Using Performance Based Contracting to Improve Child Welfare Outcomes: Results from the Illinois Striving for Excellence Project

A Presentation for the 25th Annual Conference on Treatment Foster Care
July 26, 2011

Judge Kathleen A. Kearney
Mary Hollie
Presentation Overview

We will answer the following questions during this presentation:

- What is performance based contracting (PBC)?
- What role does collaboration play in the success of performance based contracting?
- What issues should we think about converting to a performance based contract?
- What lessons did you learn from the first 3 years of implementation of this project from both the public and private child welfare agency perspective?
What IS performance-based contracting?
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
Expectations and Benefits of PBC

- Encourages innovation and competition
- Results in better prices and improved performance
- Shifts 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 systems interesting in PBC?

- Promotes achievement of 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 risk to the contractor!
Why are private 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
Challenges of PBC

- What outcomes are measured?
- What baseline data are you relying upon?
- How reliable is the data?
- Should the State “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, BUT:
  - Developed predominantly by DCFS with little, if any, private sector involvement
  - No formal evaluation was ever done
What Made PBC Successful in Foster Care Case Management?

- Private sector input into decision making on the performance outcomes over time;
- The availability of reliable and verifiable data to measure performance; and
- The state’s commitment to reinvest savings earned by a reduction of the number of children in care back into the child welfare system to fund improvements.
Effective child welfare system reform requires effective collaboration across complex systems...

Duh!
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
What is collaboration?

- A mutually beneficial and well-defined relationship entered into by 2 or more organizations to achieve common goals

- The collaborative relationship includes:
  - Commitment to common goals
  - Jointly developed structure and shared responsibility
  - Mutual authority and accountability for success
  - Sharing of resources and rewards

Paul Mattessich (2005)
Elements of Successful Collaboration

- Environment
- Membership
- Process and structure
- Communication
- Purpose
- Resources

Paul Mattessich (2005)
Environmental Factors

- History of collaboration or cooperation in the community

- The collaborative group is seen as:
  - A legitimate leader in the community
  - Competent and reliable

- Favorable political and social climate
Members see collaboration as being in their self interest

The group has an appropriate representatives from each segment of the community affected by its activities

Members share an understanding and respect for one another and their respective organizations

Ability to compromise
Factors Related to Process and Structure

- Members share a stake in both process and outcome
- There are multiple layers of participation
- The group remains open to varied ways of organizing itself and accomplishing its work
- Clear roles and policy guidelines are developed
- The group can adapt to changing conditions and needs
- Activities proceed at the appropriate pace of development
Communication

- Open and frequent communication

- Honest dialogue with all necessary information shared

- Established:
  - Formal channels of communication
  - Informal relationships
  - Communication linkages
Purpose

- Concrete, attainable goals and objectives
- Shared vision with clearly agreed-upon mission, objectives and strategy

Resources

- Sufficient funds, staff, materials and time
- Skilled leadership
Child Welfare Advisory Committee (CWAC)

- Used for organizing discussions between state agency and providers relating to provider program/financing changes:
  - Foster Care Performance Contracting
  - Residential Performance Contracting
  - Differential Response
  - Permanency Innovations Initiative (PII)

- Used for designing, planning, implementing and assessing systemic reform efforts
ILLINOIS CHILD WELFARE ADVISORY COMMITTEE
Organizational Structure
CWAC Full Committee

DCFS Director

Co-Chairs

Private Agency Director

21 Members- POS Directors/Representatives/Public Guardian/Foster Parent

Steering Committee
Co-Chairs of Committee and each sub-committee and CCAI Director

Sub-Committees Co-chairs
DCFS Deputy
Co-Chairs Private Agency Representative

- Foster Care Infrastructure
- Comprehensive High End Services
- In-Home/Front End Services
- Older Adolescents/ULO
- Education
- Finance and Administration
- Training
- Public Awareness
- SACWIS
- Ad Hoc as Needed (e.g. CFSR Planning)

Work groups assigned by Sub-Committees As Needed
CWAC Collaborative Planning

- Established regular structures for communication & conflict/problem resolution
- Public agency actions build trust
- Develop strategies to minimize provider fear
- Learn from what we do well and what we need to improve
- Agreed upon system goals
- Reliable and verifiable data
- Contract negotiation
CWAC Collaborative Planning

- Private provider buy in
- Commitment to reinvest in the system
- Quality of services for clients
- Availability of services and resources in the community
Some issues to consider collaboratively and within your own agency BEFORE you go there....
What does your system of care look like?

- 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?
Is your performance contingent upon others?

- Do you have subcontractors?
- Do you have a provider network?
- Do you have control over intake of cases?
- How well do you interface with:
  - Child protective services/investigations/POS?
  - Mental health & substance abuse providers?
  - School system?
  - Juvenile courts?
What do you measure now?

- ASFA Measures?
- State Performance Goals?
- Consent Decree Requirements?
- “Special” items of interest?
- Quality Standards from an accreditation agency, e.g. COA?
Where do you get your “numbers” from?

- What global system do you have to collect all the data required to measure?
- Is the data currently “clean” and ready to be used?
- If not, what will it take to get the data “clean” and ready?
- Have you agreed on the baseline so effective goals can be established?
- You can’t establish clear definitions if you don’t have the data to begin with!
CQI, QA, QM
Linkage is Critical

- Formally established links between the State and the private agencies must be established
- There must be partnership between the two agencies to assure consistent measurements
- This is not the time for your agency to be “siloded”
- Alignment between I.T., Records Management, QA, Programs, Leadership, Contract Management is paramount
Words MATTER!

- The beginning concern for performance contracting is to assure that all parties have a **PAINFUL AWARENESS** of each performance measure that includes the definitions of all performance measurement components.
- Lack of Clarity **WILL** result in disagreements with performance results - potentially leading to contractual or legal complications.
Bottom line...

Performance change cannot be anecdotal.

✓ Agreement on definitions is key.
✓ Baselines must be established.
✓ Systems for data collection and measurement must be in place.
✓ Performance change must be in the contractor’s scope of control.

Errors in performance measurement can be costly!
Illinois *Striving for Excellence* Project

Can PBC make a difference in residential, Independent and Transitional Living programs?
Striving for Excellence

- 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 (QIC PCW) to document and evaluate how it is done
Striving for Excellence Organizational Structure

- Child Welfare Advisory Committee (CWAC)
  - Illinois PBC Project Steering Committee
    - High End Services Subcommittee
      - Residential Monitoring Workgroup
    - Older Adolescents Subcommittee
      - ILO TLP Data Management Workgroup
    - Finance and Administration Subcommittee
      - PBC/QA Fiscal Workgroup
  - Data Test Workgroup
Goals of the *Striving for Excellence* Project

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

<table>
<thead>
<tr>
<th>Service Type</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions/Group Homes</td>
<td>$136,579,223</td>
<td>$139,656,125</td>
<td>$159,573,894</td>
<td>$164,096,410</td>
<td>$165,182,300</td>
</tr>
<tr>
<td>Independent/Transitional Living</td>
<td>$56,842,602</td>
<td>$57,289,652</td>
<td>$52,966,965</td>
<td>$50,960,332</td>
<td>$52,706,300</td>
</tr>
<tr>
<td>Shelters &amp; Support Costs</td>
<td>$19,726,490</td>
<td>$25,990,404</td>
<td>$28,412,441</td>
<td>$28,918,357</td>
<td>$29,329,900</td>
</tr>
<tr>
<td>Foster Care</td>
<td>$261,817,102</td>
<td>$250,306,626</td>
<td>$257,292,076</td>
<td>$252,448,484</td>
<td>$255,708,900</td>
</tr>
<tr>
<td>Foster Care Support Costs</td>
<td>$58,071,948</td>
<td>$55,934,887</td>
<td>$56,532,322</td>
<td>$55,091,789</td>
<td>$56,743,100</td>
</tr>
<tr>
<td>Total</td>
<td>$533,037,365</td>
<td>$529,177,694</td>
<td>$554,777,698</td>
<td>$551,515,372</td>
<td>$559,670,500</td>
</tr>
</tbody>
</table>

Institutions/Group Homes % of DCFS Out-of-Home Care Budget:
- FY2007: 26%
- FY2008: 26%
- FY2009: 29%
- FY2010: 30%
- FY2011: 30%

Note: FY 2011 is the projected and estimated budget.

For 8% of Total Youth in Care
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
  - CANS/clinical 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:
*T Treatment Opportunity Days Rate

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

Indicator:
*S Sustained Favorable Discharge 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
“How can you compare my agency with others when I have the harder to serve kids?”
First things first…

- Getting the right service, at the right time, for the right price, for the best results

- Importance of standardizing the rates
  - Prior to PBC, rates were set using an individualized cost based rate methodology
  - Different levels of care with different staffing patterns needed to be considered
  - Staffing may be dependent on site specific issues, e.g. a cottage model versus a unit model
What is Risk Adjustment?

- A statistical procedure to determine the significance and relative weights of identified risk factors related to performance outcomes
  - Risk factors = mostly child and some placement characteristics (e.g. geography)

- 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
Strengths of Risk Adjustment

- Levels playing field
  - Makes PBC feasible where youth are not randomly / systematically assigned to agencies
  - Reduces incentive to avoid serving difficult youth

- Allows for modification as better data become available or as populations change

- Supports continued performance improvement
  - Current year’s thresholds based on (adjusted) average performance
  - As PBC incentives increase performance, risk-adjusted performance thresholds will also increase - continuously raising the bar
PBC Fiscal Model

- DCFS forecasts the types of beds needed each FY
- DCFS determines agency specific capacity based on those needs
- 100% of agency capacity guaranteed for each fiscal year
- In exchange - there is a “no decline” policy in the contract
- Penalties are imposed for exceeding Treatment Opportunity Days Rate
- Incentives are awarded for exceeding Sustained Favorable Discharge Rate
But, what if the provider isn’t set up to handle the kids you send them?

- Certain populations (e.g. DD) and the providers serving them are excluded from PBC
- New providers can elect not to have a PBC contract for the first year
- Performance exempt youth (rare)
- Streamlining the admissions and referral process through electronic transmission of records
- Providers detail the characteristics of youth they can best serve
- Centralization of matching process into a Centralized Matching Team (CMT)
Okay - so how did you do?

What happened?
Treatment Opportunity Days Rate

FY 2010
73 Contracts (31 Agencies)
49 Exceeded Benchmark – 67%

FY 2009
69 Contracts (39 Agencies)
38 Exceeded Benchmark – 55%

FY 2008
71 Contracts (40 Agencies)
32 Exceeded Benchmark – 45%
### Treatment Opportunity Days Rate Penalties

<table>
<thead>
<tr>
<th>FY 2009</th>
<th>FY 2010</th>
</tr>
</thead>
</table>
| ▪ 24 agencies out of 41 exceeded their benchmarks  
▪ Combined penalty amount of $712,033 | ▪ 21 agencies out of 39 exceeded their benchmarks  
▪ Combined penalty amount of $327,507 if they were imposed |
# Sustained Favorable Discharge Rate

<table>
<thead>
<tr>
<th>FY 2009</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969 “spells”</td>
<td>2012 “spells”</td>
</tr>
<tr>
<td>Projected SFDs: 294 (14.9%)</td>
<td>Projected SFDs: 238 (11.8%)</td>
</tr>
<tr>
<td>Actual SFDs: 342 (17.1%)</td>
<td>Actual SFDs: 369 (18.3%)</td>
</tr>
<tr>
<td>$3,084,199 in incentives paid</td>
<td>$3,327,542 would have been paid</td>
</tr>
</tbody>
</table>
### FY09 Preliminary SFDR Performance: Average Length of Stay of Youth Favorably Discharged

<table>
<thead>
<tr>
<th>Class level</th>
<th>Spec pop</th>
<th># Spells</th>
<th>Benchmark SFDR</th>
<th>Actual SFDR</th>
<th>Diff: Actual - Bmk</th>
<th># Favorable Discharges</th>
<th>LOS&lt;sub&gt;Avg&lt;/sub&gt; - FD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate</td>
<td>No</td>
<td>41</td>
<td>10.62</td>
<td>24.39</td>
<td>13.77</td>
<td>13</td>
<td>726</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43</td>
<td>16.83</td>
<td>30.23</td>
<td>13.40</td>
<td>15</td>
<td>597</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28</td>
<td>12.45</td>
<td>21.43</td>
<td>8.98</td>
<td>8</td>
<td>331</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23</td>
<td>14.37</td>
<td>21.74</td>
<td>7.37</td>
<td>5</td>
<td>566</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27</td>
<td>15.87</td>
<td>18.52</td>
<td>2.65</td>
<td>7</td>
<td>887</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25</td>
<td>13.96</td>
<td>16.00</td>
<td>2.04</td>
<td>4</td>
<td>1008</td>
</tr>
<tr>
<td></td>
<td></td>
<td>85</td>
<td>13.28</td>
<td>15.29</td>
<td>2.01</td>
<td>17</td>
<td>429</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49</td>
<td>16.54</td>
<td>16.33</td>
<td>-0.21</td>
<td>10</td>
<td>503</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6</td>
<td>18.35</td>
<td>16.67</td>
<td>-1.68</td>
<td>1</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40</td>
<td>23.05</td>
<td>17.50</td>
<td>-5.55</td>
<td>8</td>
<td>364</td>
</tr>
</tbody>
</table>
|             |          | 45       | 16.95          | 8.89        | -8.06              | 8                      | 422                    
But, the best laid plans....

- Illinois multi-billion $$ budget deficit resulted in changes to the PBC fiscal structure:
  - No TODR penalties or SFDR incentives will be imposed for FY 2010 and FY 2011
  - Performance data will be tracked, analyzed and published
Answers to the 5 Research Questions Posed by the QIC PCW
Does an inclusive and comprehensive planning process produce broad scale buy-in to clearly defined performance based contracting goals and ongoing quality assurance?
Yes!

- 500 + Collaborative Meetings since project inception with no end in sight!
- Performance measures developed and refined through public/private partnership using the existing CWAC structure
- Statewide provider forums, D-Net, list serve, informal monthly Residential Provider Group, and CCAI Monday Report used as communication tools
What are the necessary components of performance based contracts and quality assurance systems that promote the greatest improvements in outcomes for children and families?
Do not even attempt PBC without:

- Good, reliable data which will be consistent over time
- Capacity for QA/CQI in both the public and private sectors
- A significant (1 year) period of time to jointly plan and develop:
  - Outcome measures
  - Operational definitions
  - Communications plan
  - Conflict resolution and reconciliation process
Alignment is Critical

- Align the following in both the public child welfare agency and private agencies:
  - programmatic,
  - fiscal/budget,
  - quality assurance,
  - operations, and
  - leadership

- Determine if other external entities must also be aligned, e.g. schools, community mental health

- Establish an Implementation Team in the public child welfare agency to cut through bureaucratic silos
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
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
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
Nothing is written in stone....
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 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”
ANY QUESTIONS?
Contact Information

Brice Bloom-Ellis
Brice.Bloom-Ellis@illinois.gov

Mary Hollie, CEO
mhollie@lawrencehall.org

Judge Kathleen A. Kearney
kkearney@illinois.edu