

Examples of Performance-based Payment Options in Contracts

No model has been proven to be more effective than another in stimulating improved outcomes for children or improvements in overall system performance. There are many ways that states have manipulated payments to achieve results. The following examples illustrate a few of the many options.

1. States can pay different rates depending on performance. Typically rates decline over time if contractor fails to achieve goals. First used in adoption contracts, now also used in KS foster care contracts:

- Kansas Foster care contract-“tiered” payments: That case rate (averages \$3500) is paid out on a monthly basis as follows:
 - * 100% per month is paid for the first 5 (Tier 1) months;
 - * 66% for months 6-12 which is Tier 2 (\$1998), and
 - * 29% for children in care 12 months and over, Tier 3 (\$878).

Out of these funds, contractors are responsible for costs of one year of aftercare and the cost for any child re-referred during the first 12 months after achieving permanency. Contractors must serve those children for no additional payment.

- Iowa Safety service contracts:
 - * The monthly payment rate will be reduced to 90% of the monthly rate after the case is opened by the Department for ten [10] consecutive full months of services with the same contractor. The contractor's monthly rate will remain at this reduced 90% amount until the case is closed; or until the case has been open for fifteen [15] consecutive full months with the same contractor.
 - * The monthly payment rate will be reduced to 80% of the monthly rate after the case is open for fifteen [15] consecutive full months of services with the same contractor. The contractor's monthly rate will remain at this reduced 80% amount until the case is closed.

2. States can link payment schedules to achievement of milestones or performance on specific indicators.

- North Carolina adoption contracts. Providers are paid percentages of an “average placement cost” at certain milestones:
 - * 60% of the average placement cost if a child is placed in an adoptive home,
 - * 20% when the decree of adoption is finalized, and
 - * 20% when the placement child has been in the home for 12 months.
- Cuyahoga County, OH Foster care: The case rate covers the period of custody to permanency, plus 9 months (12 months for children who are adopted) and assumes that at least 50% of children achieve permanency within 12 months. The payment schedule for contractors calls for 18 equal monthly payments for each child/family. The payments are made whether the child remains in care the entire 18 months or longer or achieves permanency sooner. If the child achieves permanency and remains stable for nine months the obligation ends. If the child re-enters, the contractor is responsible for a portion of costs depending on how long the child was stable at home. (County also has specific bonuses and penalties)

3. States can link payment to caseloads (IL)

- Illinois: Payments to providers are made in two parts: maintenance payments, which are passed through to foster parents and relatives caring for children, and administrative payments, which provide for services to the child, the child's family, the foster family/relative caregiver, and administration costs. The monthly administrative payments provide for case management; a permanency worker, recruitment worker, and education liaison for each team, counseling and therapy; and emergency care. Administrative payment rates are based on expected caseload ratios (22.5 cases per caseworker), with differential expectations of intake, permanency outcomes, and non-permanency outcomes depending on whether the agency is in or outside of Cook County and whether the case is relative or traditional foster care. The current effective monthly rate for traditional foster care administrative payments is \$569 per child; for relative foster care, administrative payments range from \$600 to \$714 per child, depending on the agency's previous performance. Maintenance payments range from \$361 to \$445, depending on age of child. The difference between the administrative payment level and the actual caseload represents the fiscal incentive/disincentive of the initiative. (I.e., if children exit to permanency more quickly, the caseload goes down and the payment remains the same; if children do not exit as expected, the caseload goes up and the payment stays the same. The contractor is responsible for the costs.)
- Philadelphia, PA: Similar to Illinois, providers are paid a fixed administrative payment per child for the fiscal year. Providers are given a target number of permanencies they must achieve in one year (38% of its starting caseload), and they must accept new cases that are referred through a rotational assignment system. If a provider does not meet its targeted number of permanencies, the administrative payment will not cover the cost of services for the remaining children who have been referred to the agency. Unlike Illinois, each provider has an annual "non-permanency allowance." Most of these cases fall into one of three categories -- transfers to other agencies, step-ups to treatment foster care, or runaways. Also unlike IL, PA is a dual CM model--there are public workers as well as private agency CM for each case.

4. To achieve flexibility and reward performance leading to stable permanency, states can **use lump sum payments combined with discounted per diems.**

- Michigan permanency foster care contracts:
 - * Initial lump sum referral of \$2,210;
 - * A second payment of \$1,900 when a child is reunited or placed with relative within 315 days of placement, or a court terminates parental rights within specified timeframes;
 - * A sustainment payment of \$1,200-\$1,600—the lower amount is paid if post placement is stable at 6 months, the higher amount if stable at 12 months; and
 - * The discounted per diem, a blended per diem foster care rate, of \$13.20.

5. States can also have incentive or penalty payments for specific outcome measures or performance indicators

- Cuyahoga County: The lead agencies serving children ages 14 and younger must achieve permanency within 36 months for 80% of the children served; for children 12 and younger the lead agency must achieve permanency within 36 months for 87% of children served. For every child over the allowable standard who has not achieved permanency, the lead agency is fined \$3,600. The lead agency also gets a bonus of \$5,000 for each finalized adoption.

- Iowa Safety Service Contracts:

Performance Incentive Payment: Contractors will be eligible to receive an incentive payment of \$100 per case they serve that meets both of the following conditions:

- * None of the children at any time during the service delivery period experienced a confirmed or founded report of abuse or neglect between the start and end dates of their services, and
- * None of the children residing in the case household at the time of case closure experienced a confirmed or founded report of abuse or neglect for at least six [6] consecutive months after their Family Safety, Risk, and Permanency Services are closed.

Performance Incentive Payment: Contractors will be eligible to receive an incentive payment of \$250 per case they serve in which:

- * None of the children residing in household at any time during the service delivery period experienced a removal during the episode; and
- * None of the children residing in household at the time of case closure experienced a removal within six [6] months after the conclusion of their episode of Family Safety, Risk, and Permanency Services.

Performance Incentive Payment: Contractors will be eligible to receive an incentive payment of \$500 for each child they serve who is reunited within twelve [12] months of their removal date and remains at home without experiencing reentry within six [6] consecutive months following their reunification date.

Performance Incentive payment: Contractors will be eligible to receive an incentive payment of \$500 for each child they serve who is placed in a finalized adoptive or guardianship arrangement within twenty-four [24] months of their removal date (or w/in 24 months of referral date for children already in system)