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Striving for Excellence: Child Welfare Innovation in Illinois through the Use of Performance Based Contracting

A Presentation by Judge Kathleen A. Kearney

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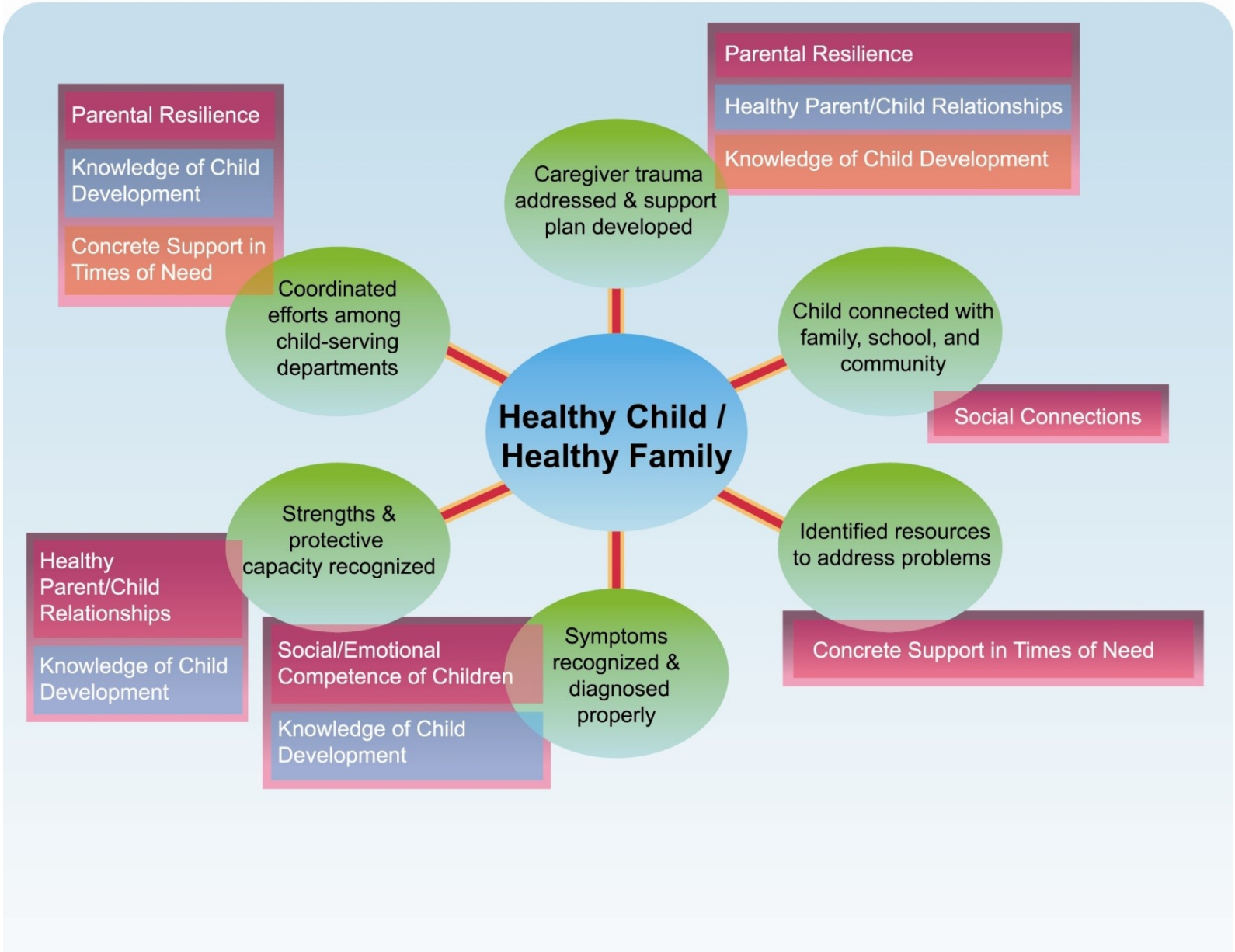
Presentation Overview

- The “greater vision” in Illinois and the importance of system integration
- What is performance based contracting (PBC)?
- The development and implementation of PBC for residential treatment services for high needs youth
- Lessons learned from the first year of implementation
- Demonstration of the Residential Treatment Outcomes System (RTOS) and the Statewide Provider Database
- The top 10 things to consider BEFORE you implement PBC!

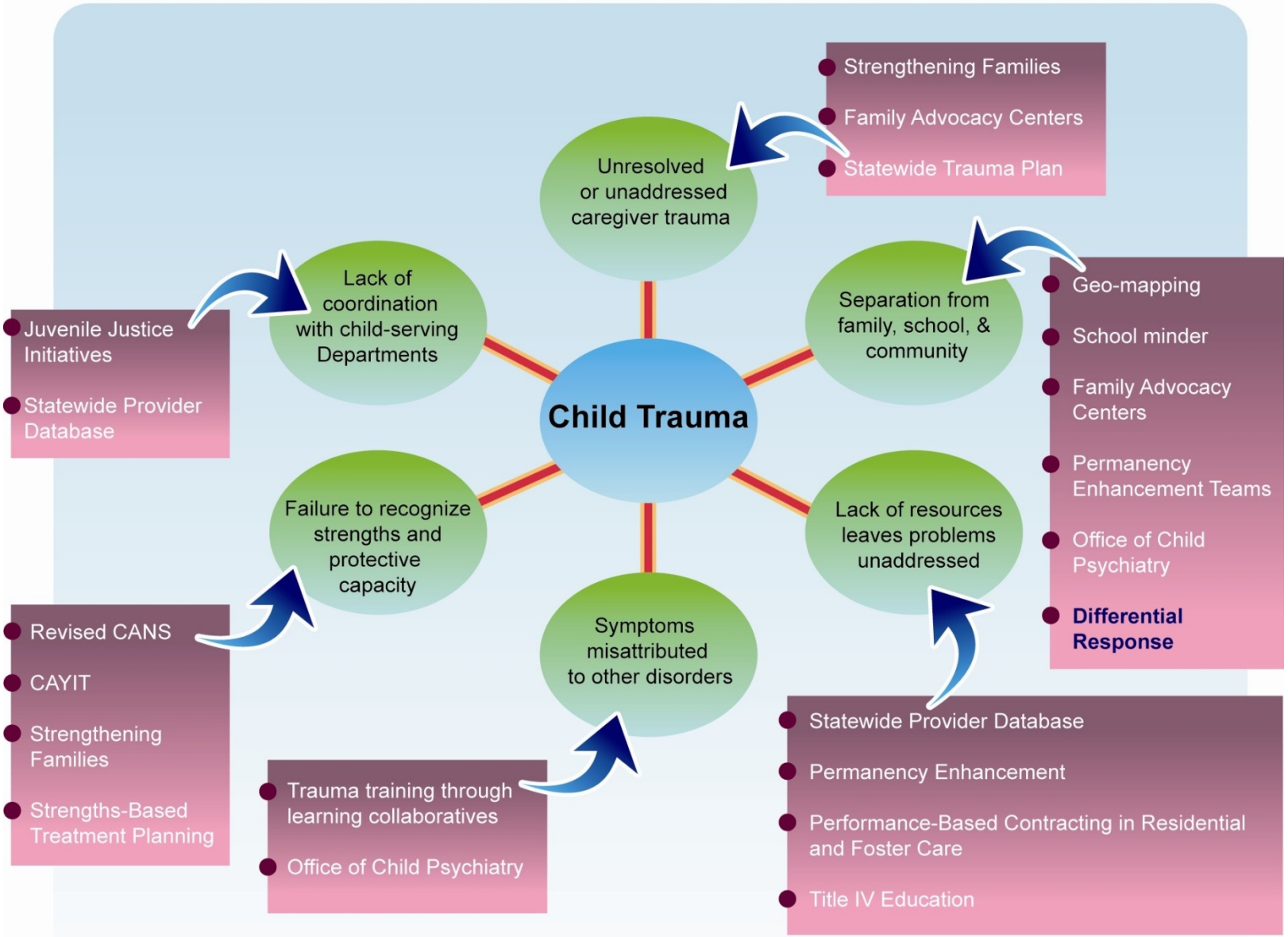
System Integration in Illinois

- *Strengthening Families Illinois* established in 2006 with the overarching framework to build:
  1. Parental Resilience
  2. Social Connections
  3. Knowledge of Parenting and Child Development
  4. Concrete Support in Times of Need
  5. Social and Emotional Competence of Children
  6. Healthy Parent-Child Relationships
- *Trauma Informed Practice Program* infused throughout rules, assessments, services plans and case work practice

Building Protective Factors Supports Quality Practice and Helps Children Heal …



Child Welfare Innovation in Illinois: A Coordinated Effort to Address Trauma



What is Performance Based Contracting?

- Emphasizes *results* related to output, quality and outcomes rather than how the work is performed
- Has clearly *defined objectives* and timeframes
- Uses *measurable performance standards* and quality assurance plans
- Provides *performance incentives and penalties* and ties payments to outcomes

Expectation and Benefits of PBC

- Encourages innovation and competition
- Results in both lower costs and improved performance
- Shifts some risk to contractors so they are responsible for achieving outcomes
- Encourages governmental entities and contractors to work together to provide the best services to clients
- Documents results for fiscal accountability

Why are public child welfare agencies interested in PBC?

- Promotes achievement of specific departmental outcomes
- Identifies priority areas and invests resources to maximize client outcomes
- Sets groundwork to evaluate programs and services
- Documents results for fiscal accountability
- Transfers risks (or at least shares it) with the contractor!

Why are private child welfare agencies interested in PBC?

- Increased opportunity for innovation and creativity
- Ability to engage in full partnership with government
- Reinvestment of savings into improved services for clients
- Potential for less frequent, but more meaningful contract monitoring

Why Should We Care About Measuring Performance?

- What gets measured gets done.
- If you don't measure results, you can't tell success from failure.
- If you can't see success, you can't reward it.
- If you can't reward success, you're probably rewarding failure.
- If you can't see success, you can't learn from it.
- If you can't recognize failure, you can't correct it.
- If you can demonstrate results, you can win public support.

From Reinventing Government

Challenges of PBC

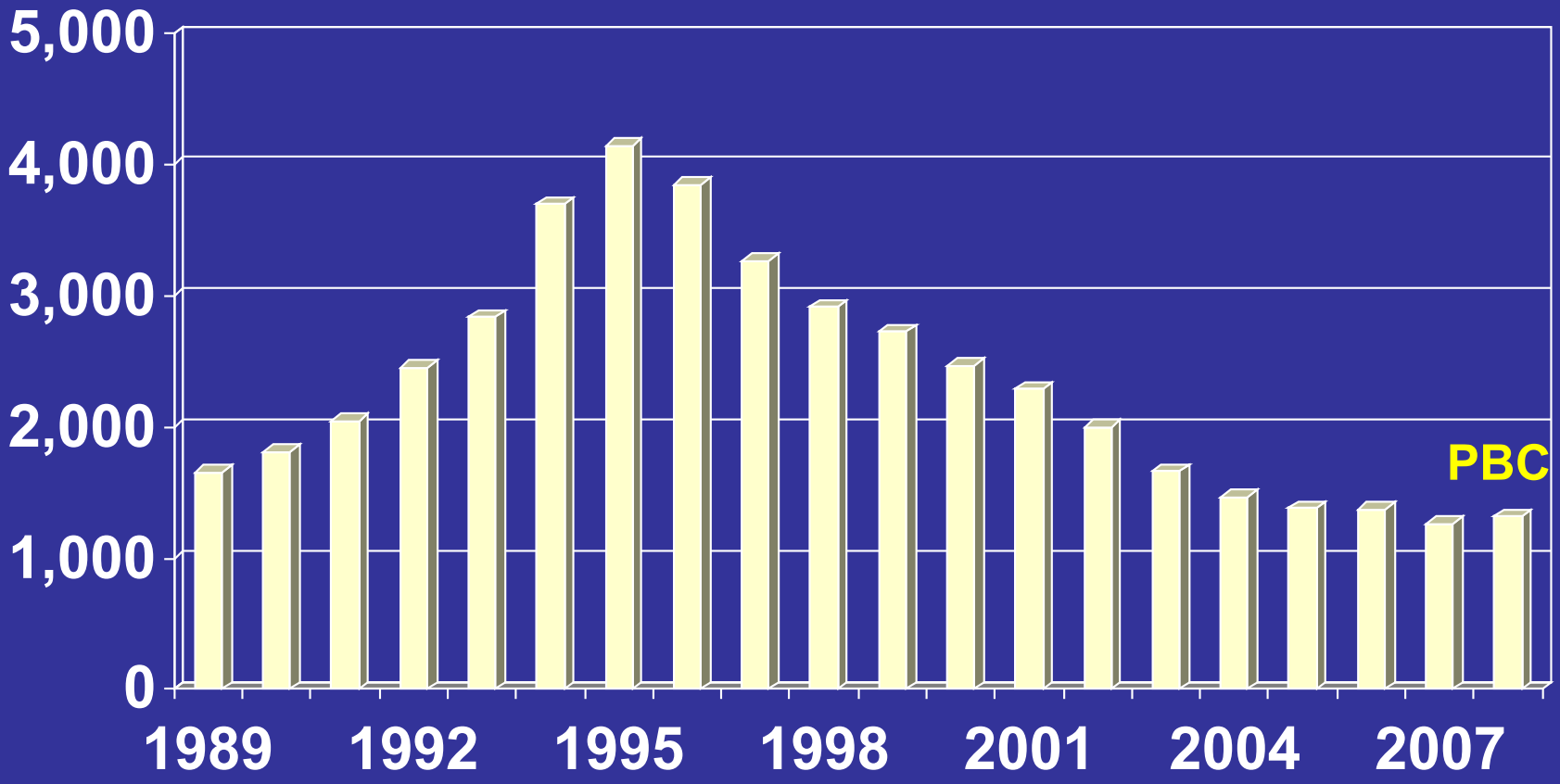
- What outcomes are you measuring?
- What baseline data are you relying on?
- How reliable is the data?
- How do you define your outcomes?
- Should the public agency “punish” contractors for legitimate effort that falls short of the goals set?
- How do you manage other systems impacting your performance?

History of PBC in Illinois

- Began in 1997 with foster care case management
- Objectives included:
  - ✓Reduce the # of children in substitute care through improved permanency
  - ✓Improved stability of placement
  - ✓Align performance incentives with desired outcomes
- Credited with right sizing and reforming Illinois child welfare system
- Developed predominantly by DCFS with little private sector involvement
- No formal evaluation was ever done

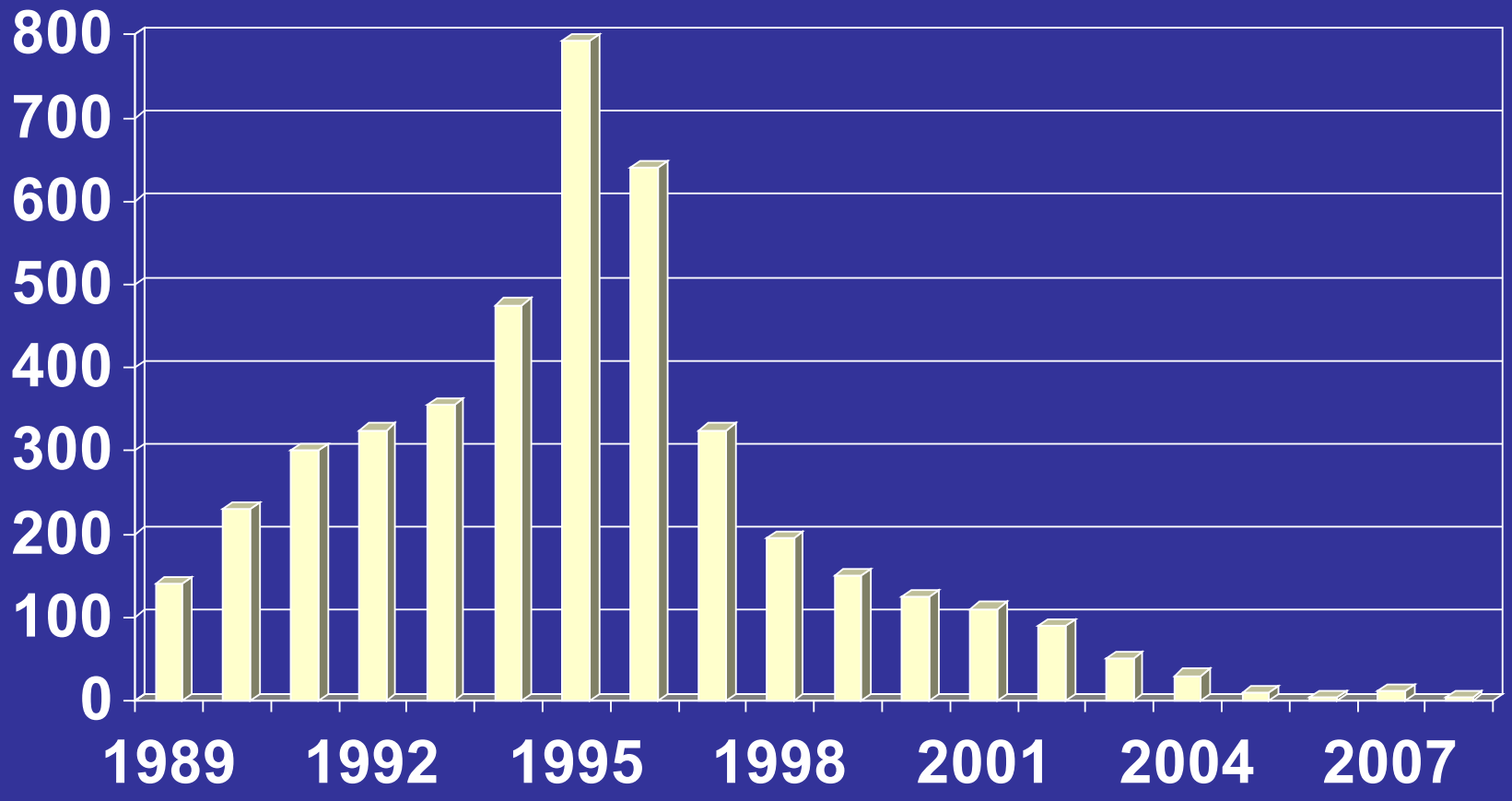
Youth in Residential Treatment

Illinois Trends



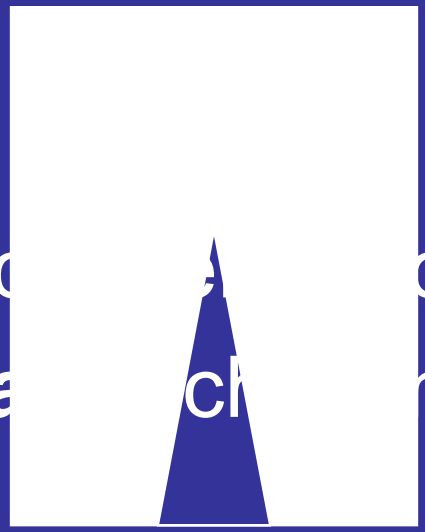
Youth in Out-of-State Residential Placements

Illinois Trends



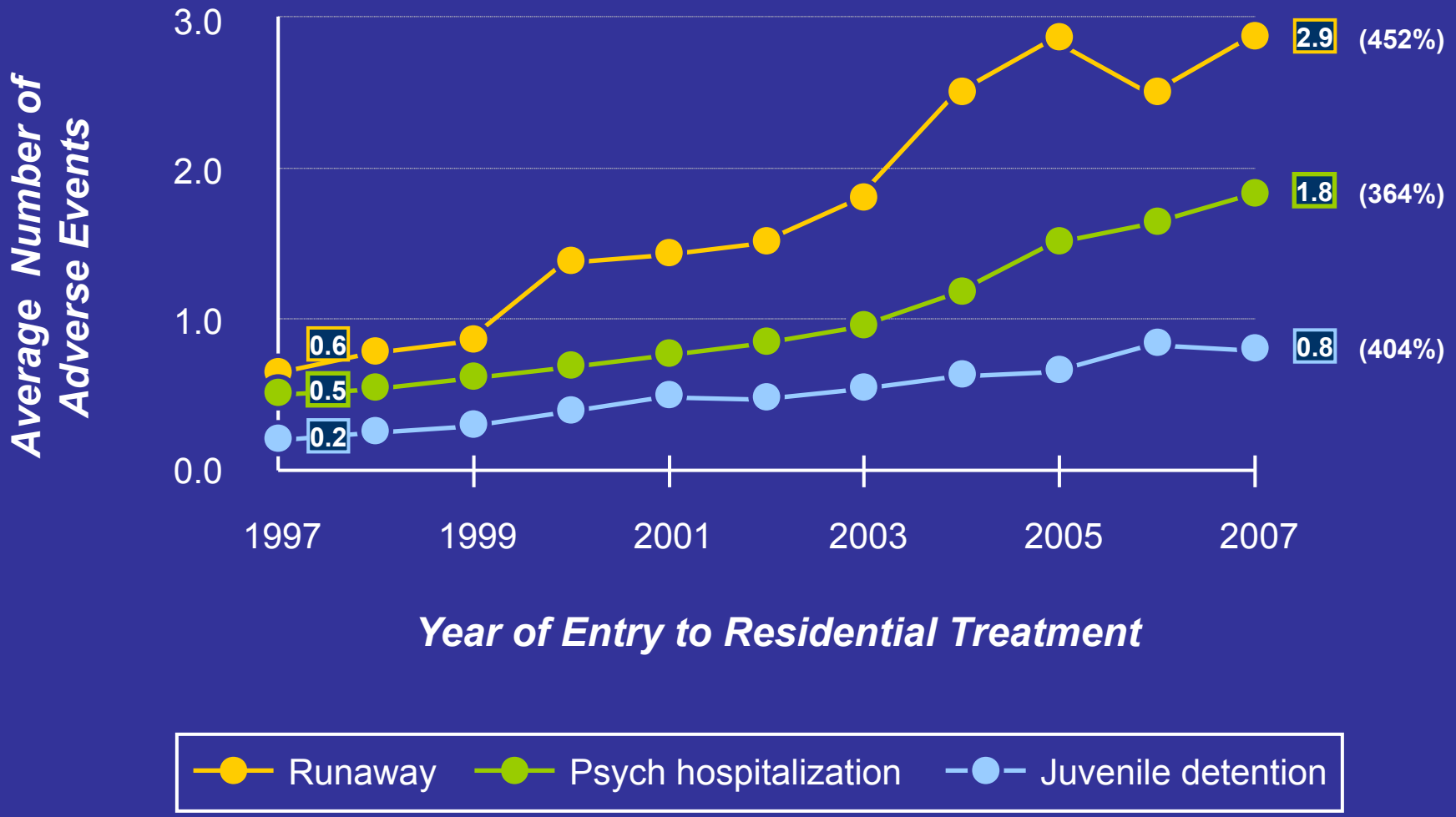
Implications of Reforms

Fewer youth, but greater proportion referred to residential care with histories reflecting severe psychiatric and behavioral problems



High c[illegible]on of ***extraordina[illegible]*** ch[illegible]nging youth

Average Number of Adverse Events at Entry to Residential Care



Illinois Residential Discharge Rates FY 04 – FY 06

Total Discharges: 3,448

"Negative" Discharges: 2,069 - 60%

"Positive" Discharges: 1,379 - 40%

Sustained Progress:

Of all youth positively discharged, 854 or 60% (25% of all discharges) were in the same less restrictive placement 6 months post-discharge.

Child Welfare Challenges/Trends -- Serving Youth with More Complex Needs

- Placement change rate high and steadily increasing
- Behavior problems, prior institutionalization and runaway incidents increase subsequent placement instability
- Youth with multiple placement disruptions, longer stays in out-of-home care and the lack of a permanent home before entering foster care

Chapin Hall Center for Children

Striving for Excellence:
Can PBC make a difference in residential care?

- Expands Illinois' PBC to residential treatment, Independent Living and Transitional Living Programs
- Grant from the National Quality Improvement Center on the Privatization of Child Welfare Services to document and evaluate how it is done

Overarching Goals of *Striving for Excellence*

- Improve outcomes for children and youth
- Build on success in foster care and kinship case management
- Enhance existing public-private partnership
- Address CFSR deficiencies in Permanency and Well Being
- Inform the field through evaluation of the process

Residential Services in Illinois
Before PBC

- Individualized cost based rate methodology
- Compliance monitoring by outsourced university-based monitors
- Capacity challenges – assuring availability of appropriate level of treatment based upon client needs
- Cumbersome admission process

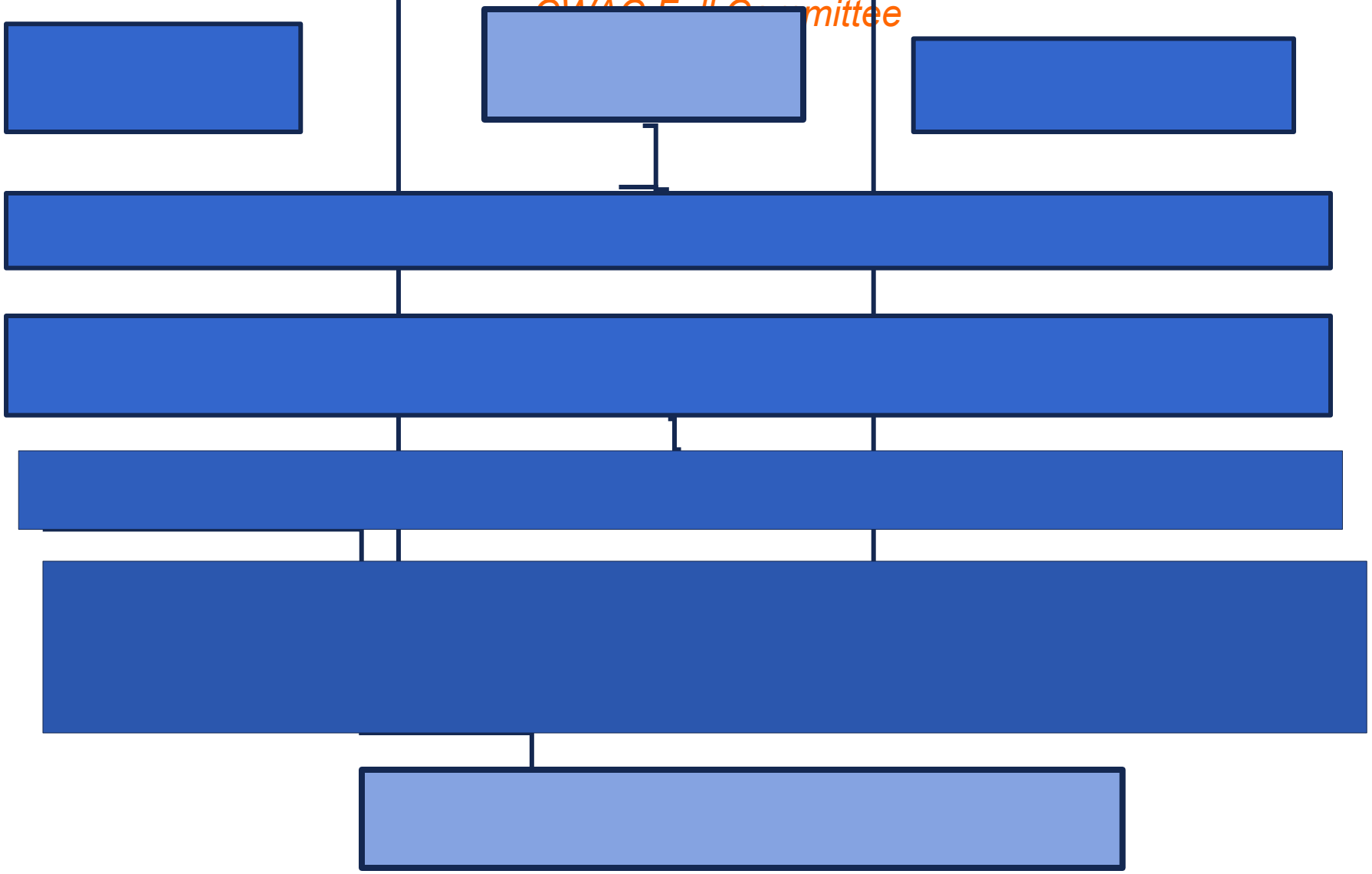
Collaborative Planning

- Existing Child Welfare Advisory Committee structure used to develop proposed outcome measures, fiscal structure and risk adjustment strategy
- Child Care Association of Illinois holds Statewide Provider Forums to inform all private providers and get feedback
- Illinois Child Welfare Data Summits held by Children & Family Research Center to engage university partners and researchers

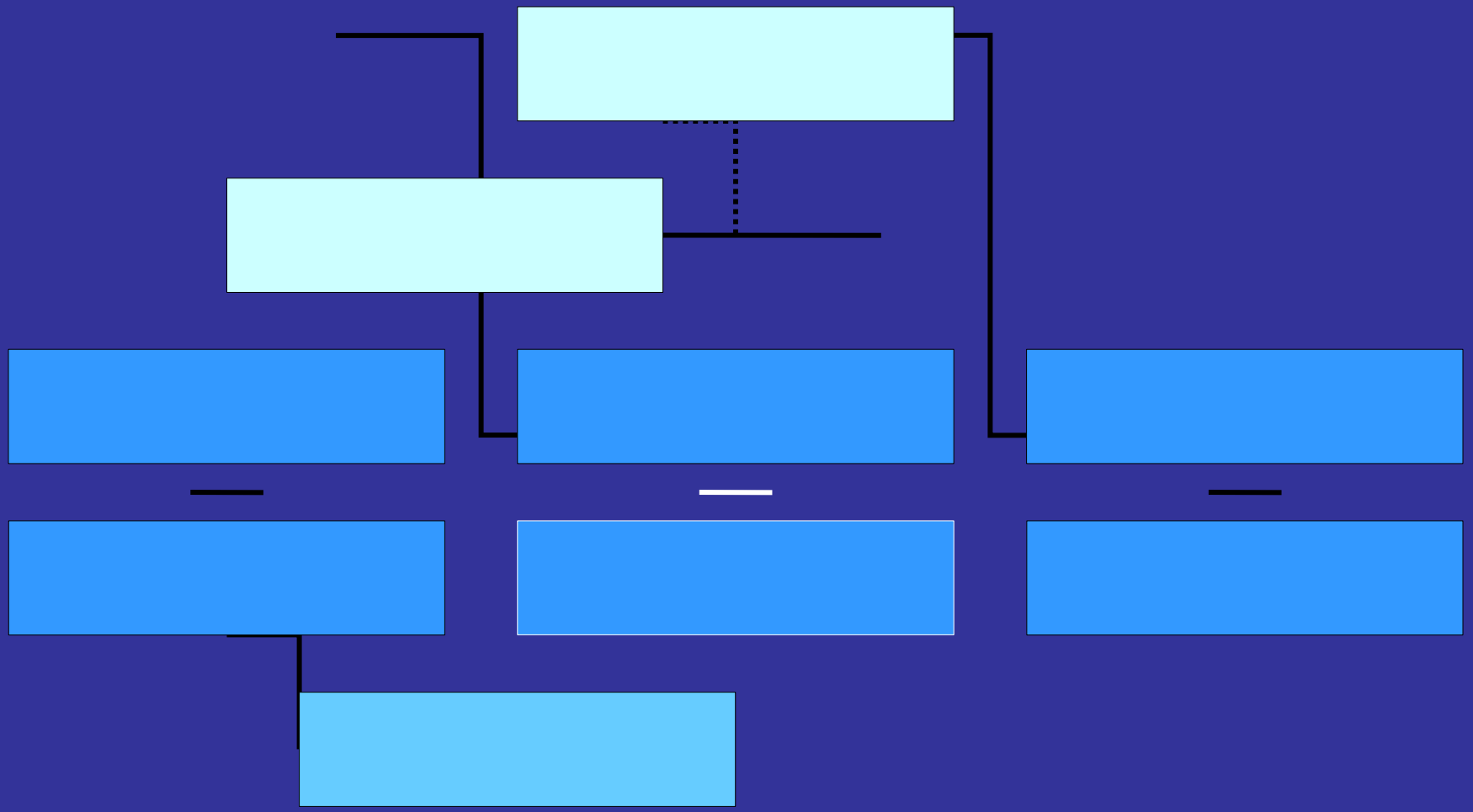
ILLINOIS CHILD WELFARE ADVISORY COMMITTEE

Organizational Structure

CWAC Full Committee



Striving for Excellence Organizational Structure



Developing PBC Goals for Residential Treatment

- Goal #1: Improve safety and stability during residential treatment
- Goal #2: Reduce severity of symptoms and increase functional skills effectively and efficiently
- Goal #3: Improve outcomes at and following discharge from treatment

Criteria for Identifying Measurable Performance Indicators

- Do the indicators meaningfully address each goal?
- Do they utilize current available data?
- Do they utilize reasonably reliable data?
  - Unusual incidents (UIRs) v. payment data
  - Use of standardized outcome measure

Goal 1:
Improve Safety/Stability During Treatment

Goal 2:
Effectively and Efficiently Reduce Symptoms/ Increase Functionality

Goal 3:
Improve Outcomes At And Following Discharge

Indicator:
* Treatment Opportunity Days Rate

(Original) Indicators:
Immediate Discharge Disposition
Sustained Positive Discharge
Length of Stay

I[illegible]c[illegible]r:
* Sustained Fa[illegible]ab[illegible]ischarge Rate

Treatment Opportunity Days Rate

- Percentage of time in treatment during a residential stay (spell) at a facility where the child/youth is not on the run, in detention or in a psychiatric hospital

$$\frac{\text{Active Days}}{\text{Active Days + Interruption Days}}$$

Sustained Favorable Discharge Rate

Percentage of total annual (fiscal year) residential spells resulting in sustained favorable discharges

- **"Favorable"** = positive step-down to less restrictive setting or a neutral discharge in a chronic setting (e.g. mental health or DD)
- **"Sustained"** = remain in discharge placement for 180 days or more
- **"Unfavorable"** = negative step-up to a more restrictive setting, disrupted placement, or lateral move to another residential facility or group home

Setting Performance Benchmarks

FY 2009 benchmarks were based upon:

- Characteristics of agencies' client population in FY 2006 and FY 2007
- Agencies' expected outcomes, given characteristics of resident population, and
- The average of expected outcomes for the 2 years weighted by population size for each year

….adjusted for risk!

What is Risk Adjustment?

- A statistical procedure to determine the significance and relative weights of identified risk factors related to performance outcomes
- RA results are then used to calculate each provider's expected performance based on the severity of their case mix, relative to the statewide residential treatment population

Specific Risk Factors Included in the Illinois Risk Adjustment Model

Historical child systems involvement

- Juvenile detention or corrections
- Runaway
- Prior placement in residential care
- History of aggression and antipsychotic use
- Medicaid-paid psychiatric hospitalization

Demographic characteristics

- Age
- Gender
- Child's geographic origin upon entering state custody

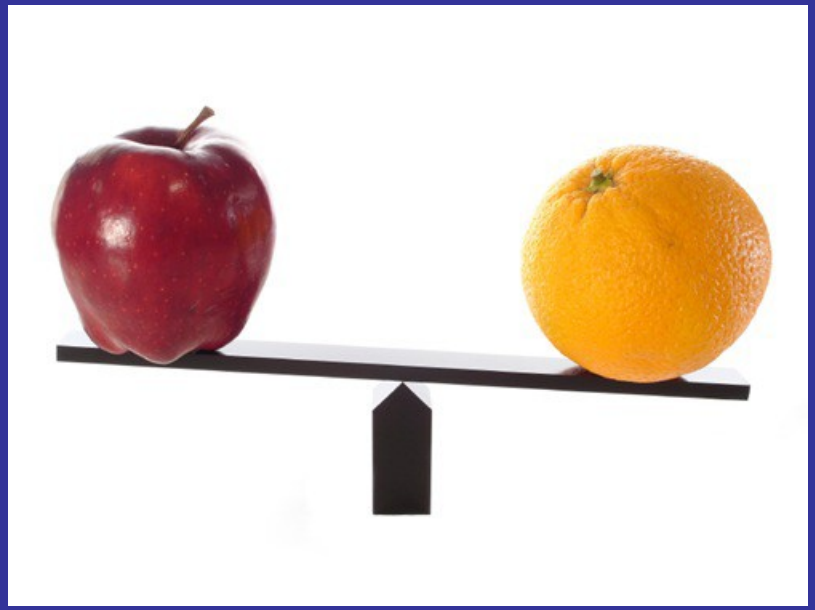
Specific Risk Factors Related to Placement Characteristics

Placement characteristics related to “spell”

- Length of spell (< 1 yr.)
- Severity level and/or specialty population served
  - ✓ Levels = severe, moderate, mild
  - ✓ Institutions and group homes
  - ✓ Specialty population, e.g. pregnant and parenting or sexually problematic behavior
- Program’s geographic location (Chicago-city, suburban Chicago, exurban Chicago, downstate town, downstate rural)

Why Risk Adjust?

- Makes PBC feasible where youth are not randomly assigned to agencies
- Reduces incentive to avoid serving difficult youth
- Allows for modification as better data becomes available or as populations change
- Supports continued performance improvement

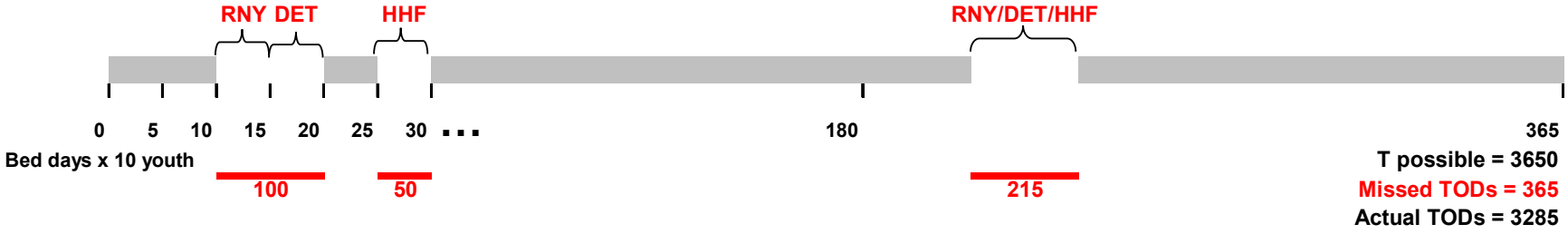


Connecting Payment to Performance

- **Agencies are penalized if they fail to attain their Treatment Opportunity Days Rate at the end of the fiscal year**
- **Agencies are given a bonus if they exceed their Sustained Favorable Discharge Rate**

Treatment Opportunity Days Rate Example

Calculating the Penalty



Calculation is # of days at facility / total # days in residential stay

Rate of Treatment Opportunity Days: 3285 / 3650 = 90%

If TODR risk adjusted benchmark is 95%:

95% of 3650 = 3468 days

3468 – 3285 = 183 days below benchmark

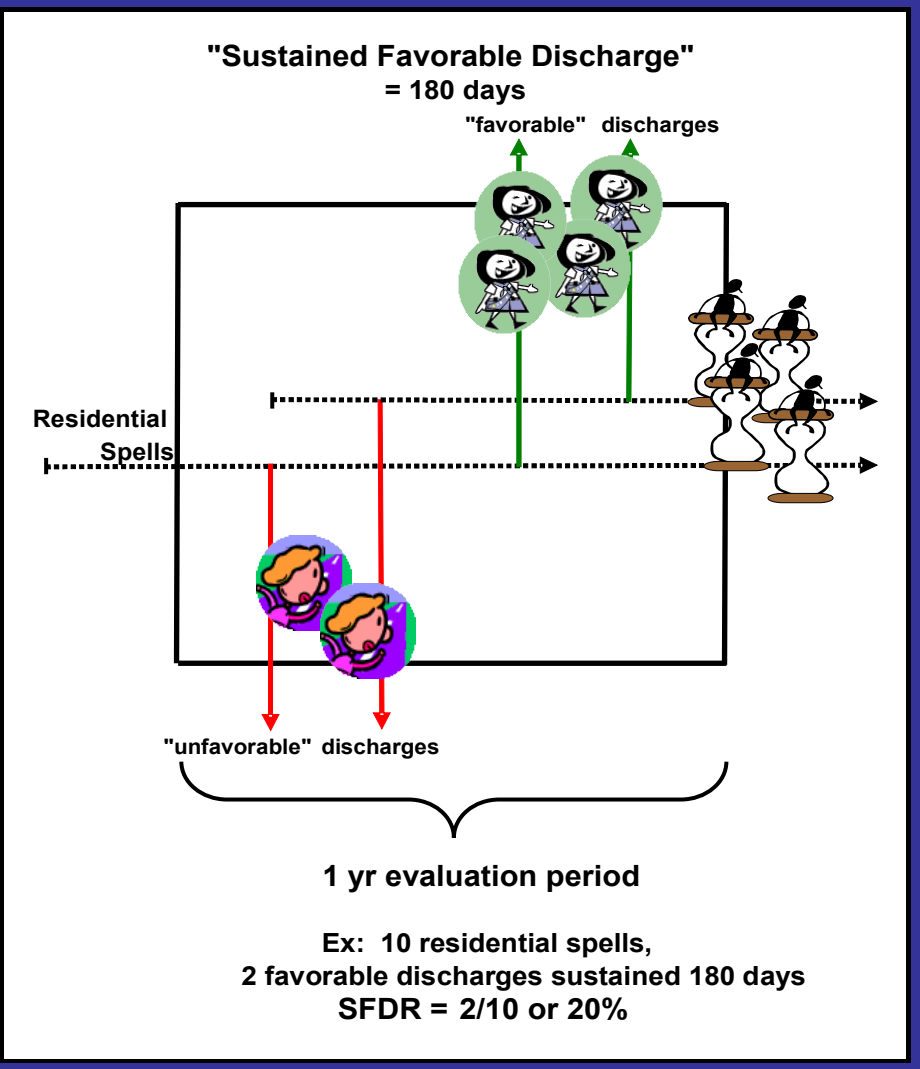
Agency is penalized 25% of per diem payment for 183 days.

Example:

If per diem is $300, penalty is $75 x 183 = $13,725.

Sustained Favorable Discharge Rate Example

Calculating the Bonus



If SFDR benchmark = 20%

(2 favorable discharges / 10 residential spells)

Agency receives bonus for sustained favorable discharges above benchmark.

Example:

If actual SFDR performance = 40%

the # of SFDs is 4, or 2 over the benchmark.

Sustained Favorable Discharge Rate Example

Calculating the Bonus

- Bonus = Difference between the average residential per diem and the average step down per diem
  - applied to average # of days for all sustained favorable discharges up to 270 days (x 2 in this example)
- Example: $300 - $150 = $150.
  - for each youth $150 x 270 days = $40,500.
  - agency total for two youth = $81,000.

Other PBC Fundamentals

- Model rates by program classification
- 100% guarantee for beds purchased
- “No decline” referrals, enhanced matching process, and performance exempt youth
- Discharge and Transition Protocol enhances and supports favorable step downs

PBC for residential care had its controversies…

- Including psych hospitalization rates as part of performance measure
- Holding providers responsible for post-discharge outcomes
- No decline clause in contract
- Underused capacity/empty beds

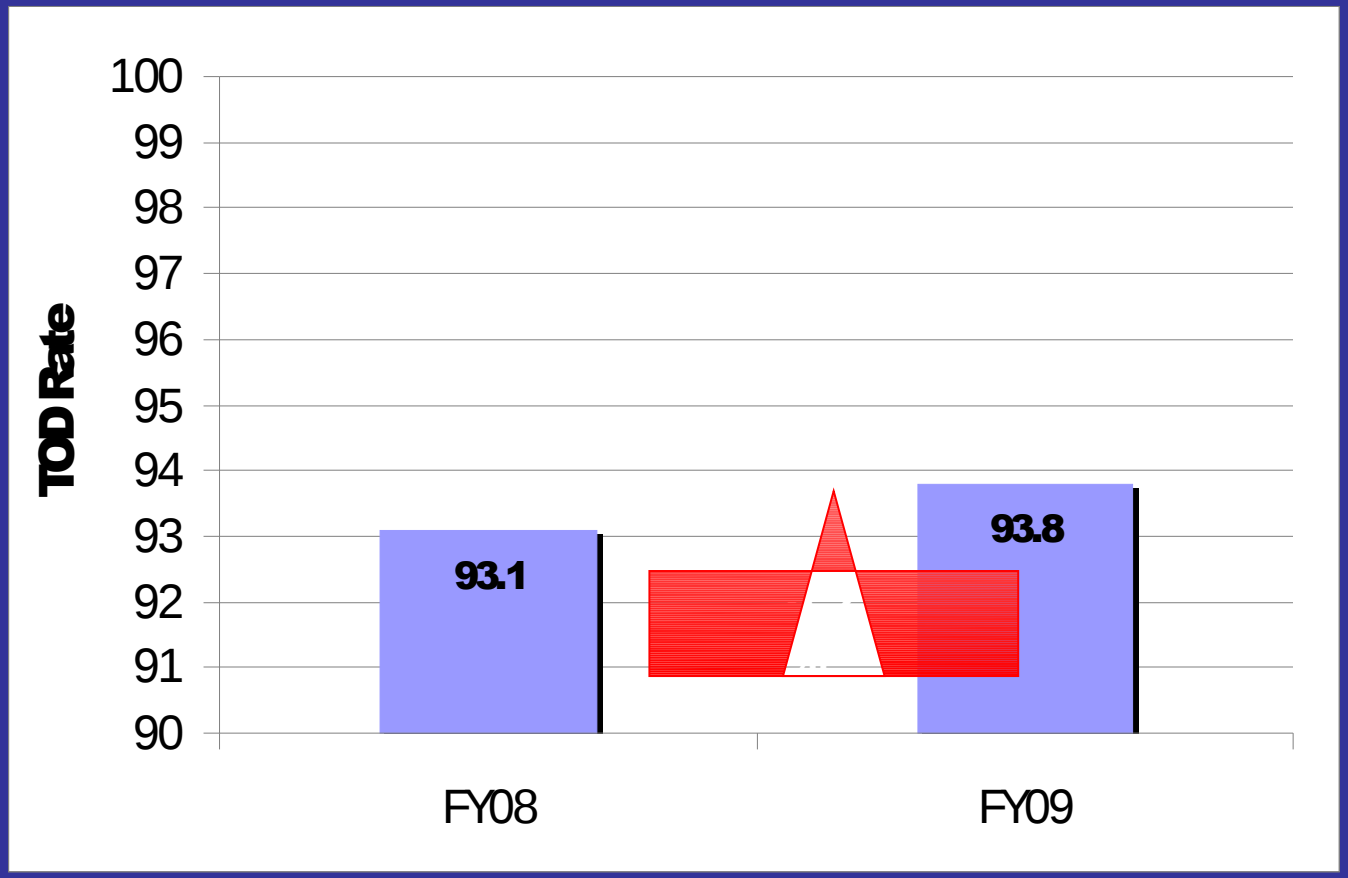
Systemic Changes to Support PBC

- “Drilling” down into the PBC data continues in the Data Test Workgroup
- Centralized matching process for admissions
- Transition & Discharge Protocol implemented
- Runaway Assessment & Treatment Planning Process pilot
- Residential-Hospital Networks pilot based on UIC CARTS model
- Residential Treatment Outcomes System (RTOS) reports available to providers to track their outcomes

Is it working?

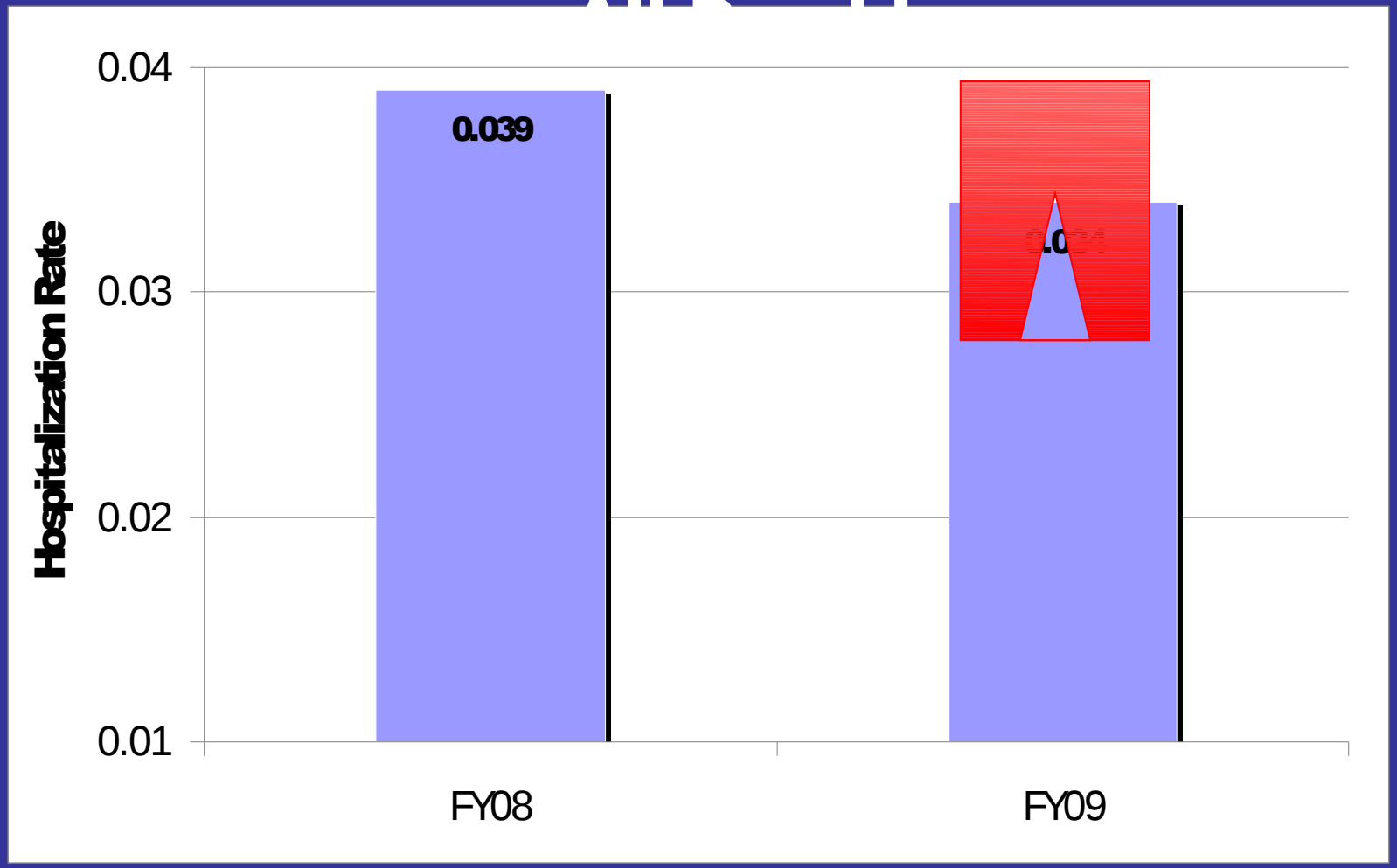
Let's take a look at the results for FY 2009 on RTOS!

Treatment Opportunity Days Rate FY08-FY09
All Providers



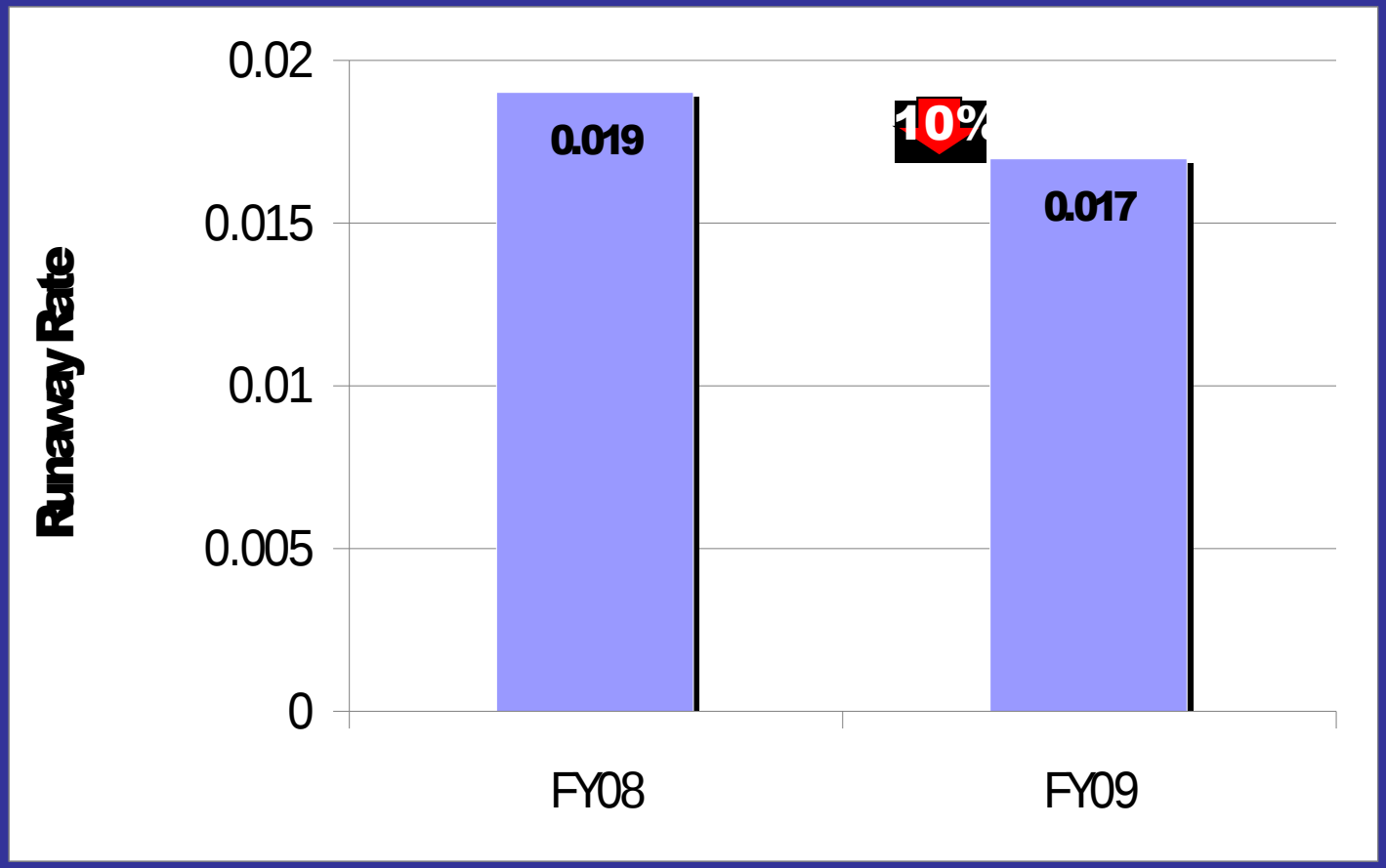
Impact of Rate Differential for FY09: Approximately 3,200 Treatment Opportunity Days

Residential Hospitalization Rate FY08-FY09



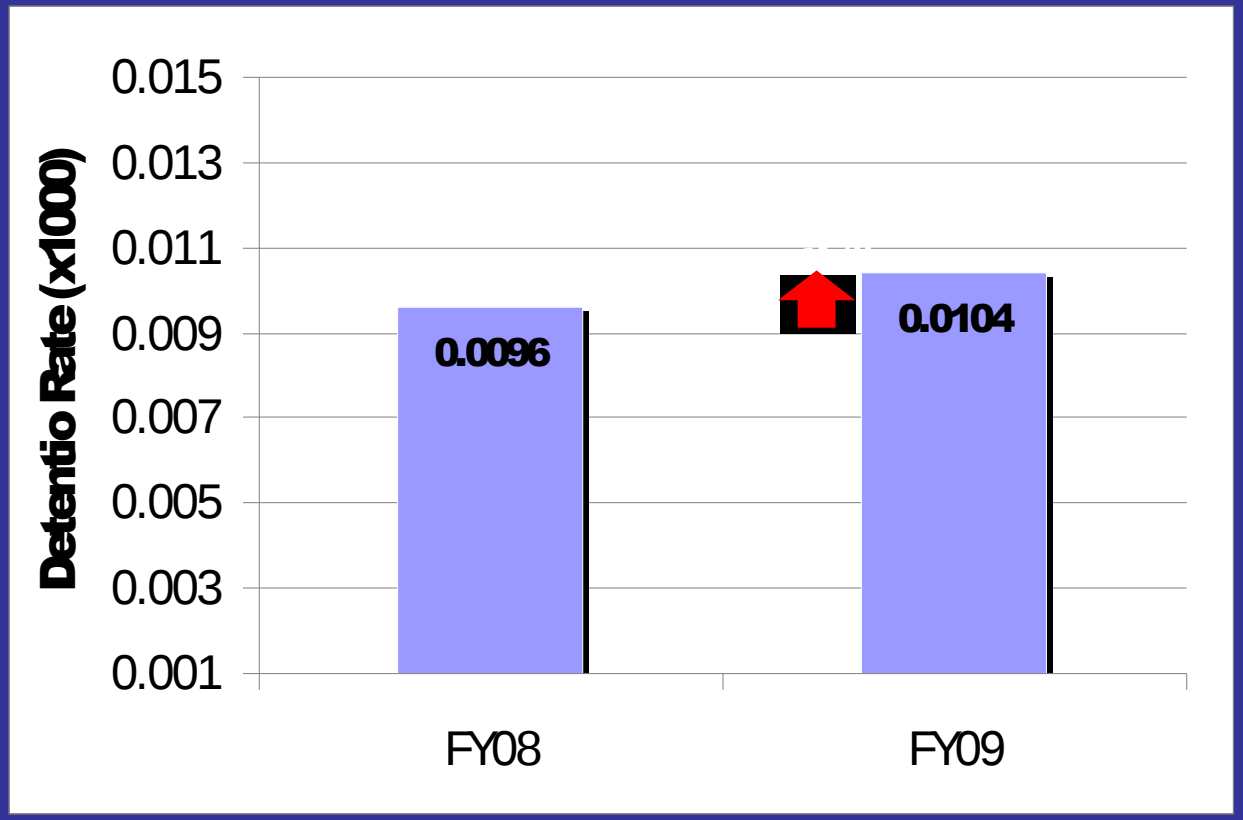
Impact of Rate Differential for FY09: Approximately 2400 hospital days saved & $2.4M savings

Runaway Rate FY08-FY09
All Providers



Impact of Rate Differential FY09:
Approximately 800 Days

Detention Rate FY08-FY09
All Providers



Impact of Rate Differential FY09:
+ 350 Days

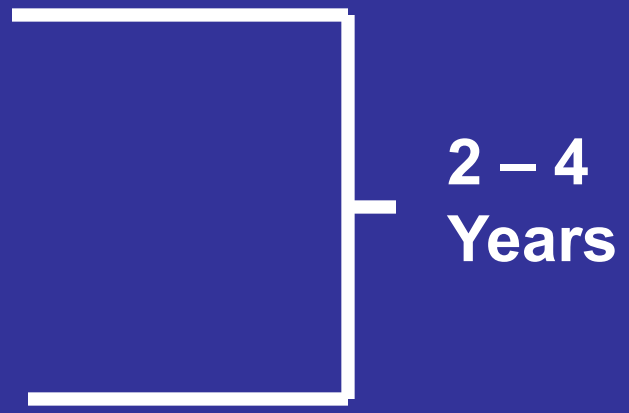
TODR Penalties for FY 2009

- 24 residential agencies out of 45 failed to attain their TODR benchmarks for FY 2009
- Letters were sent to these agencies assessing penalties in October, 2009
- Only 2 agencies sought formal reconciliation
- Penalty amounts by agency range from $1,602.74 to $108,272.76
- Median amount at the agency level is $23,915.35
- Total penalty amount is $712, 033.10

Stages of Implementation

Implementation occurs in stages:

- **Exploration**
- **Installation**
- **Initial Implementation**
- **Full Implementation**
- **Innovation**
- **Sustainability**



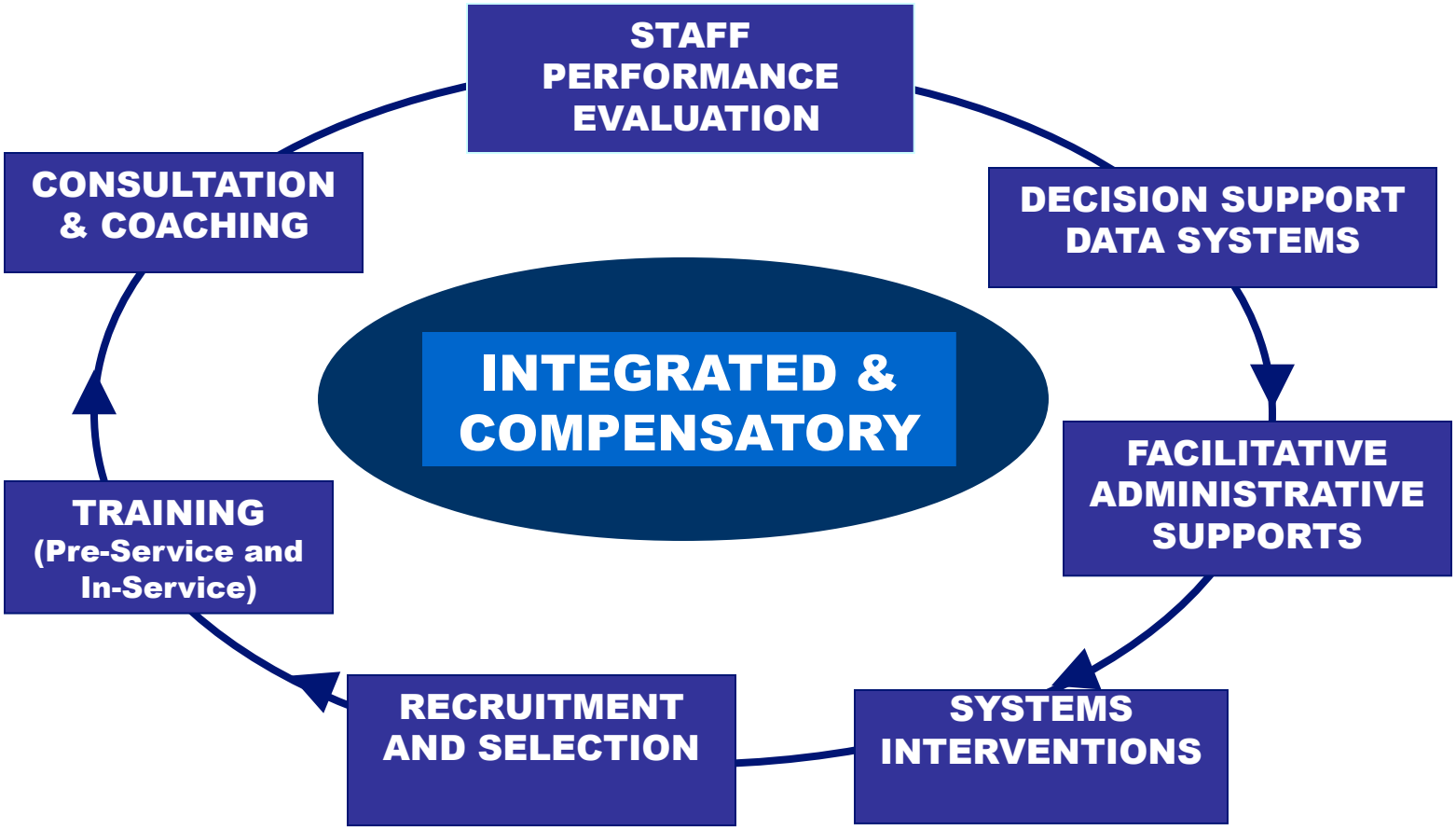
Fixsen, Naoom, Blase, Friedman, & Wallace, 2005

Degrees of Implementation

- **Paper Implementation**
  - **"Recorded theory of change"**
- **Process Implementation**
  - **"Active theory change"**
- **Performance Implementation**
  - **"Integrated theory of change"**

Fixsen, Naoom, Blase, Friedman, & Wallace, 2005

Implementation Drivers



Implementation Case Studies

- 5 residential agencies (3 high performing and 2 low performing) looked at in depth:

  - ✓Focus groups with administrators, supervisors and frontline staff
  - ✓Survey of frontline staff and supervisors
  - ✓Document review

Preliminary Findings

- “Paper implementation” has occurred in the high performing agencies but the practice change has not yet been driven down to the frontline staff
- Only the administrative level staff were aware of PBC and its implications
- CEOs of all 5 agencies made the conscious decision not to share detailed information about PBC with frontline staff to “insulate them from financial decisions”

Preliminary Findings Lower Performing Agencies

- Staff in the lower performing agencies blamed the children and youth for their poor performance
  - “Toxic parents” caused this damage and we are trying to save these kids and shouldn’t be punished for taking care of them
  - “I don’t care what they say, our kids are tougher than anyone else’s”

Preliminary Findings
Higher Performing Agencies

- Had more defined treatment models and quality assurance systems in place to track fidelity to the model
- But, still had not infused PBC measures into their QA systems
- Had staff meetings to describe PBC, but did not formally train on the fundamentals or best practices associated with the measures

Preliminary Findings Lower Performing Agencies

- They did not have a clearly defined treatment model
- They did not have functioning quality assurance systems
- No changes were made to hiring practices, supervision, or training protocols to support implementation of PBC
- Staff were aware they should discourage runs, psychiatric hospitalizations and detentions, but did not understand why

Preliminary Findings

- PBC was rolled out at the same time as significant changes in Medicaid which required staff to document services provided
- This resulted in great confusion throughout the system over what practice changes were required by PBC vs. changes in Medicaid

Preparing for PBC

It's not rocket science…

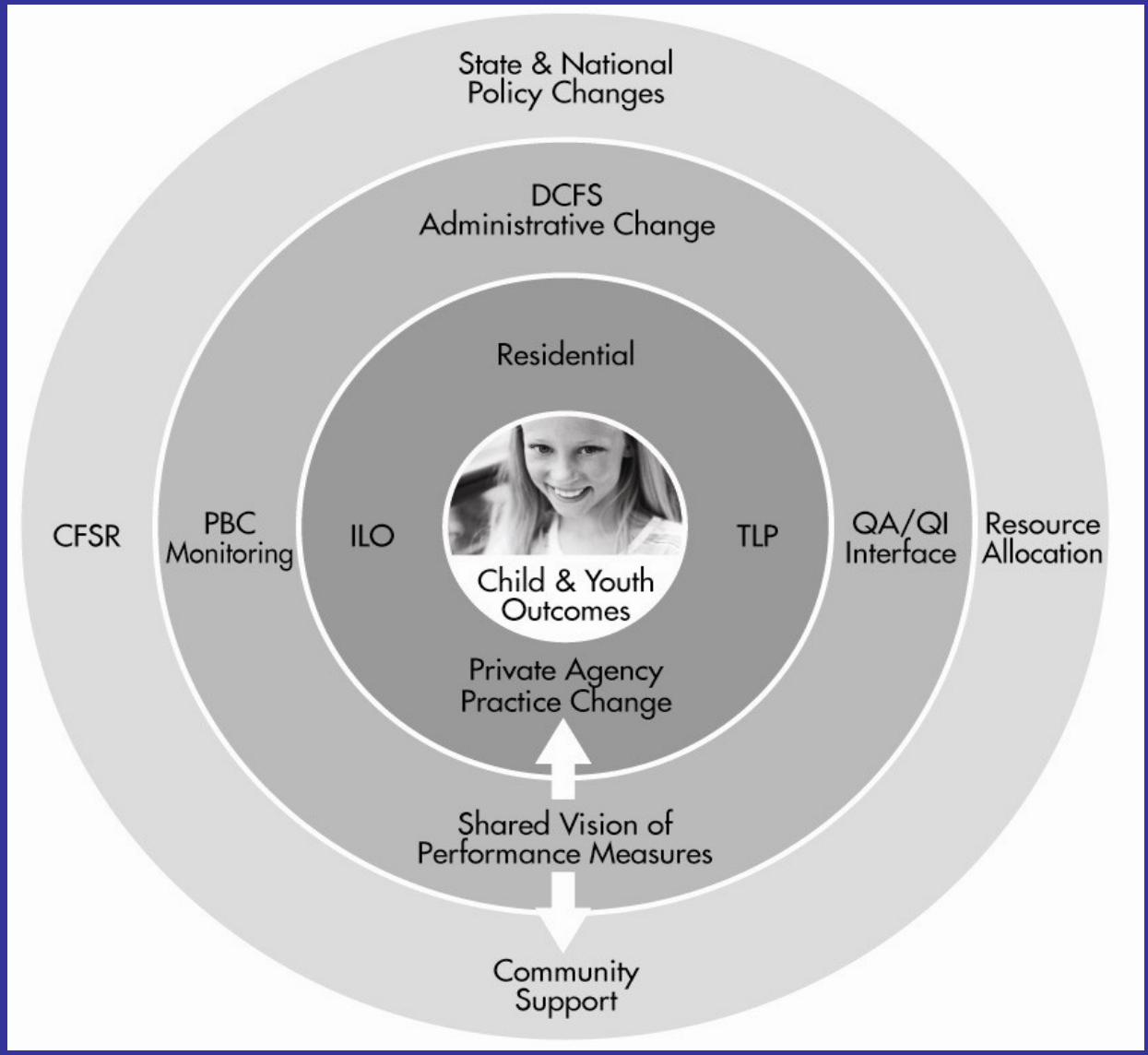
it's harder!

The Top 10 Things to Consider BEFORE you go there

#1 Define What Is Important to **Your** System of Care

- Child welfare is not a passive activity
- How do you define “success”?
- What improvements to the system are you trying to make?
- Does your local community understand what you do and who you serve?

Theory of Change



#2 Identify **Your** Sphere of Influence
Is your performance contingent upon others?

- Do you have subcontractors?
- Do you have a provider network?
- Who has control over intake of cases?
- How well do you interface with other critical child welfare stakeholders?
  - ✓ Juvenile courts
  - ✓ Community mental health & substance abuse providers
  - ✓ School system

#3 Brainstorm on Performance Measures

- What do you measure now?
  - CFSR measures?
  - State performance goals?
  - Consent decree/legal requirements?
  - “Special” items of interest?
  - Quality standards for accreditation?
- How do you measure?
  - Consistent standards?
  - Do you benchmark? From when to when?
  - What are your data elements?
  - Do you – and everyone else – have confidence in the data used?

#3 Brainstorm on Performance Measures

- What do you want to measure?
  - Define and agree on a FEW critical areas
  - Define and agree on the “cause and effect” data which feeds into your critical few
  - Don’t allow crisis or personality to choose your critical few
  - Don’t measure for the sake of measuring

#4 Know Where You Get Your Numbers From!

- What IT systems do you have in place to collect all of the data required to measure?
- Is the data currently “clean” and ready to be used?
- If not, what will it take to clean it and get ready?
- Have you agreed on a baseline so effective goals can be established?

#5 Examine Your IT Capacity

- What information technology do you employ now?
- Is it available to and used by private sector partners?
- If not, will it be in the future?
- Is there a collaborative partnership established to develop future technology needs or recommend system changes?

#6 Align PBC with QA/CQI

- How do you know what you don't know?
- How do you ensure fidelity to the model?
- What capacity do you have for
  - ✓ Data collection?
  - ✓ Data analysis?
  - ✓ Contract management?
- There should be formally established links between IT, records management, QA, programs, leadership and contract management

#7 Establish Consistent Definitions

- You must be PAINFULLY aware of each and every definition of every word in the contract.
- You cannot assume that everyone has a clear understanding of what the measures are unless you work through various scenarios and contingencies in advance
- All contracts require a “meeting of the minds” to be binding – how comfortable are you that the terms in the contract are clearly understood?

#8 You must marry your fiscal and programmatic goals!

- For the public agency: what are you buying?
- For the private agency: what are you selling?
- For PBC we buy and sell outcomes:

…Which ones?

…Evidenced by what?

…Paid for in what amount?

#8 You must marry your fiscal and programmatic goals!

- Incentives should encourage production of what we want to buy
- What type of incentives should/can you use?
  - ✓ Share in savings?
  - ✓ Revenue enhancement?
  - ✓ Milestone payments?
  - ✓ Bonus payments?

#8 You must marry your fiscal and programmatic goals!

- Penalties should be based upon the logical consequence of non-performance
- What type of penalties/disincentives should/can you use?
  - ✓ Risk/cost sharing
  - ✓ Capacity reduction
  - ✓ Termination
  - ✓ Fiscal penalties/fines

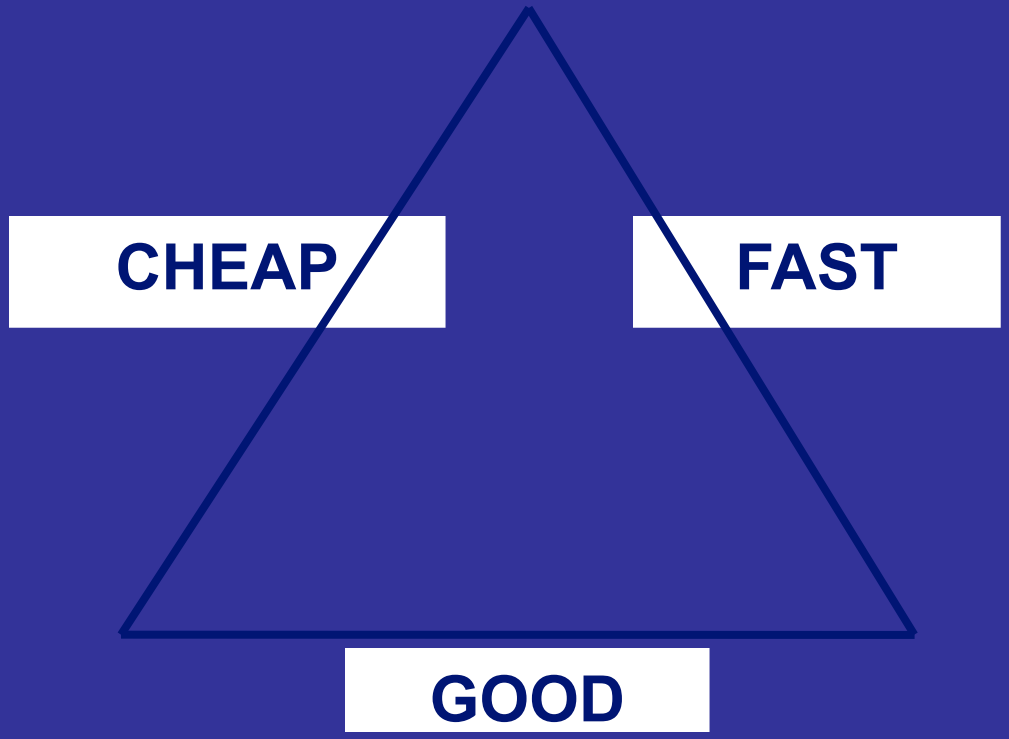
#8 You must marry your fiscal and programmatic goals!

- Both the public and private sector entities should closely track the fiscal implications of PBC from its inception – there should be no surprises at the end of the fiscal year
- Processes should be put into place in advance for reconciliation of data discrepancies and errors
- How do you set rates? Is your process transparent or politically driven?

#9 How do you determine what you need? How do you manage utilization?

- How much control do you have over admissions?
- How strong is your capacity to project future bed needs based upon changes in the population?
- What management systems do you have in place to address fluctuations in current capacity or increased need?
- How do you plan for discharges?

#10 Remember Wexelblatt's Scheduling Algorithm



When developing a program you may pick any two.
You can't have all three.

Never forget….

- This is about the families we serve -- not about whether your pay check is signed by the government or a private agency
- PBC requires excellent communication strategies both internally and externally to be effective
- Stakeholders matter – you cannot go it alone and succeed

Never forget….

- There is no “one size fits all” version of performance based contracting
- PBC involves a change in business relationships that many public and private agencies have had for years
- Trust, open communication and strong leadership are required on all sides in order to be successful

Leading Change

- Establish a sense of urgency
- Form a powerful guiding coalition
- Create a vision
- Communicate the vision
- Empower others to act on the vision
- Plan for and create short-term wins
- Consolidate improvements
- Institutionalize new approaches

Kotter, Leading Change: Why Transformation Efforts Fail
Harvard Business Review on The Tests of a Leader (2007)

ANY QUESTIONS?

Contact Information

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