationships. Examples of this involved incentivized measures where provider payments were linked to the timing of completed activities that involved public agency reviews and approvals (e.g. reviewing draft home studies, or approving an adoptive home for placement). More complex ongoing work for the public agencies involved providing quality assurance and quality improvement activities to monitor and support performance in a timely fashion. Indeed providing sufficient, consistent and beneficial quality assurance continues to be a major struggle for many states.

These contracts are a “work in progress”. After over a decade of designing, refining and implementing performance based contracts, Illinois reports that their contracts are still a “work in progress.” While not explicitly discussed by other state officials, the ongoing refinements to contract language, performance measures and the structure of the contracts themselves demonstrates the complexity of linking payment to performance relative to traditional contracting models. The 14 states discussed in this paper were generally pleased with the contracts in place but acknowledged the ongoing work needed to support providers and ensure that system goals were met.

Chapter II – Summaries of State Contracts

◆ FLORIDA’S FIFTH JUDICIAL CIRCUIT⁷

Unlike the other performance based contracts described in this paper, in Florida, a private, lead agency administers the performance based contract. In 1996, the Florida Legislature mandated the outsourcing of child welfare services through the use of a lead agency design. Once the state has completed its investigation of abuse and neglect, all ongoing case management services are delivered by lead agencies across the state which, may in turn delegate direct case management activities to community-based organizations under subcontracts.

In Florida’s 5th Judicial Circuit, Kids Central Incorporated administers and monitors the performance based contracts for its five case management agencies (CMAs). The CMAs are responsible for all day-to-day case management of foster care cases.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
FL	All foster care cases	Florida’s Judicial Circuit 5 (formerly District 13) which includes Lake, Sumter, Marion, Citrus, and Hernando counties	Private Lead Agency	July 2007	July 2007
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
FL	Case Management Agencies (CMAs) receive a base contract amount and are also given incentive payments for their performance on casework activities and aggregate caseload outcomes	<ol style="list-style-type: none"> 1. Earlier and more accurate data entry into state’s administrative system. 2. Additional face-to-face supervisory meetings. 3. Increased contacts with biological parents. 	Rewards: CMAs receive incentive payments when: <ol style="list-style-type: none"> 1) case information is entered in a timely manner 90% of the time 2) supervisory reviews are held within the initial four days after a case is received and again 30-45 days later, 100% of time. 3) contact with birth parents is made in a agency-specified percentage of cases which is expected to increase over the contract period. 4) individually established agency goals for rates of reunification and legal guardianship/kinship care are met. 		

⁷ This performance based contract is one of the three Quality Improvement Center on the Privatization of Child Welfare Services supported projects.

		<p>4. Improved rates of maintained permanency for children.</p>	<p>Penalties:⁸ Stage 1: If a CMA misses performance standard for one quarter, the lead agency provides TA free-of-charge in conjunction with the development of a corrective action plan. CMAs will have a quarter to correct any problems and performance issues. Stage 2: If a CMA continues to miss performance standard for another quarter, TA continues but CMA is charged for the TA at the rate of \$250 per day per 1 FTE (if multiple days/FTEs this charge is multiplied). Stage 3: Termination of contract.</p>
--	--	---	--

Lessons Learned

In a recent report,⁹ Florida described several lessons learned since it implemented its performance based contracts:

Continual focus on Communication: Ongoing communication has served as a critical tool to reduce both anxiety and confusion for frontline staff. Answering staff questions in writing and sending back to all staff, utilizing a monthly newsletter and keeping clear minutes of all meetings is beginning to materialize as a critical function.

Use of Joint Meetings (between supervisors and intervention group): Communicating one message to both the group of supervisors and CEOs of the case management agencies has become an opportunity to clarify issues and reduce anxiety and miscommunication. Asking the group to submit questions that can be responded to in advance has also given the project team an opportunity to discern what “major” issues are in need of discussion

Use of an External Facilitator: An external, neutral third-party facilitator with child-welfare specific training and practice knowledge was employed for each of the meetings described above. The third-party facilitator allowed Kids Central to be an active participant “at the table” during critical outcome and performance measure discussions. This led to a more cooperative environment wherein the lead agency staff was recognized as an equal in the process of attempting to define and develop and incorporate standard outcome expectations and measures into the contracting process.

Consensus Surrounding Measurement processes Definitions and Meanings must be Established: Early in the process, it became clear that key participants had different understanding and definitions relating to primary concepts or measurements. Later in the process as issues in data collection were discovered building consensus on how to move forward was extremely important to the ongoing integrity of the process ultimately reducing anxiety of frontline staff on “how they are being graded”.

⁸ While written into the contracts, Kids Central has never fully implemented the penalties because the CMAs continued to demonstrate performance improvements even though they did not reach the target performance measures.

⁹ *Semi Annual Report: National Quality Improvement Center on the Privatization of Child Welfare Services.* April, 2009.

Incorporation of Outcome Expectations at a Contractual Level Did Not Translate to Specific Expectations or Activities at the Practice Level: Though the course of the project meetings, participants identified that there was not clear translation of outcome expectations into daily practice expectations or improvements. Though CMA management staff were knowledgeable of contractual outcomes, these outcomes had not been broken down into core practice activities that would help meet the true intent of the measure. Such focus on practice is critical when looking at how an organization will best be able to meet contracted performance expectations. The Florida project team has begun to address required practice changes through the implementation of supervisory training and enhanced Continuous Quality Improvement (CQI) initiatives that clearly identify practices that will facilitate improved outcomes. As data has become available specific practice issues have become more clearly identifiable and are being addressed.

For more information about this contract, contact:

Joanne Billingsley, Chief of Quality Assurance and Utilization Management Kids Central, Inc., Joanne.Billingsley@kidscentralinc.org.

◆ IOWA

Iowa currently operates two PBCs that directly link payment to performance.

1. Resource Family Recruitment

In July 2007, Iowa implemented new Resource Family Recruitment contracts that contained both performance standards and incentive payments. Private providers are expected to:

- ❑ Develop and implement service area- specific plans for the recruitment and retention of resource families (e.g. foster care and/or adoptive families). Each plan will include specific goals for recruiting both general and target (or hard to recruit) populations;
- ❑ License and train families;
- ❑ Conduct annual renewal processes for resource families;
- ❑ Conduct unlicensed relative home studies;
- ❑ Provide ongoing foster care and pre-adoptive support and post adoption support services.

Iowa established nine specific performance targets in these contracts (e.g. 93.17% of children placed into a licensed foster home will be within 45 miles of the child's home of origin) under four general performance measures (see table below). However, the state does not directly link incentive payments to the achievement of these targets, but rather pays for achievement of more general contract activities.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
IA	Resource Families	Statewide	State Child Welfare Agency	July 2007	July 2007
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
IA	Providers are paid a base contract amount and on top of this, are eligible for incentive payments (from 1-5% of contract amount) for strong performance.	<p>Overarching Performance Measures:</p> <p>Ensure that there is a sufficient pool of foster and adoptive homes to meet the needs of children in care.</p> <p>Process foster and adoptive initial licensures/</p>	<p>Rewards</p> <p>Providers are eligible to receive a one time incentive payment of \$5,000 per service area upon approval of the recruitment plan by the service area manager.</p> <p>Every six months, if a provider meets its "general" recruitment plan in a given service area, it is eligible to receive \$3,125.</p> <p>Every six months, if a provider meets its individual recruitment goals for the target populations, a provider is eligible to receive \$3,125 for each of the three target populations in a given</p>		

		<p>approvals and relicensures/ renewals in a timely manner.</p> <p>Children will be matched with appropriate foster homes in a timely manner.</p> <p>Safety is maintained for children in foster and adoptive care.</p>	<p>service area.</p> <p>Penalties None.</p>
--	--	---	--

Lessons Learned:

Prior to this contract state workers had conducted all recruitment and licensing activities. Private providers had to learn how to provide these services in the context of a performance based contract. A state official discussed their realization that they had not thought enough about their role in supporting contractors to deliver quality services prior to contract release. The state has worked to support its contractors and added more detailed “process” performance measures to the contract to clarify expected casework.

In addition, the state provided additional training and supervision to its own front line workers that interact with the private providers to clarify their roles and obligations under this contract. For instance, when a resource family is referred to the public agency, if a worker has concerns about the family, the worker is now required to clearly articulate these concerns, and discuss them with a supervisor, before the referral is not accepted by the regional office.

2. Family Safety, Risk and Permanency Services

In 2007, Iowa also implemented incentivized in-home service contracts. Private agencies provide a range of support services to children in the family’s home or in an out-of-home setting to promote child safety, family preservation, enhanced protective capacities of the children’s caretakers, and permanency for children in placement. In these contracts workers are expected to provide:

- family assessments
- visitation planning and supervision
- crisis intervention
- parent education and communication skill building
- family reunification services and
- concurrent planning services.

Examples of Performance Based Contracts in Child Welfare Services

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
IA	All adjudicated cases	Statewide	State Child Welfare Agency	2007	2008
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
IA	Providers are paid monthly base rates and on top of these, are paid incentives for strong performance.	<p>Children are safe from abuse during and after service provision</p> <p>Family stability without removal during and after services</p> <p>Safe reunification without reentry</p> <p>Achieving finalized adoptive or guardianship placement within twenty-four months of removal</p>	<p>Rewards</p> <p>Providers receive \$100 per case when children are safe from abuse and neglect for the entire episode of services with the same contractor and for at least six [6] months following the purchased services end date</p> <p>Provider receives \$250 per case when all children are maintained in their own homes during episodes of Family Safety, Risk, and Permanency Services and do not experience removal for six [6] consecutive months following the conclusion of their episode of services.</p> <p>Provider receives \$500 per case when children who were in placement at the beginning of, or enter placement during, their case's episode of Family Safety, Risk, and Permanency Services are reunited within twelve [12] months and remain home without experiencing reentry into care within six [6] consecutive months of their reunification date.</p> <p>Providers are paid \$500 per case when children who are in placement at the beginning of, or enter placement during their case's episode of Family, Safety, Risk, and Permanency Services achieve placement in a finalized adoptive or guardianship arrangement within twenty-four [24] months of their removal date.</p> <p>Penalties</p> <p>None at this time.</p>		

Lessons Learned:

The state is currently suspending its contract penalties that had involved reducing the base payment for services after 10 months of in-home services and reducing it further after 15 months of services. The state will be meeting with its contractors to determine how best to incentivize closing cases as quickly as possible while ensuring child safety.

For more information about these contracts, contact: Margaret J. Wright, Chief Bureau of Child Welfare Services, Iowa Department of Human Services, Email: mwright2@dhs.state.ia.us

◆ IDAHO

In 2008, Idaho changed the payment structure of several of its direct service contracts. The following is a summary of its Resource Family Recruitment contract but it also pays providers at the time of service completion for other activities including adoption recruitment, family preservation, and family group decision making facilitation services.

Under this contract, private providers recruit resource families through media outreach and general recruitment activities as well as targeted recruitment in two geographic areas in the state. While providers receive the bulk of their payments through a flat monthly rate, they are also paid an incentive payment for the recruitment of each resource family who becomes licensed.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
ID	Resource Families	Two Regions	State Child Welfare Agency	February, 1998	February, 1998
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
ID	This is a flat monthly rate plus fixed fee, indefinite quantity contract that also pays for performance – specifically, each licensed foster home as a result of recruitment.	<ol style="list-style-type: none"> One month of services satisfactorily delivered as described in the scope of work, reported in the provider's monthly activity report and verified by contract monitor. Recruitment of Foster Family. 	<p>Reward: Provider is paid \$1,250 for each month of recruitment activities.</p> <p>Provider is paid \$104 for the recruitment of each foster family.</p> <p>Penalty: Providers are at risk of a 10% reduction in payment for their monthly activities if the monthly activity report does not reflect the activities, deliverables and timeline reflected in the contractor's service plan.</p>		

For more information about this contract, contact: Steve Sparks, Region 4 Manager, ID Department of Health and Welfare, SparksS@dhw.idaho.gov .

◆ ILLINOIS

In 2008/2009, Illinois operated two models of performance based contracts, one for foster care case management and another for residential care and treatment. A third PBC model targeting children in Independent Living and Transitional Living programs was launched in state fiscal year 2010 effective July 1, 2009. See section 3 below.

1. Foster Care Case Management

Foster care case management contracts were first piloted in Cook County (Chicago) in 1997. These contracts were expanded statewide in 1998 and now involve all of the state’s foster and kinship care agencies. These private providers provide approximately eighty percent of the state’s day-to-day case management, family preservation and support services, family foster care, kinship care, adoption and respite care.

The foster care performance based contracts require providers to accept a certain percentage of their caseload in new referrals, and move a certain percentage to permanency each year. Agencies are expected to manage their cases by balancing the cases flowing in with those flowing out. If the standards are not met, caseloads increase, but the level of payment remains steady. Agencies that move more than the contracted number of children into permanent living arrangements do not experience a reduction in case management payments and may retain their excess earnings. Agencies that fail to achieve the standards set under the contract risk having their new intakes placed on hold and/or their contracts terminated. In practice, while the contract contains multiple performance measures, the only one that is directly incentivized is time to permanency.

Payments to providers are made in two parts: maintenance payments which are passed through to foster parents or relatives caring for children, and administrative payments. Administrative payments are designed to cover all costs of case management; services provided to the child, the child's family, and the foster family/relative caregiver; and administration costs.¹⁰ Administrative payment rates for state fiscal year 2009 are based on expected caseload ratios of 15.1 for traditional foster care and kinship cases and 10.1 for specialized foster care cases per worker. Contract expectations differ slightly depending on whether the agency is in, or outside of Cook County and whether the foster care provider is a relative or a traditional foster parent (McEwen, 2006; Westat & Chapin Hall, 2002; McCullough & Schmitt, 2003).

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
IL	Children in foster care and kinship care agencies.	Statewide	State Child Welfare Agency	July 1998	July 1998
Performance Based Contract Specifics					

¹⁰ Agencies also receive lump-sum payments for reunification/aftercare. Traditional (non-relative) foster care agencies receive additional resources for the recruitment and training of foster parents and the provision of emergency foster care.

Examples of Performance Based Contracts in Child Welfare Services

Site	PBC Design	Performance Measures	Rewards and Penalties
IL	<p>Agencies are required to accept a certain percentage of their caseload in new referrals, and move a certain percentage to permanency each year. Agencies are expected to manage their cases by balancing the cases flowing in with those flowing out. Agencies that exhibit substandard performance in the following measures may be penalized.</p>	<p>While setting few performance targets aside from caseload ratios and annual permanency rates, Illinois monitors several programmatic measures and aggregate client outcomes including:</p> <p>Programmatic Measures: e.g. caseload size, accreditation status, rates of recruitment of foster parents and their licensure</p> <p>Child Safety: e.g. # of reports of abuse/neglect, # of removals for immanent risk</p> <p>Child Well-being: e.g. placement of siblings, placement within community or with relatives, engaging children and parents in case planning</p> <p>Child Permanency: e.g. average length of stay in care, placement disruptions, average number of moves, use of more restrictive placements</p> <p>Compliance with Federal Regulations: e.g. compliance with reasonable efforts requirements</p>	<p>Rewards: Agencies that move more than the contracted number of children into permanent living arrangements do not experience a reduction in case management payments and they retain excess earnings.</p> <p>Penalties: If the caseload standards are not met, caseloads increase, but the level of payment remains steady. Further, if performance is not sufficient, the agency stops referring new cases and will reduce contracted capacity (or eliminate the contract all together) if performance remains weak over time.</p>

Lessons Learned

Prior to becoming Director of the Illinois Department of Children and Family Services, Erwin McEwen wrote an unpublished paper while serving as the Deputy Director for Quality Assurance on the lessons learned about gaining buy-in for the performance based contracts process and thereby achieving program goals. He wrote:

- Private providers had meaningful input into the planning and design phase. In 1997, providers met with state staff and formed a work group that crafted the plan, policies and implementation strategies of the new system.
- Providers were concerned about the data by which performance would be measured. Providers wanted to be confident that the data would be accurate and reliable. In consequence, the state contracted with Chapin Hall Center for Children at the University of Chicago to administer the management information system used to guide decisions about performance and payments to private agencies.
- Finally, the state gained buy-in for the new system by making a commitment to providers that a percentage of any money saved by reducing the number of children in foster care was reinvested into the system to improve services and protect children. This included increasing staffing of case management teams,

recruiting additional foster homes, and expanding the availability of emergency placements and clinical services (McEwen, 2006).

2. Residential Care Performance Based Contracts¹¹

Illinois learned from its experience in 1997 procuring foster care services that the best way to ensure a shared vision of success (and a shared approach to achieving it) was to engage the private provider community and other stakeholders, including the courts, prior to contract development and work out program and implementation issues together (McEwen, 2006).

In January, 2007 using the existing Child Welfare Advisory Committee (CWAC) structure which provides a formal mechanism for private sector input on all aspects of the Illinois child welfare system, the expansion of performance based contracts for residential care began. Workgroups held more than 75 meetings to work on the design during the first year of contract development. They performed the following tasks:

- Analyzed the service delivery in residential programs
- Reviewed available data and research pertaining to these programs
- Identified evidence-informed practices
- Determined gaps in existing data, and future needs for data collection
- Engaged national and local experts to provide technical assistance
- Discussed performance indicators and the data used to measure them
- Reached consensus on the proposed performance indicators
- Developed fiscal incentives
- Developed a preliminary risk adjustment model (Kearney & McEwen, 2007).

Rather than issuing a competitive Request for Proposal (RFP) for agencies to participate in the demonstration project, Illinois simply added contract addenda containing the new performance measures to all SFY 2008 residential contracts. Providers agreed to cooperate in all data collection, evaluation, and training efforts. In addition, the state held its providers harmless for the first contract year – not imposing financial rewards and penalties as a result of SFY 2008 performance. This allowed the Project Steering Committee and CWAC workgroups to closely scrutinize the data resulting from the demonstration year and make informed policy decisions pertaining to implementation. Performance based contracts for residential care were fully implemented for SFY 2009.

The overarching goals of the current expansion of PBC/QA to residential care are to increase placement stability, sustain treatment gains obtained during residential placement post-discharge, and incentivize shorter lengths of stay in residential care while improving client stability and functioning. This will allow for expanded availability of residential care beds for other children in need of these placements thereby increasing the likelihood of a successful intervention.

¹¹ This initiative is being partly supported by the Quality Improvement Center on the Privatization of Child Welfare Services.

Examples of Performance Based Contracts in Child Welfare Services

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
IL	Children and youth in residential programs	Statewide	State Child Welfare Agency	September 2007	July 2008
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
IL	Residential providers are rewarded or penalized based on their performance on aggregate caseload outcomes using the following two measures:	<p>1. Sustained Favorable Discharge Rate (SFDR): "positive" or "neutral" discharge to a placement that is stable post-discharge for 90, 180, or 270 days.</p> <p>2. Treatment Opportunity Days Rate (TODR): The percentage of days in treatment out of the total number of days placed at the agency during the review period.</p>	<p>Reward: For each additional Sustained Favorable Discharge, an agency will receive the difference between the residential per diem and the step-down per diem for every day that the child remains stable in the discharge placement, up to 270 days. Predicted rates are determined by applying a risk adjustment model to each agency's case mix and factoring in child and other characteristics that are predictive of sustained favorable discharges.</p> <p>Penalty: Private providers can lose money if they do not achieve their set TODR benchmarks. TODR is the percentage of days in treatment (i.e. not on runaway, in detention or hospitalized in a psychiatric facility) out of the total number of days placed at the agency during the review period. This rate is derived by dividing the number of days that youth were present at the agency divided by the total number of bed days in the residential stay.</p>		

Lessons Learned

Because residential providers in Illinois target distinct populations, the state developed a Residential Risk Adjustment Strategy that is based on multiple client and other specific factors which are positively or negatively correlated with Sustained Favorable Discharge and Treatment Opportunity Days. For example longer length of stay, prior residential placement, and older age at admission are positively associated with Treatment Opportunity Days Rate (TODR); but a history of running away or detention is negatively associated with TODR.

The Risk Adjustment Strategy is meant to level the playing field among private provider agencies. If a provider agency receives a lot of children at risk of running away, their TODR is adjusted to take into account the increased risk of children running away. Also, if an agency receives a lot of children at low risk of poor discharge, their SFDR is adjusted to take that into account.

In addition, the state reports several other lessons learned including:

1. Need for a sustained, clear and consistent communication strategy between the public and private sector
2. Need for sustained and committed leadership dedicated to project implementation
3. Need to effectively and efficiently manage utilization of residential treatment services
4. Need to establish clear definitions and consistent data collection
5. Need for transparency in fiscal penalties and incentives
6. Criticality of internal coordination of efforts within the public agency
7. Recognition this is “a work in progress” and the project must adapt as more knowledge is gained through implementation and evaluation.

3. Independent Living Options (ILO) and Transitional Living Program (TLP) Contracts

Illinois sought to use performance based contracts for Independent Living Options (ILO) and Transitional Living Program (TLP) services at the same time it initiated residential performance based contracting. Youth in these programs are at least 16 years of age. The CWAC workgroups assigned to work on the project quickly learned that the data upon which such a system must be built was not sufficient or reliable enough to support performance based contracting in FY 2009. Significant programmatic reform was undertaken in FY 2006, but the definitional clarity required to establish performance indicators was not yet clearly established. During FY 2009 the Project Steering Committee and the CWAC workgroups refined data elements and established performance measures which have been incorporated into the FY 2010 contracts. The results will be closely monitored during this fiscal year due to the complexity of the data issues and the variance in outcomes for this population.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
IL	Youth 16+ years old in ILO/TLP programs	Statewide	State Child Welfare Agency	July 2009	July 2009
Performance Based Contract Specifics					

Examples of Performance Based Contracts in Child Welfare Services

Site	PBC Design	Performance Measures	Rewards and Penalties
IL	ILO/TLP providers are rewarded or penalized based on their performance on aggregate caseload outcomes using the following two measures:	<p>1. Discharge Potential Rate with Indicators of Self-Sufficiency (DPR/ISS): rated derived by dividing the number of youth discharged with potential by the total number of youth served.</p> <p>2. Transitional Living Placement Stability Rate (TLPSR): The percentage of days present in the program out of the total number of days placed at the agency during the review period.</p>	<p>Reward: Agencies will be ranked according to performance on DPR/ISS. A percentage of the highest ranking agencies, yet to be determined, will qualify for a bonus.</p> <p>Penalty: There are no penalties associated with either performance measure in the FY 2010 contracts</p>

For more information about how residential performance based contracts work and about these lessons learned, please contact Brice Bloom-Ellis, Illinois DCFS at Brice.Bloom-Ellis@illinois.gov or Judge Kathleen A. Kearney, Children and Family Research Center, at kkearney@illinois.edu.

◆ **MINNESOTA**

In 1998, Minnesota began to contract for adoption services. The State pays providers only when they complete certain activities designed to expedite adoptions. Through these contracts, private adoption agencies focus on the hardest to place children. Private providers work across the state but select certain service areas to target their efforts.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
MN	All children, ages 0 to 18 with emphasis on children 6 and older, siblings needing to be placed together, and children of color	Statewide	State Child Welfare Agency	January, 1998	January, 1998
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
MN	This is a purely pay-for-performance contract. Providers are paid only after completing one or more of the following activities.	<ol style="list-style-type: none"> 1. Adoption Training and Education 2. Adoption Home Studies 3. Adoption Home Study Updates 4. Relative Adoption Home Study 5. Child-Specific Recruitment Activities 	<p>Reward: Maximum payment: \$200.00 per individual trained</p> <p>Maximum payment: \$3,200 upon completion of the adoption home study</p> <p>Maximum payment: \$1,200 upon completion of the home study update</p> <p>Maximum payment: \$3,200 per relative home study</p> <p>Maximum payment for child-specific homestudies:</p> <ol style="list-style-type: none"> a. \$6,000 – for each six-month period of active recruitment for a child or sibling group. b. Up to \$24,000 – available for up to four six-month periods per child or sibling group. c. Funding is prorated accordingly: <ol style="list-style-type: none"> i. GRANTEE may invoice first 50% (\$3,000) at commencement of child specific recruitment. ii. GRANTEE may invoice the second 50% (\$3,000) at completion of 3 months of activity. iii. If child is placed for adoption any time after the third month but before the sixth month ends, GRANTEE may bill for the final 50% (\$3,000) payment. 		

◆ MISSOURI

In 2005, Missouri adopted the Illinois performance based contract model for its foster care and adoption case management providers in three regions of the state.¹² The performance based contracts require providers to move a certain percentage of their caseloads to permanency each year. New referrals are given each month to replace those which are expected to move to permanency. Again like Illinois, while the contracts contain multiple performance measures, only child permanency is directly incentivized. Rather than contracting with individual providers, Missouri contracts with eight provider consortiums to encourage agencies to pool resources and partner within their respective systems to provide a broader continuum of services to child welfare involved families.

The state paid new contractors a one-time payment for start-up purposes to ensure that they were fully staffed and prepared to take on cases when the contracts went into effect. The contract start date was June 1, 2005; however, contractors were not assigned cases until September 1, 2005. Those contractors who were serving children under a pre-existing contract would be re-assigned to the new contract as of September 1, 2005. The contracts were re-bid this past year and expanded to three areas of the state. The current contracts were awarded to the initial seven consortiums effective 08/11/08. The expansion areas included three additional contracts that were awarded 09/01/08 to serve 12 counties in the central, south central and southwestern portions of the state. The current contracts expire on 09/30/11.

As of 04/30/09 the active caseload for private contractors consisted of 2,560 children. This compares to 6,717 children served statewide. Approximately 38% of the foster care population is served through contracted case management providers.

When the PBC began, in order to give all providers a level playing field (i.e. all providers worked with equally difficult cases), the Division entered into contract with the University of Missouri to “equalize caseloads.” Children (and sibling groups) were distributed based on gender, ethnicity, age, and time in out-of-home placement. Once this base caseload for each provider was established, the Division has continued to randomly assign cases to providers on an ongoing basis to preserve an equitable caseload mix.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
MO	All children in out-of-home care	Initial- three child welfare regions: St. Louis, Kansas City and Springfield- Current-six regions	State Child Welfare Agency	June 2005	September 2005
Performance Based Contract Specifics					

¹² The evaluation of this initiative is being partly supported by the Quality Improvement Center on the Privatization of Child Welfare Services.

Examples of Performance Based Contracts in Child Welfare Services

Site	PBC Design	Performance Measures	Rewards and Penalties
MO	Missouri has 6 performance measures but only one is directly linked to payment. Each year, each provider consortium has a set caseload (e.g. 100 children) and permanency rate (e.g. 30%). New children are rotated into the agency based on the agreed upon caseload and permanency rate.	<ol style="list-style-type: none"> 1. Reduced reentry into foster care 2. Increased stability 3. Increased permanency 4. Increased safety 5. Decrease residential utilization days 6. Development of resource (or foster care) homes 	<p>Reward: Each agency contracting with the State will be paid a set monthly case rate for a pre-determined number of cases. Agencies will be expected to place a certain number of cases in a permanent setting each year and the State will randomly assign new cases to each provider in order to maintain a full caseload based on annual caseload expectations. Under this payment structure, agencies achieving higher than targeted permanency rates (closing a greater number of cases than are being replaced through re-assignment), will be rewarded financially because the total revenue established by the contract will not be reduced for lower "actual" caseloads.</p> <p>Penalty: Penalties result from referral holds if the consortium does not meet performance standards. Referral holds result in a reduction of funding. They are also financially penalized if they fail to meet the permanency expectations as they will serve more children than what they are paid for.</p>

Lessons Learned

Need for ongoing communication with a range of stakeholders:

Prior to the contracts being released, the state held meetings to inform stakeholders about the new contract method. After the contracts were initiated, the state realized it needed to hold periodic, ongoing meetings at the local, regional and state levels. At this time, the state convenes three types of ongoing cross system meetings: Consortium CEO Meetings held with the Director of the Children’s Division, larger program management meetings that work out more programmatic issues and complex practice issues, and local meetings to address a Continuous Quality Improvement (CQI) process for improved service delivery and collaboration.

Ongoing formal meetings are also important to help ensure quality service provision and refine contract monitoring activities. Local joint meetings were held on a monthly basis for the first three years of implementation. Recently, some of the initial sites have decided to meet less frequently. Quality Assurance (QA) representatives from the public and private sectors are now invited to the regional meetings to develop joint QA plans where needed and move the emphasis from process (i.e. implementation issues) to improved quality of services and outcomes for children.

Public Agency Staffing

Additional lessons learned were that designated staff are critical for the implementation and on-going support of the performance based contracts. One oversight specialist is assigned to every 70 contracted cases. The oversight specialist function is to provide technical assistance to contractors on matters of policy updates, training opportunity notification, etc. These staff also support daily functions such as case assignment in the SACWIS system. Additionally, they support accountability, attend permanency plan reviews and monitor child and placement provider visitation ensuring best practice. The transition of case carrying staff to contract oversight

specialists has been a long process. Missouri has not studied turnover rates for these staff which may be a complicating factor.

SACWIS Compliance

SACWIS compliance continues to be an issue of concern. Private agencies developed case management systems to address their business needs at considerable cost. The state has since implemented a SACWIS compliant case management system which was federally funded. Information can not be dually entered into a SACWIS system and another information system. As such, the state is working to develop an interface from SACWIS to the private provider systems. The private providers will need to accept the information downloaded through the interface which will likely involve additional cost.

Outcomes

The calculation of outcomes has been more difficult. Changes in case management agencies complicate the outcomes calculations. Targets are difficult to define for measures such as stability and re-entries into care. They can be expected to decline as time and numbers of children increases from one contract year to the next. The conversion to a SACWIS compliant systems delayed Year 3 outcomes and the revision of outcome targets.

For more information about this contract, contact: Venice Wood, Management Analysis Specialist, MO Department of Social Services, Venice.P.Wood@dss.mo.gov.

◆ **NEBRASKA**

In July 2008, Nebraska included incentives and penalties in its new safety and in-home services contracts. These contracts contain a wide range of services including: in-home safety services, intensive family preservation service, residential safety services (when child needs to be temporarily placed in foster care), supervised visitation, respite care, among others. While the private providers had been delivering these services individually for years, to improve the state’s performance on select casework activities, CFSR performance and ASFA outcome measures, the state added incentives and penalties associated with specific performance measures of interest along with changing to a continuum of service provision by one contractor.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
NE	In-home services caseload	Statewide	State Child welfare Agency	July 2008	Oct 2008
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
NE	Providers are paid unit service costs for a range of in-home safety services. In addition, they receive incentives and penalties based on their performance on the measures described below.	Nebraska has a series of performance measures relating to child safety, permanence and reporting requirements. See Following Exhibit for details.	<p>Rewards</p> <p>Nebraska has a series of incentive payments. See following Exhibit for details.</p> <p>Penalties</p> <p>Nebraska has a series of penalties associated with performance. See following Exhibit for details.</p>		

Lessons Learned

State officials discussed the importance of transparency. The contracts, performance measures and each provider’s individual performance is posted on the state agency’s Web site. The measures and incentives/disincentives were collaboratively developed with the existing providers. However, even with this level of buy-in, state officials reported that it has been much more labor intensive to track performance – especially the last measure which involves assessing the quality of information contained in provider progress reports. Site officials reported that a central lesson learned has been to create clear and detailed performance measures (e.g. does a two hour response time mean they are in the home within two hours or that they are en route to the home in two hours). When financial rewards and penalties are attached, everyone needs to have the same definition of success.

**Performance Measures, Incentive and Penalties for
Nebraska's In-Home and Safety Services**

Safety

98% of Department referrals for In-Home Safety Services will have a Contractor/client face to face contact within 2 hours.

- A. Quarter 1 of the contract period (07/01/08-09/30/08) the Contractor will average no less than 95% compliance with the 2 hour response time.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$2,500.
- B. Quarter 2 of the contract period (10/01/08 – 12/31/08) the Contractor will average no less than 98% compliance with the 2 hour response time.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$2,500.
- C. Quarter 3 of the contract period (01/01/09-03/31/09) the Contractor will average no less than 98% compliance with the 2 hour response time.
 - 1) Contractors that do not meet this measure will be **penalized** \$2,500
- D. Quarter 4 of the contract period (04/01/09-06/30/09) the Contractor will average no less than 98% compliance with the 2 hour response time.
 - 1) Contractors that do not meet this measure will be **penalized** \$2,500

94.6% of youth served will not have a substantiated report of repeat maltreatment

- A. Quarter 1 of the contract period (07/01/08-09/30/08) the Contractor will average no less than 91% compliance with repeat maltreatment.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$5,000.
- B. Quarter 2 of the contract period (10/01/08 – 12/31/08) the Contractor will average no less than 93% compliance with repeat maltreatment.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$5,000.
- C. Quarter 3 of the contract period (01/01/09-03/31/09) the Contractor will average no less than 94.6% compliance with repeat maltreatment.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$5,000.
- D. Quarter 4 of the contract period (04/01/09-06/30/09) Contractor will average no less than 94.6% compliance with repeat maltreatment.
 - 1) Contractors that meet or exceed this measure will receive an **incentive** payment of \$5,000.
 - 2) Contractors that do not meet this measure will be **penalized** \$10,000.

Permanency

75% of families referred for Intensive Family Preservation Service will have a contractor/client face-to-face contact within 24 hours of the Department referral.

- A. Quarter 1 of the contract period (07/01/08-09/30/08) the Contractor will average no less than 93% compliance with the 24 hour response time.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$2,500.
- B. Quarter 2 of the contract period (10/01/08 – 12/31/08) the Contractor will average no less than 95% compliance with the 24 hour response time.
 - 1) Contractors that meet this measure will receive an **incentive** payment of \$2,500.
- C. Quarter 3 of the contract period (01/01/09-03/31/09) the Contractor will average no less than 95% compliance with the 24 hour response time.
 - 1) Contractors that do not meet this measure will be **penalized** \$2,500
- D. Quarter 4 of the contract period (04/01/09-06/30/09) the Contractor will average no less than 95% compliance with the 24 hour response time.
 - 1) Contractors that do not meet this measure will be **penalized** \$2,500

95% of youth will remain safely placed in their parental home during the provision of services.

- A. Quarter 3 of the contract period (01/01/09-03/31/09) the Contractor will average no less than 70% compliance children remaining in their parental home.
 - 1) Contractors that do not meet this measure will be penalized \$2,500
- B. Quarter 4 of the contract period (04/01/09-06/30/09) the Contractor will average no less than 72% compliance children remaining in their parental home.
- C. Contractors that do not meet this measure will be penalized \$2,500

Reporting

Progress Report Summaries will be received by the Department no later than the 15th of the month following service provision. 10% of the reports will be reviewed by the Department to determine if timelines were met.

- A. Quarter 1 of the contract period (07/01/08-09/30/08) the Contractor will be penalized \$5 for every late report included in the sample.
- B. Quarter 2 of the contract period (10/01/08 – 12/31/08) the Contractor will be penalized \$10 for every late report included in the sample.
- C. Quarters 3 and 4 of the contract period (01/01/09 – 06/30/09) the Contractor will be penalized \$10 for every late report included in the sample AND will be penalized an additional \$10 per day for every day that the report is late.

In-Home Safety Weekly Reports will be received by the Department no later than Thursday at 5:00 p.m. and the report will cover Thursday – Wednesday of the most recent 7 days. 10% of the reports will be reviewed by the Department to determine if timelines were met.

- A. Quarter 1 of the contract period (07/01/08-09/30/08) the Contractor will be penalized \$5 for every late report included in the sample.
- B. Quarter 2 of the contract period (10/01/08 – 12/31/08) the Contractor will be penalized \$10 for every late report included in the sample.
- C. Quarters 3 and 4 of the contract period (01/01/09 – 06/30/09) the Contractor will be penalized \$10 for every late report included in the sample AND will be penalized an additional \$10 per day for every day that the report is late.

Progress Report Summaries will be typed and be of good quality that contains necessary information related to service provision. 10% of the reports will be reviewed by the Department to determine that the quality and content of the reports meet the needs of the Department.

- A. Quarters 1, 2 and 3 of the contract period (07/01/08-03/31/09) the Contractor will be provided feedback by Department Staff on the content and quality of the reports and will be expected to make improvements.
- B. Quarter 4 of the contract period (04/01/09 – 06/30/09) the Contractor will be penalized \$65.00 for every report that does not meet the content and quality standards.

For more information about this contract, contact: Sherri Haber, CQI/Operations Administrator, Children and Family Services, Department of Health and Human Services, at: Sherri.Haber@nebraska.gov .

◆ **NEW MEXICO**

New Mexico uses performance measures in all of its child welfare contracts but the only contract that directly links payment to performance is the foster/adopt home licensing contract. In an effort to expedite the home study process, in July 2008, the agency began paying providers higher payments for those home studies completed more quickly. A state official explained that the state was comfortable moving to a PBC model because licensing decisions are very structured and based on clear guidelines. Providers use the Structured Analysis Family Evaluation (SAFE) tools for the psychosocial evaluation and complete the state agency’s home study report.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
NM	Adoptive and foster parents	Statewide	State Child welfare Agency	July 2008	Oct 2008
Performance Based Contract Specifics					
Site	PBC Design	Performance Measure	Rewards and Penalties		
NM	Private providers are paid higher unit rates for completing the home study and are rewarded higher payments for studies completed more quickly.	75% of all home studies will be completed within 75 days of assignment.	<p>Rewards</p> <ul style="list-style-type: none"> • Providers are paid \$1,100.00 for home studies received and approved by the Agency within 60 days from date of referral. • Providers are paid \$1,000.00 for home studies that the Agency has approved and received (including family signature) within 61- 90 days from date of referral. • Providers are paid \$900.00 for home studies that the Agency has approved and received (including family signature) after 91 days from date of referral. • Contractor will be paid \$450.00 for home studies which are not completed, but where at least one home visit has taken place and both questionnaires have been administered and analyzed. Contractor will write up a narrative summarizing what has taken place and submit to Agency for payment. <p>Penalties: None</p>		

Lessons Learned

State officials report that this new payment model has significantly increased the number of expedited home studies. However, to make the new process work, the state learned that it had to hold its own staff accountable for meeting certain deadlines – such as reviewing and returning draft home studies to the private provider within 5 days of receipt. As a result of these lessons, the state modified its contract to include written expectations for both the public and private agency workers to ensure that both systems were held accountable.

For more information about this contract, contact: Yvette C. Sandoval, Title IV-B & CRC Manager, Protective Services Division at: yvette.sandoval@state.nm.us

◆ NORTH CAROLINA

North Carolina operates two performance based payment initiatives to increase the rate of adoptions of special needs children. The first initiative, which is limited to licensed private child placing agencies, promotes public-private partnership in finding prospective adoptive families for special needs children. The second of these two initiatives rewards public agency county offices as well as private providers.

In 1997, North Carolina initiated its Adoption Promotion performance based contracts. Reflecting the bonus program initiated by the federal government that same year, North Carolina sought an innovative approach to improve their adoption rates for the state's special needs children. The five non-profit providers participating in this project are paid *only* when they achieve certain milestones. Specifically, when a child is placed in an approved adoptive home and when the adoption is finalized. There is no base payment for conducting business. Providers are responsible for recruiting, supporting, and training families interested in adopting special needs children. These children are typically defined as older, of minority heritage, in sibling groups or having mental, emotional or physical challenges.

Under the Adoption Promotion contracts, each of the private providers is given an adoption promotion contract with an allocation cap from which it can continue to draw down with each new adoptive placement. Once that cap is reached, providers can then participate in the state's second adoption promotion initiative which is also open to public agency county offices. This second fund, known as the Special Children Adoption Fund, provides bonus payments based on age of child and special needs. Public and private agencies are paid out of this fund only after they have exceeded the number of "baseline" adoptions expected of them annually. (The baseline is calculated as the average number of adoptions achieved by the agency over the last four years, eliminating the highest year.) The private child placing agencies participating in this fund after they have exhausted all funds in their Adoption Promotion contract.

Each year, county offices and private agencies are informed of their baseline number and once they have surpassed that number, they are eligible to participate in the program. The child's case must be activated in State adoption assistance payment system before payment is made to the agency. The contract administrator verifies invoices prior to payment. Payment is on a first come first serve basis, therefore even though an agency may have a contract with a specified allocation there is no guarantee that funding may be available when they exceed their baseline.

If a private agency and public agency work together to place the child, the bonus is divided between agencies. For example, if one agency recruits and trains the adoptive family and the other agency does the adoption legal work they can share the payment.

Examples of Performance Based Contracts in Child Welfare Services

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
NC (Adoption Promotion Contracts)	Special Needs Adoptions	Statewide	State Child Welfare Agency	July, 1997	July, 1997
NC (Special Children Adoption Fund)	Special Needs Adoptions	Statewide	State Child welfare Agency	1997	1997
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
NC (Adoption Promotion Contracts)	This is a purely pay-for-performance contract. Providers are paid only after achieving one or both milestones: 1. child is placed in an approved adoptive home; 2. court has issued finalized adoption decree	The state has two overarching goals for this initiative: 1. Safe and secure adoptive placement for special needs children who are in the legal custody of county departments of social services. 2. Finalization of adoption through decree of adoption.	Rewards Providers are paid <ul style="list-style-type: none"> ❑ \$8,325 per child at the time of placement, and ❑ \$2,775 per child when the decree is finalized Penalties The providers are at risk for costs associated with placement and support activities that do not result in a placement or finalized adoption.		
NC (Special Children Adoption Fund)	NC is offering both public county agencies and private adoption agencies bonuses if they exceed their previous levels of adoptions of special needs	Finalized adoptions of special needs children	Rewards: Public and private agencies receive: <ul style="list-style-type: none"> ❑ \$9,000 for each finalized adoption for children from 0-12; ❑ \$15,000 for each finalized adoption for children 13-17 ❑ \$15,000 for each finalized adoption for each child in a sibling group of three or more who are placed together. 		

Examples of Performance Based Contracts in Child Welfare Services

	children in a given fiscal year. Payments are based on age of child and other special needs.		Penalties There are no penalties associated with this initiative.
--	--	--	---

Lessons Learned

A State child welfare administrator explained that overall, the state is very pleased with these performance based programs and over the past decade special needs adoption has increased four fold in North Carolina. Both public and private agency administrators understand exactly what is funded and how these funds work; which makes administration of these programs very easy and clear cut.

Special Children Adoption Fund Contract: While the relationship between the public and private agencies is generally very good, occasionally custodian (or public) agencies indicate that since they have responsibility for the child and are required to do some of the legal paperwork to facilitate the adoption that they should receive a share of the payment.

For more information about North Carolina's adoption promotion efforts contact Amelia Lance, Children's Services Policy Team, NC Division of Social Services at: Amelia.Lance@ncmail.net.

◆ **NORTH DAKOTA**

In July 2005, North Dakota restructured its adoption contracts to reimburse private agencies on an outcome based payment system. A state official explained that the state did not intend to save money in this contract; it just wanted to pay for specific deliverables. Under this contract, providers are expected to assess and prepare children for adoption, and recruit, train and support adoptive families, including providing post placement supervision.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
ND	Children with goal of adoption	Statewide	State Child Welfare Agency	1993	July 2005
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
ND	These are purely pay-for-performance contracts. Providers are paid at defined "pay points" for achieving milestones in case or level of difficulty. There is no base payment to providers.	There are no explicit performance measures in these contracts; only the implicit expectations (supported by payment schedule) that all children needing adoptive homes will be adopted in a timely manner.	<p>Rewards¹³ Providers are paid at time of:</p> <ol style="list-style-type: none"> 1. Adoptive placement (all child and families activities up until the paid placement agreement). 2. Adoptive finalization (post placement supervision, court reports and finalization activities). <p>Additional incentive payment for:</p> <ol style="list-style-type: none"> 3. adoptions completed within 12 months of the TPR date, and 4. hard-to-place children without an identified placement. <p>Penalties The penalty is that the provider is not paid for work that does not result in an adoptive placement.</p>		

Lessons Learned:

A state official described two central lessons: it is important to pay for what you really want to have happen. For instance, they paid additional incentives for placing the hardest-to-place children. In addition, clarity of expectation is very important and as a result, the state has become more detailed in its scope of work over time.

For more information about this contract, contact: Julie Hoffman, Adoptions Administrator, Children and Family Services, NDDHS at: jmhoffman@nd.gov .

¹³ Level of payment is negotiated with individual providers.

◆ **TENNESSEE**

In July 2006, Tennessee began restructuring its contracts with the 37 private providers that provide case management services for the foster care population.¹⁴ Performance based contracting was introduced for a total of five providers that year, and for an additional six the following year. The final group of provider contracts will be converted this year (2009). The contracts reference a sophisticated analysis that works to incentivize reductions in average care days provided these are achieved through exits to permanency that are maintained over time. Providers are penalized if average care days are higher than anticipated, also taking into account the secondary variables of permanency and re-entry. This ongoing analysis is conducted by Chapin Hall and is reported to the State (by provider) every six months. Incentives and penalties are calculated on an annual basis.

For each child, providers are expected to place and provide treatment services as appropriate for higher level placements (those placed in therapeutic foster care, hospital or medical settings, group homes), and plan for permanency.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
TN	Out-of-home care population.	Statewide	State Child Welfare Agency	July 2006	July 2007
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
TN	Each provider receives a base payment for the anticipated care days they will provide their caseload. This payment is based on historical data. Additionally, providers receive an incentive payment or a deduction based on their performance on three measures.	Primary: Average care days. Secondary: 1) Proportion of placements exiting to permanency. 2) Proportion of permanencies re-entering care. Performance targets for each of the three measures are interdependent. The targets for the two secondary measures	Rewards¹⁵ If the provider shows a reduction in average care days in comparison to the baseline, a reward can be realized. But first, performance on the secondary variables is considered. If these meet certain targets, the provider is able to reinvest 50% of the realized savings (the State maintains the remaining 50% as it constitutes the Federal match). The potential savings are reduced by unacceptable performance on the two secondary variables. Penalties If the provider shows an increase in average care days, a penalty may be incurred. But first, performance on the secondary variables is considered, consistent with the above. The penalty may be decreased depending on mitigating performance on these variables.		

¹⁴ In Tennessee, for approximately one-half of the foster care caseload, case management services are “outsourced” or overseen by a total of 37 primary private providers. For the other half, case management services are overseen by public agencies.

¹⁵ The standard per diem rate is \$172 per day statewide for all providers.

Examples of Performance Based Contracts in Child Welfare Services

		are dependent on the provider's performance on the primary one.	
--	--	---	--

Each of the contracts with the 37 providers is identical. Providers are given a one year grace period - for the first year in which the contract is in effect, incentives and penalties are calculated but not applied. After this grace period, incentives and penalties accruing from performance are applied at the beginning of the subsequent contract year.

Lessons Learned:

The State official noted that she applies the "10:1 ratio" in order to make this work successfully; meaning, for every single hour spent on the fiscal side, one must spend at least 10 hours on the programmatic side thinking through needed improvements. Congruent with this is the realization that this performance based system represents only one piece to ensuring high quality decision-making. Additional supportive work is ongoing.

The State official noted that special work was needed with those contractors providing very highly specialized services, such as sex offender treatment, and medical services. Much time and attention was given to these more specialized providers, although they did eventually opt into the performance based system.

Much time was also spent working with front-line workers in both the public and private agencies. For instance, data on the highest performing private agencies was shared within the public agency to ensure that public agency workers were making referrals to these providers. Similarly, work with front-line private agency workers was undertaken to emphasize that youth should not be released prematurely only to meet performance expectations.

For more information about this contract, contact: Elizabeth Black, Executive Director Office of Child Permanency, Tennessee Department of Children's Services at: Elizabeth.Black@tn.gov

◆ WYOMING

In July 2006, Wyoming restructured its contracts with all residential treatment providers. The contracts included a graduated reimbursement structure which declines based on the length of time a youth spends in the care of the provider. A state official explained that the goal was to decrease the time that youth spent in such congregate care settings. The contractors are expected to provide room and board, and a basic array of supportive and treatment services.

Performance Based Contract Specifics					
Site	Target Population	Geographic Coverage	Contractor	Date Contract Initiated	Date Payments Linked to Performance
WY	Youth in foster care with emotional disorders and behavioral management problems	Statewide	State Child Welfare Agency	July, 2006	July, 2006
Performance Based Contract Specifics					
Site	PBC Design	Performance Measures	Rewards and Penalties		
WY	Upon referral of a youth to a Residential Treatment Center (RTC), for the first 6 months, RTC providers are reimbursed through an enhanced daily rate. They receive the Base Rate for the subsequent 90 days, and a decreased rate thereafter.	There are no explicit performance measures in these contracts; only the implicit expectations (supported by payment rates) that children will be stepped down from residential treatment within a timely manner.	<p>Rewards¹⁶ For residential care provided:</p> <ol style="list-style-type: none"> 5. From Day 1 – 180 (first 6 months), RTC providers are reimbursed at a daily rate equal to 120% of the basic rate. 6. From Day 181 – 270 (subsequent 90 days), RTC providers are reimbursed at a daily rate equal to 100% of the basic rate. <p>Penalties For care provided beyond Day 270, RTC providers are reimbursed at daily rate equal to 70% of the base rate.</p>		

Each of the contracts with the six providers of residential treatment is identical. As explained above, the amount providers are reimbursed for each child declines over time. The State official noted that this reimbursement also takes into account the length

¹⁶ The Base Rate is set at \$156 per day statewide with all providers (this does not include those providers and placement reimbursed through Medicaid which have a higher daily rate that is not graduated).

of time each child spends in care regardless of whether they are transferred between residential care providers or exit and re-enter out-of-home residential care.

The first round of contracts covered the time period July 1, 2006 – June 30, 2008. These contracts accounted for youth already in the care of residential treatment centers prior to July 1 by treating them as new referrals. In other words, it specified that all providers received the initial 6-month enhanced rate for all children in their care as if they were newly referred, with subsequent declines in the basic rate thereafter as explained in the above table.

Providers can appeal for an exception for any reimbursement below the base rate (e.g., cases in care more than 270 days). A State official noted that these appeals must provide evidence of the child's specialized treatment needs and that the cost of meeting these needs cannot be met with decreased reimbursement. The State official noted that he expected providers would make liberal use of this appeal process but noted that this has occurred "only a handful of times" evidently given their buy-in into the new system.

Lessons Learned:

The State official noted that it appears that the financial incentives/disincentives are working. There is anecdotal evidence that providers are taking advantage of the enhanced rate to provide more intensive services in a more timely fashion, enabling youth to be stepped down to less restrictive settings. Administrative data shows that the majority of youth leave residential care right around Day 270 prior to the decreased payment structure.

The State felt the time spent introducing the new reimbursement process with providers prior to implementing the rate structure was well-spent. Providers were vocal during this process but have not been since the contracts went into effect. The State official noted that it was also helpful that the initial enhanced rate was an actual enhancement over the existing Base Rate, and that this also may have helped the process.

For more information about this contract, contact: Paul Yaksic, Chief Financial Officer Wyoming Protective Services, at: pyaksi@state.wy.us

References

- Eggers, W.D. (1997). Performance-based contracting: Designing state of the art contract administration and monitoring systems. Retrieved July 20, 2006 from the Reason Policy Institute Web site: <http://www.reason.org/htg17.pdf>
- Lee, E., Allen T. & Metz A. (2006). *Literature Review on the Privatization of Child Welfare Services*. Submitted to the Children's Bureau, Department of Health and Human Services, University of Kentucky & Planning and Learning Technologies, Inc. retrieved May, 2009
<http://www.uky.edu/SocialWork/qicpcw/documents/QICPCWLiteratureReview.pdf>
- McCullough, C. & Schmitt, B. (2003). *2000-2001 management, finance, and contracting survey final report*. Washington, DC: CWLA Press
- McCullough, C. (2005) *Child welfare privatization: Synthesis of research & framework for decision makers*. Unpublished report prepared for the Arizona Department of Economic Security.
- McEwen, E. (2006). Performance-based contracts as a strategy for improving child welfare: Lessons learned in Illinois. Unpublished Report.
- US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation Report: *Assessing Site Readiness: Considerations about Transitioning to a Privatized Child Welfare System*, (2007) retrieved May, 2009: <http://aspe.hhs.gov/hsp/07/CWPI/site/index.htm>
- Westat and Chapin Hall Center for Children, University of Chicago. (2002). *State Innovations in Child Welfare Financing*. Retrieved from <http://aspe.hhs.gov/hsp/CW-financing03/report.pdf>
- Wulczyn, F. (2005). Performance-based contracting: The basics. Retrieved June 19, 2006, from the Chapin Hall Center for Children at the University of Chicago Web site: <http://www.tnchildren.org/pdfs/Performance%20Based%20Contracts.pdf>
- Yates, J. (1997). Performance Management in Human Services. Welfare Information Issue Paper. Retrieved July 20, 2006 from: <http://www.financeproject.org/Publications/perfman.htm>