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# Lessons Learned from Nebraska & Implications for Washington

Prepared by Partners for Our Children

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Building a Case for Change

# Lessons Learned from Nebraska & Implications for Washington

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## Introduction

Various stakeholders across Washington have concerns about the implementation of performance-based contracting as required by 2SHB 2106. Reports from Nebraska have fueled the fears. As background, Nebraska began using the same Lead Agency/Master Contractor model that is being proposed in Washington State. Nebraska has been receiving children and families under this model for approximately 12 months. Partners for Our Children wanted to get beyond often inaccurate news accounts and rumors and learn first-hand what went wrong in Nebraska's effort to use contract reform to get better results for its children in the child welfare system. Partners for Our Children's hope was to learn about obstacles that stood in the way of success that could be avoided or mitigated in Washington.

Partners for Our Children posed 11 questions to three private nonprofit Nebraska agencies: two Lead Agencies that are still operating and one that has ended its contract. We received candid responses from all. We also reached out to the state administrator and staff, who declined to respond due to being involved in current contract negotiations.

Finally, we asked Charlotte McCullough, one of the Transformation Design Committee (TDC) performance-based contracting national experts, to provide comment on her experience working with Nebraska. Charlotte provided limited consulting with Nebraska after the lead agency contracts had already been awarded. She also provided consulting to two of the lead agencies who responded. As a member to the TDC, Charlotte is very familiar with 2SHB 2106 and with the Children's Administration's proposed model for performance-based contracting. Partners for Our Children asked her to review the points made by the Nebraska agencies and highlight, from her work in Nebraska and Washington, how the Washington and Nebraska approaches are similar and different. She has also identified steps that Washington has already taken or could take that would avoid some of the challenges that Nebraska is facing.

## **Question 1: What would you do differently if you were starting over? What are your most important lessons learned?**

### Agency 1

Data is critical. Lead Agencies (in Washington called Master Contractors) must have good, timely data from which to manage. Nebraska had invested in its NFOCUS (SACWIS) data system and we were therefore required to use the system. But, it does not provide the strong, timely reports we need in order to manage effectively from the very beginning. Also related to data, it is important to have baselines from which to work to not only mark progress but in order to have evidence based "good news" to share with staff and all stakeholders.

Baselines are necessary, not only on the outcomes for which the Lead Agencies will be accountable, but also for state outcomes of significant impact that are vital to success. Historic baseline data pertaining to monthly referrals, court orders, achievement of permanency. When different entities are responsible for different areas, with each affecting the overall outcomes of safety, timeliness of permanency and well being, monitoring of each is critical from the very beginning.

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Another significant issue for us was backing up the initial transition data by a month, although we had already incurred expenses of offices and staff who were trained and ready. This delayed revenue for a month and cost us significant loss from the very beginning.

It should be assumed that there will be unexpected events or decisions beyond the control of the state or contractors. We should have had a plan for coming back to the table to renegotiate the funding with significant events. In Nebraska, this has included the implementation of revised Parenting Time Guidelines dictated by the courts that quadrupled the historic visitation, especially monitored/supervised visitation. Another relates to the data issue above, with state staff in control of the front door to the system as well as having to give approval for the back door (reunification, returning home, etc.). The numbers of children in care have swelled, making us responsible for approximately 25% more children than were provided for, on the same “all in” budget of a year ago. In retrospect, we could have negotiated a greater connection between decision making and fiscal accountability and/or we could have identified a band of percentages, lower or higher, that would have activated a renegotiation.

### Agency 2

We needed to slow down and get more of the significant stakeholders – especially Judges and legislators – up to speed and invested in the initiative prior to implementation.

Given the huge change in the responsibilities both by private sector agencies and the Departments’ staff, we would suggest approaching the resolution of financial issues in a more collaborative manner. Simply stating that the Lead Agencies knew what they were getting into did not adequately address problems caused by budgets being developed based on data that underestimated the number of youth in the system. Nor did this approach help address the fact that many of the cost overages were due to decisions made by case managers and Judges over which the Lead Agencies had little influence or leverage.

We should have anticipated that the total number of dollars required in the first couple of years both by the Lead Agencies and by the State would be significantly higher than the Department’s prior year expenditures.

### Agency 3

Slow the reform process down. The state was in a hurry and the Lead Agencies ultimately went along. There should have been more time in the start-up phase. All of the turmoil was not necessary.

Get the data right! We didn’t have reliable information costs, utilization, outcomes, distribution, etc. Therefore there was a lot of guesswork. Baselines needed to be developed.

Take more time in start-up to get all stakeholders (our own staffs, Judges, law enforcement, advocacy groups, subcontractors, education, managed care entities, etc.)

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in on the huge shift in philosophy, service structure & delivery, roles & responsibilities, access and so on.

Funding is extremely important. Many states underfund the reform because they mistakenly believe that reform is budget neutral or even cheaper when achieved. Reform requires massive changes and it will cost more – not less.

You'll probably experience an increase in referrals – more than current utilization rates would indicate. We experienced a 10% increase.

### *Charlotte McCullough's Observation and Implications for WA:*

The lessons learned by the Nebraska agencies are the same as the key lessons that have been repeatedly described by public and private agency leaders in virtually all research conducted over the past 15 years of contract reform.

1. **Real-time and trusted data must be available:** Both the state and private agencies have to have access to data to plan, price, manage, and evaluate major reforms. Washington has just completed the conversion from a prior data system to FamLink, the new SACWIS. The timing was unfortunate as it has added complexity to getting the data needed to plan for 2SHB 2106.

It is likely that data challenges will continue to be an issue for Master Contractors and CA in the early stages of implementation—that is the norm in all reforms of this type. However, the state is planning a number of steps to engage private agencies early on in the start-up phase to jointly develop IT, data entry and reporting plans to try to proactively address challenges.

It is also important to note that a very consistent finding across states that have undergone reforms similar to Washington is that over time one of the greatest benefits is improved data. Private agencies working with their state partners have generated detailed and timely reports that can be posted in digital dashboards for all to see.

2. **Slow down and get it right.** Washington is planning on a start-up phase and a lengthy transition phase. However, success does not solely depend on the length of a start-up phase. It is also about defining a broad-based, collaborative planning process that will ensure that both CA and the Master Contractors and all stakeholders are prepared to proceed before the transition of cases begins. The draft RFP that was released Monday, November 22, includes details on the proposed process and timelines for preparing staff (public and private) and gaining buy-in and ownership from stakeholders.
3. **Expect the unexpected.** These reforms don't exist in a vacuum. New laws, rules, or new state priorities can and do impact private agencies that operate under risk- or performance-based contracts. It is essential to include provisions in contracts that will allow the public agency and contractors to sit down and re-negotiate terms when external events jeopardize performance.

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4. **Reforms often cost more before they achieve any savings.** Performance-based or risk-based contracts are not a panacea to solve short-term budget problems. Investments for start-up have to be made at the outset and legislators have to be steadfast even when results are not immediately apparent. Reforms like this should also be looked at as an opportunity to realign services with the needs of the children and families no matter the dollars available.

**Question 2. We understand there have been issues with duplication of efforts between the state's Case Managers (CM) and the Lead Agency Service Coordinators (SC). Can you explain where you have had difficulties and how you have overcome them/changed the roles and responsibilities so there is little overlap?**

### Agency 1

There has been significant duplication of efforts. This has included determination of placement recommendations/decisions, review of foster families/matching for placements, representation in courts, confusion for families over who does what, and so forth. Current activities include leadership from the state and Lead Agencies to review the roles and responsibilities in detail and revise these further, adding clarification and increased responsibility to the Lead Agencies.

### Agency 2

The duplication of roles between HHS Case Managers (CM) and Lead Agency Service Coordinators (SC) was significant and confusing especially initially. The Department retained the vast majority of caseworker responsibilities. Families and service providers or sub-contractors often received conflicting messages from the CM and SC. Getting everyone together to try to work out details put significant time pressures on providers and parents as well as the SC. Judges often wanted to hear directly from the SC who was engaged with the child and family, but the CM was the responsible party and needed to get information from the SC and include it in their official report or screen all reports before they went to the Judge. In some cases, CM and/or the Judge would determine a level of placement significantly above what was determined to be required once the SC engaged the child and family. However, the process of changing case plans and when necessary getting these approved by a Judge required significant time and resources which often burned through the economic efficiencies on which budgets were based.

Certainly there has been some improvement in working out the confusion and duplication in CM and SC roles. However, we would suggest a Rapid Dispute Resolution process be defined and implemented at the beginning of your initiative. Also having at least key Judges supporting the initiative is critical to working out these type issues before they become too costly and burdensome.

More of the duplicity issues are being addressed as discussions are on-going as to what will be transferred to Lead Agencies during this phase of the initiative.

### Agency 3

Initially we (contractors and DHHS) had all sorts of problems with not only duplication but also mistakes caused by both assuming the other party was responsible. As a result,

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some things didn't get done. The latter was remedied rapidly but the duplication of efforts continues. Related to this issue of duplication is the reality of the two workforces (DHHS Case Managers and the Lead Contractors Service Coordinators). The majority of the state's staff have many years of experience and many of those had little trust that "Reform" was a good thing.

Related to this, we hired over 300 staff for this contract within a six month period of time. Acclimating, training and managing all of these new staff for a new system of care that was responsible for 80% of Nebraska's land mass and 32% of its population was a huge issue. We needed more time before beginning to transfer children and families.

### *Charlotte McCullough's Observation and Implications for WA:*

The Washington model is similar to that of Nebraska in that in both states the public agency retains all legal case management authority and the private agency assumes primary responsibility for service coordination and provision. Research has clearly noted that one key to success in any contract reform is role clarity. Achieving that clarity is far more challenging when roles overlap by design. This was a major concern in Nebraska because the roles and responsibilities did not align with the fiscal payment model the state had chosen (addressed in question 4 below). Nebraska is currently working to further clarify their roles and responsibilities.

States have found that ongoing cross-training of direct staff and supervisors is critical. Because consensus will not always be easy to achieve, there also has to be fair and impartial dispute resolution mechanisms that result in timely decisions.

### **Question 3. We have heard that some Case Management decisions are being moved to the Lead Agencies. What is your understanding of Case Management decisions being moved with the recent announcement?**

#### Agency 1

The bottom line is that the legal interpretation of what the state must maintain will be the likely boundary line.

#### Agency 2

This has not been determined to date. Discussions with Leads, Unions, and State Officials are underway.

#### Agency 3

We are not a part of those discussions.

### *Charlotte McCullough's Observation and Implications for WA:*

Many states that started with a dual/shared approach to serving children and families came to the conclusion at some point after implementation that they wanted/needed to reduce the duplication in roles and responsibilities—they changed their model by more clearly assigning tasks to either the public agency staff person or the private, but not both. That appears to be the direction Nebraska is heading.

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Washington will need to include clear descriptions of roles and responsibilities of public agency social workers and Master Contractors. CA should work to reduce as much overlap as possible. During the start-up phase, the MCs and CA should jointly develop the Operations Manual in which roles are further clarified.

**Question 4. We know some Lead Agencies have either gone bankrupt or lost their contracts. Can you explain the main reason(s) why? Are there things you would have required of Lead Agencies given your current knowledge? Are there things that potential Lead Agencies need to be aware of before agreeing to be a Lead Agency?**

### Agency 1

Some agencies could not or would not adapt quickly enough to the changed environment and continued practice under the state's existing model, possibly afraid to "rock the boat" with subcontractors and other stakeholders. This will always be an issue to some extent. There are many, many stakeholders who are heavily invested in maintaining the status quo. But, without creating efficiencies through change there was/is not enough funding. There was likely difficulty for some original contractors to transition their historic relationship as a peer to that of a Lead Agency/referral source.

There was early discussion of the state requiring Lead Agencies to provide bonds going into this. But, with the "all in" budget that had historically paid only for services and placements and the plan for agencies to find efficiencies within this to pay for these as well as Service Coordinator staff, office overhead and a full year of Aftercare, the estimated hefty cost of a bond was not an option for us as an agency. Whether or not this would have been a potential investment the state could make or agree to pay for as insurance might be worth pursuing but taking it out of this already limited original pot of money would not have worked.

While most contractors should have understood that an agency investment would be required (start-up funds would not cover all and the state was clear there was "no more money") some were more willing than others to invest in this reform. Lead agencies need to know that it is a risk environment and that going into it there will be many areas of which they will not have control (lack of good data, Judges' influences, court orders, state case managers' decision making, etc.). Reforming an existing system (swimming upstream) is extremely difficult and tiring but rewarding when you reach your goal/s but it is not for the faint of heart.

### Agency 2

Data as to the number of children and families to be served were not completely accurate. Significant unanticipated costs were required over those projected during the budget planning process.

Given that there were more children than anticipated in the system and both state Case Managers and Judges were still largely in control of where children were placed and what services were mandated, costs ran much higher than anticipated. This was particularly true for treatment costs given that fewer youth were deemed to meet Medical Necessity criteria such that Medicaid dollars paid for a smaller percentage of mandated treatment services.

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Given the lack of placement control by Lead Agencies, lack of understanding and buy-in by many Judges, and the cumbersome nature of CM/SC, being able to move a larger percentage of youth (even those who the Department anticipated would exit the system quickly) into permanent settings has occurred more slowly than projected. While this is getting better in some areas, it put a huge financial strain on Lead Agencies at the beginning of the initiative.

Leads and the state need to anticipate that losses in the early years are likely to be much more significant than projected based on the actual data provided as part of transition planning. When cash flow issues occur subcontractors, who did not sign up for risk based contracts, often are not paid in a timely manner and may have to go out of business. Since the Department has access to the financial data from Lead Agencies, we would suggest that a number of metrics (such as Aging Payables) be monitored and used to begin discussions with struggling Lead Agencies prior to financial collapse and the resulting trauma and confusion for all participants,

### Agency 3

Underfunded – funds allocated were based on the state’s cost for services purchased in previous years. There should have been more money available to help the Lead Agencies get started those first few months with cash flow if they needed it.

If I were Washington, I’d really take a strong look at prospective Lead Contractors experience in managing subcontractors and their financial “wherewithal” to pull this off. We should have spent a lot more time sketching this out before signing – don’t rush or allow yourself to be rushed.

### *Charlotte McCullough’s Observation and Implications for WA:*

Tony Broskowski (Pareto Solutions) and I went to Nebraska for a 2-day meeting with state officials after the state had already selected winning bidders and was in the process of negotiating contracts. The RFP had not specified the funding available or clearly defined the payment method. The state had hoped that bidders would propose a monthly family case rate based on what they were required to do in the scope of work. However, all except one bidder indicated that the state had not provided adequate detail to enable them to estimate the case rate.

Nebraska state officials also ultimately came to the conclusion that it did not have the data to calculate a case rate and their mandate was clear that the reform was not to exceed existing funding. For these reasons, they decided to use a global budget instead of a case rate. They did not include a risk-reward corridor or any mechanism to protect agencies from risk that was beyond their control. The global budget did not include any funds to cover service coordination, a key component of the model.

Global budgets, especially in the absence of case management authority, are by design the riskiest type of payment. It requires agencies to accept all referrals and provide all services until the case is closed, regardless of how many children and families are referred, the services they receive, or how long it takes to get a child safely to permanency.

The Nebraska global budget offers no protection when referral rates are higher than projected—a common finding after the introduction of contract reforms. That can be disastrous for the private agency as revenue does not increase with increased referrals.

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While the service coordination and “Lead Agency” models are similar in the Nebraska and Washington contracts, the approach to payments is completely different.

- Washington has not taken a global budget approach. Instead it is planning to have a monthly family case rate. And, unlike Nebraska, Washington intends to describe the funding and payment model in the RFP so that potential bidders can determine whether or not they can meet the scope of work requirements with the money available.
- Washington also contracted with national experts to help in their calculation of the proposed rate rather than attempting to do it alone.
- Washington has indicated it will protect private agencies from undue risk through risk-mitigation mechanisms—where the state and the private agencies will share risks if costs exceed a specified threshold. In the draft RFP, the state will bear a small portion of the risk if the utilization and service costs (referral rate and level of service) drive costs above what is projected.
- Washington should consider including requirements for cash reserves and/or performance bonds to ensure that Master Contractors have the resources to be able to withstand unforeseen cash flow problems. While those requirements might force some agencies to reconsider whether or not they should bid, it will also ensure that all bidders understand that this is not a business-as-usual contract. I concur with the comments of one of the Nebraska agencies; performance- and risk-based contracts are not for the faint of heart. It is better for all to understand this at the outset.
- The Washington case rate model should offer greater flexibility to Master Contractors, attach some incentives/disincentives to performance indicators, but not expose agencies to significant risk since the public agency social workers and the Courts will make many of the decisions that directly impact financial risk. Finally, in every state when a contractor fails and you look back at what happened, you can see that there were early warning signs that were simply missed by the private agency and the state. It is critical for the public agency and the Master Contractors to have the capacity to jointly look monthly at key financial performance indicators (such as lagging payments to service providers) to ensure that the agency is on sound footing.

Had Nebraska taken actions similar to what Washington is proposing it is likely that some if not all of the agencies that had to end their contracts would still be operating and the transition would have been far smoother. Washington has had the luxury of learning from some of Nebraska’s mistakes.

### **Question 5. How have you handled the transition of children and families when agencies fail? What kind of contingency plan should Washington have in place?**

#### Agency 1

In one service area we stepped in and assumed responsibility for the children and families that had been served by two agencies that backed out or declared bankruptcy. We covered Foster Family payments, keeping children in their placements and keeping foster families whole. We hired most of these agencies’ existing staff, helping prevent the loss of good child welfare staff from the field. These actions significantly increased our debt and slowed our progress as they basically represented another start up

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(interviewing, hiring, additional office space locations/leases, furnishings, equipment, training, etc.). But, by doing so, the negative impact on children, families, foster families, other agencies' staff and the state was significantly minimized.

### Agency 2

In the case where termination notices were given three months ahead, the existing Lead Agency continued to provide SC and work with the Department and Lead Agency that took over. Unfortunately, the decision of who would assume responsibility did not get finalized until late in the notice period so there was significant pressure to transition quickly.

In the case where the transition was required very quickly, because the State had retained the majority of CMs, regional based staff from the Department were able to assume responsibilities of both CM and CS. In some cases, remaining Lead Agencies in that Region provided some support to ensure smooth changes in placement when that needed to occur.

Typically there were clear signs when Lead Agencies were struggling. If the State and Lead Agencies have a partnership and a collective commitment (at least in the very early stages of the initiative) to make the initiative successful discussions will occur and options can be considered well before the ultimate decision is made to turn in contracts and/or go out of business.

### Agency 3

Nebraska has used two approaches. The first method, when time is allowed, is that one of the remaining Lead Agencies hires the staff and brings them and their case loads on board. This seems to be the best way to transition when possible. The other method deployed has been for DHHS to take service coordination back, "re-contract" with service providers (those actually providing the direct care) while seeking another Lead Contractor.

### *Charlotte McCullough's Observation and Implications for WA:*

During contract negotiations, states should develop explicit contingency plans with their successful bidders. Back up plans help to ensure that if an agency fails, there is a clear process for maintaining services to children, families, and caregivers and for protecting the state from the financial liability that a failed agency could cause. But, it is even more important to have early warning systems and take a collaborative approach to addressing problems before failure becomes inevitable. The state and Master Contractors should be reviewing utilization data monthly and looking for early warning signs of problems. If Nebraska had done this, they would have known much earlier that there were issues.

**Question 6. It's our understanding that you used a global budget and you are now in the process of transitioning to a blended case rate? Is this true and can you tell us why the change?**

### Agency 1

The state originally shared their goal of the development of a family case rate. During early negotiations it was decided that there was not enough data for the development

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of a family case rate and that we would start with an “all in” budget – taking the monies used for the historic numbers served and working for the first 18 months or so to collect data toward the development of a family case rate. For us, the biggest financial impact has been that the numbers of children/families for whom we are responsible have increased approximately 25% over the projected numbers; the numbers upon which this budget was based. If we were currently under a family case rate our revenue would have increased with these additional families and our revenue would now more closely align with our expenses.

### Agency 2

While this has been discussed I do not know if the state is pursuing this strategy at this time. We will know more as the negotiations continue.

### Agency 3

While Nebraska is using a global budget, it was not their intent originally. Early on, they asked the bidders to develop and submit a family case rate. Given the fact that we had unreliable data and no one really knew how all of this would really work, a global budget was established. The state is looking to establish a case rate effective July 1, 2011. With that in mind, they hired a consultant about a year and a half ago to look at costs and recommend what the case rate should be.

### *Charlotte McCullough’s Observation and Implications for WA:*

It is not uncommon for a state to revisit and change its payment method. As an example, the Kansas contracts have been rebid 4 times and with each rebid the payment model has changed.

With performance-based contracts it is also advisable for the contractors and the state to periodically renegotiate the incentives and disincentives and the performance measures. The annual renewal process provides an opportunity for that reassessment.

### **Question 7. How much money did Lead Agencies need for start up? Did the state assist with paying for these costs? How was the Care Coordination function paid for?**

#### Agency 1

The state identified the monies they had allotted for start-up costs and defined the expense categories for which these could apply. These did not cover all start up costs. Care Coordination (Service Coordination) was to come directly from the “all in” budget, which was also to cover all child/family services and placements as well as a year of Aftercare. It was indicated that there was great room for efficiencies in past spending to ultimately allow for coverage of these costs. Some efficiencies have been and continue to be created by better consolidating and/or managing resources as well as minimizing services not directly related to safe and timely permanency. But, in some areas there have been increases in costs directly attributable, in at least one example, to changes made between signing the contracts and actual transition. This example is of revised Parenting Time Guidelines issued by the courts that, in our area, have quadrupled the amount of monitored/supervised visitation.

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### Agency 2

The State did fund start up contracts with the agencies selected as Lead Agencies. I believe the specific amount varied with the scope of work (percentage of Child Welfare population to be served by that Lead Agency).

### Agency 3

We received almost \$2,000,000. As I mentioned earlier, service coordination was not a “billable” service. We all knew going in that we would not be able to cover all of our costs for the first year or two from state money.

I’d further add that a significant factor was the cost of training Service Coordinators. They were required to complete six weeks of training (4 weeks of DHHS and 2 of our own) before they could take families. Not only was the room and board expensive but the salaries we paid during this time.

### *Charlotte McCullough’s Observation and Implications for WA:*

National experts have long recommended that major contract reforms include a clearly defined start-up process and a gradual transition of cases after both the public and private agencies have demonstrated that they are ready to begin operations.

Typically bidders submit a preliminary start-up work plan and start-up and transition budget when they develop their proposals. It is not unusual for the state not to fully cover all start-up costs but given how critical start-up planning is, it is unreasonable to assume that private agencies can or should cover all costs.

Washington has committed to providing the cross-training needed by both state social workers and Master Contractor care coordinators. The state needs to ensure there is enough time allotted for this during start-up before the transition begins.

### **Question 8. There was a recent announcement of more money being allocated for the child welfare system. Why is this? What occurred that was unexpected?**

### Agency 1

The most significant issues affecting our finances have already been discussed in earlier questions. Predominantly, the unanticipated additional costs of significantly more children/families currently being served that originally served under the same dollar amount, a significant increase court directed monitored/supervised visitation, the delay of service transition and revenue by one month. Another significant fiscal impact area, not yet mentioned, has been the requirement of Lead Agencies to serve the entire families of children adjudicated under OJS as opposed to the state having served only the youth under this all in budget.

### Agency 2

From the beginning the Lead Agencies discovered that (for reasons stated above) the contracts were underfunded. During the initial 6 months at least one Lead Agency had extremely good data and completely opened their books and worked directly with the Department to help them understand that while more and more efficiencies were being

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found, services to the number of kids assigned, and under the conditions described above, it cost far more than was projected. It also became clear as good agencies had to give up their contracts or go out of business that something was not right. Perhaps the last bit of compelling evidence was when the State began to see that their own costs when they had to resume SC were running remarkably close to those of the agencies that had to supplement their contract with significant private dollars or those that ceased providing Lead Agency services.

### Agency 3

Prior to our decision to return the contract, we were all told repeatedly that there is no more money available. Had the state decided to provide additional funding a month earlier, we might have been able to keep our contract.

### *Charlotte McCullough's Observation and Implications for WA:*

Critics of performance-based or Lead Agency contracts will often point to the increased costs. What they don't often do is look at why the costs increased and what the results of the reform were in terms of improved access to services and better outcomes.

Under the current system a significant percent of open cases in any state actually receive no services other than what the social worker provides (in Washington the percent appears to be high—many children and families access no services while the case is open). There are many reasons for this.

If after a contract reform, more children and families are referred for services than under the current system, then costs will obviously go up. Under a global budget the provider bears all of that risk; under the case rate with risk-reward corridor, both the private agencies and the state will share in those increased costs. As one Lead Agency from another state put it, "It is the Field of Dreams...if we build a better system, they will come." Under a global budget, there are no disincentives for the public agency to refer every child and family for services—that is not a bad thing for children and families if they are more likely to get the services they need but it can quickly sink a private agency.

**Question 9. How has the transition affected the children in the system? Foster parents? There are reports of disruption for many in the system? What changes were made that caused the greatest amount of disruption?**

### Agency 1

We have worked hard in partnership with the state to minimize disruption to children and families. The early exit of some Lead Agencies likely contributed the most to transition issues but we all worked hard to reduce the impact on the children, families and staff of these organizations to the greatest degree possible.

### Agency 2

From the inception of the initiative the Department was very forthcoming with the data it had and worked closely with Lead Agencies to transition children from the

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Department to Lead Agencies in the most collaborative and fair manner possible. Common staffings were held with Lead Agencies and they were strongly encouraged to work together to ensure both a fair distribution of cases and smooth transitions. The stated goal was to create as few changes for the children and families as possible. State workers who were hired by Lead Agencies, where feasible carried their case loads with them so relationships were not disrupted. For the most part, the transition for the State to Leads worked quite well.

Certainly the greatest disruption occurred when an agency declared bankruptcy, had to stop providing services almost overnight and was not able to pay the large amounts owed to their subcontractors for services already delivered. Hundreds of children and foster parents were affected as were many provider agencies. Both the state and remaining Lead Agencies worked together to lessen the crisis and ensure that as many children as possible were kept in their same placements, that services were disrupted as little as possible and that necessary transitions went as smoothly as possible.

### Agency 3

I think the affect on children depends on their needs and level of involvement in the child welfare and/or court systems. The good news was that more children were served in their parents or relatives homes. Those children in the process of having parental rights terminated (making them available for adoption) were often not served well. The issue was “lack of reasonable efforts” on the part of DHHS and Lead Agencies. Especially in the first six months of the contract, time lines were missed that prolonged the process needlessly.

At least for our contract, the foster parents were not treated well. During the transition period, we really didn’t know what we were doing. Just prior to the signing of the contract, our major partner, who was going to have manage our foster care, pulled out. The whole system and process of managing, entering data and paying foster parents was a mess for us. Lesson learned was to really bring on and involve foster parents in the entire process – we didn’t.

### *Charlotte McCullough’s Observation and Implications for WA:*

Clearly the start-up and transition planning was lacking in Nebraska. It will be critical for Washington to ensure broad-based stakeholder involvement in all of the planned activities and deliverables developed during the start-up phase after Master Contractors are selected. Before “going live” all parties that participated in the planning process should feel ownership of the new system, fully understand their role in making it successful, and have the skills, knowledge, and tools to succeed. A readiness assessment needs to be developed for the state and the Master Contractors. No referrals should be made until all have passed the assessment.

### **Question 10. Have you seen any change in outcomes, either positive or negative?**

#### Agency 1

There have been many positive outcomes already. There is much greater attention on the system as a whole by all stakeholders and child welfare generally gets little attention, so this is never a bad thing. There is 24/7/365 support to children and families. In our areas, there have been fewer than 15 re-entries to care over the past

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year while there are over 1000 children currently being served in Aftercare (post-permanency). (These numbers are not captured in the increases indicated above, these are in addition to the 25% increase in children in Out-of-Home care in our areas). We have begun to realize an increase in relative placements and have begun to see a shift from Out- of-Home care to In-Home which is one of the specific goals of this reform. We have also seen a decrease in the number of children placed out of state in our areas. We have also been successful in engaging more minority families in becoming foster families and becoming stakeholders in this reform. The development of better data, including strong reports from which to manage, has been continual and will ultimately be a tremendous asset to this reform.

### Agency 2

The initiative is too new and has weathered too many changes to answer this with certainty. We do believe that the worst is behind us. We are beginning to see a larger percentage of children reunited with their families or placed with relatives. Out-of-Home stays are beginning to get shorter on the average. More Judges seem to understand how their decisions are impacting the overall viability of the initiative. It will take a little more to answer this well but we are quite optimistic.

### Agency 3

In general, according to the Compass Report on the Department's website, outcomes have improved.

### *Charlotte McCullough's Observation and Implications for WA:*

Because it takes a long time to know if you are achieving a child and family outcomes, it is really important for the state and Master Contractors to identify more immediate performance indicators that can be tracked and widely reported from the beginning of the contract. Digital dashboards or scorecards with real-time data that can be reviewed by all stakeholders are becoming common practice in states that have similar reforms.

We know that transitions are difficult in even the best planned initiatives so it is very helpful to be able to look at signs that show that in spite of challenges, things are moving in desired direction. Data helps to get over the rough patches, identify barriers that need to be remedied, shine a spotlight on problems so that they can be fixed, and show early signs of progress that can help keep an initiative on track.

On the other hand, it does no good to load contracts with dozens of performance measures that contractors have to report if that information is not transparent to stakeholders and is not used on an ongoing basis to continually drive system improvements.

Lessons learned from other states would encourage Washington to include a limited number of child and family outcomes and performance indicators that are meaningful and measureable into the RFP and contract. It will be important to also focus on how the data that are reported are used day to day to guide the provision of services and on an ongoing basis in quality improvement.

## Lessons Learned from Nebraska & Implications for Washington

**Question 11. Any other thoughts that would be helpful as Washington gets ready to release our RFP?**

Agency 1

After being involved in child welfare reform in two states, we are convinced that the initial two-year period of reform must be adequately funded. Once a system is developed, has the necessary management tools, has new policies and procedures in place and all stakeholders trained in the new system, tools and modalities, efficiencies can and will be accomplished with holding Lead Agencies accountable for outcomes. You will see a reduction in congregate care, more timeliness of permanency, reduced re-entry into care, all driven by the outcomes. But, in order to get to these points, the start-up cannot be underfunded. While many things are within the control of the state and Lead Agencies, there are also many things that impact the outcomes that are not. Time and resources are necessary to adequately reform the system and build a foundation for future success.

*Charlotte McCullough's Observation and Implications for WA:*

Totally agree.