



Privatization of Child Welfare Services: Lessons Learned from Experienced States

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Privatization of Child Welfare Services: Lessons Learned from Experienced States

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Introduction

Both the general public (Crum, 1998) and the professional literature (McGowan & Walsh, 2000; Epstein, 1999; Waldfogel, 1998, 2000) have issued a call for increased accountability and demonstration of positive outcomes from the child welfare system. The federal government has responded in kind through the implementation of the Child and Family Services Review process, as directed by the Adoption and Safe Families Act of 1997 (U.S. Department of Health and Human Services, 2004). Some states and jurisdictions sought to improve performance by shifting significant portions of the child welfare service array to the private sector or restructuring existing contracts to reward performance.

The federal Children's Bureau, U.S. Department of Health and Human Services, funds child welfare research and demonstration grants to provide the field with information regarding the effectiveness of innovative approaches to service delivery and service management. The federally funded quality improvement centers (QICs) are designed to develop knowledge, apply research to practice, and promote improvement in child welfare through use of evidence-based practices. This is done through a collaborative approach to applied research first on a regional and subsequently on a national level (Hafford, Brodowski, Nolan, & Denniston, 2006; Brodowski, Flanzer, Nolan, & Kaye, 2003). QICs conduct a needs-assessment and knowledge-gaps analysis, and, using this information, fund research and demonstration projects designed to answer questions of interest to the field. Details on the QIC process, including a rationale for the creation of the National Quality Improvement Center on the Privatization of Child Welfare Services, can be found in other articles within this issue (Collins-Camargo et al., and Radel & Wright, 2007).

In 2005, the Children's Bureau funded the National Quality Improvement Center on the Pri-

vatization of Child Welfare Services (QIC PCW) in recognition of the fact that state child-welfare administrators needed evidence upon which to make decisions regarding using broad-scale public-private partnerships for service delivery (U.S. Department for Health and Human Services, 2005). The provision of discrete services to child welfare clients by the private sector has long been an important part of the broader child-welfare system (Smith, 1989; Hart, 1988). There is also a long history of privatization in other public programs (Oliver, 2002), but large-scale privatization of core, mandated, child-welfare services is relatively new to child welfare (Petr, & Johnson, 1999). The first statewide implementation of privatization occurred in Kansas in 1996 (Lewandowski, 1998; Kansas Action for Children, 1998).

It is very difficult to provide national estimates on the prevalence of child-welfare privatization initiatives because the field does not share a single definition of "privatization" – in child welfare or other human services (Collins-Camargo, Ensign & Flaherty, in press). One study reported that 29 of 49 responding states were implementing managed care or privatization programs, with 12 in the planning stage (McCullough, & Schmitt, 2000). In 2006, the QIC PCW conducted key informant discussions with public child welfare administrators across the country. For this project, privatization was defined as instances in which the private agency had primary case-management responsibility. Of the 45 states responding, it was found that the majority of states maintain responsibility for case management of child welfare services within the public sector.

Only ten percent of responding states had implemented large-scale reform, meaning they had shifted primary case management to private agencies, while another 20% of states reported smaller scale or pilot initiatives (Collins-Camargo, Ensign & Flaherty, in press).

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Several studies have noted that there is little empirical evidence that assesses the impact on child safety, permanency, and well-being outcomes of these privatization initiatives (Courtney, 2000; Nightingale, & Pindus, 1997). Some have noted this is due partially to the lack of adequate baseline data to measure change (Snell, 2000; Blackstone, Buck, & Hakim, 2004). The need for longer-term, more comprehensive, and more rigorous evaluation of privatization is significant (Lee, Allen, & Metz, 2006; Petr & Johnson, 1999). The implementation of the QIC PCW is an effort by the federal government to develop more knowledge in this area (U. S. Department of Health and Human Services, 2005).

Several methodologies were employed during the QIC PCW analysis of knowledge gaps. One of these is “targeted forums,” which are composed of representatives from states experienced in privatization. This article focuses on findings derived from an analysis of these targeted forums. The forums provided an opportunity to explore the challenges and strategies associated with efforts to significantly expand partnerships with private entities for the delivery of child-welfare services. A previous article reported findings regarding assessment of site-readiness planning for privatization (Flaherty, Collins-Camargo & Lee, in press). The current article reports specific findings in regard to contract payment systems, contract monitoring, and ongoing oversight of privatized child-welfare services. Prior to presenting findings from the QIC PCW regional forums, a brief literature review on contract payment systems and contract monitoring and accountability systems is provided.

Review of the Literature¹

Public child welfare agencies have long relied on the private, not-for-profit sector to deliver discrete child welfare services. Where once this involved a private agency agreeing to serve a certain number of children, based on a pre-agreed upon per diem payment for care, current models

of privatization often involve the use of managed-care principles and performance-based contracts and incentives (Freundlich & Gerstenzang, 2003). In many states, privatization and the application of managed-care principles and performance-based contracts have been viewed as mechanisms to fuse programmatic reforms with fiscal reforms (Wulczyn & Orlebeke, 1998; Embry, Buddenhagen, & Bolles, 2000; McCullough, 2003). Contract Payment Systems in Child Welfare Services

There is currently a broad spectrum of contracting mechanisms in child welfare services. These range from “no-risk” purchase-of-service contracts whereby agencies are reimbursed for services, to higher risk, capitated rate models borrowed from the managed-care field. Increasingly, states and communities are now using performance-based contracts which specify that providers may be paid only after having achieved certain milestones.

Until recently, purchase-of-service (POS) and fee-for-service contracting were the dominant forms of contracting for child-welfare services. Under purchase-of-service or fee-for-service arrangements, private agencies and the government contractor would agree on a rate for the delivery of a given service for specified types of clients and, sometimes, for how long these services would be provided. The agencies billed at agreed upon times for services rendered. In essence, agencies were reimbursed for all allowable expenditures. One of the largest complaints about these contracts in child welfare services is that they can create perverse incentives that encourage providers to deliver those services that are reimbursable or reimbursable at a higher level rather than other services that paid at a lower rate (e.g., foster care versus in-home or reunification services). It has been argued that this payment approach does not encourage providers to control costs, or to build a more suitable array of services as an alternative to placement, or to more quickly return children home (GAO, 2000; McCullough,

¹This is an excerpt from a more comprehensive literature review (Lee, Metz & Allen 2006) available at the National Quality Improvement Center on Privatization in Child Welfare Services (QIC-PCW) website: <http://www.uky.edu/SocialWork/qicpcw/>

2003; Kahn & Kamerman, 1999).

Beginning in the early 1990s, some child welfare professionals began advocating for the adoption of managed-care financing and delivery models, and many state child welfare systems began to explore these new strategies. Recent managed-care reforms in the child welfare system have much in common with those taking place in the health and behavioral health fields. For instance, while for the most part, the public child welfare agency continues to serve as gatekeeper, private lead agencies are increasingly serving as care coordinators, monitoring and assessing service delivery. Further, a private child welfare provider assumes different levels of risk depending on the method and timing of payment. For example, capitated payments produce more financial risk because contractors must provide all necessary services for all children and families based on the set payment the public agency supplies. Child welfare contracts are also increasingly using fiscal incentives and disincentives that encourage private contractors to provide services efficiently and to correctly assess the needs of their clients. Between 1998 and 2001, the Child Welfare League of America (CWLA) conducted three national surveys to explore the features and challenges of new service strategies in child welfare with an emphasis on managed care strategies. The 2000-2001 CWLA survey documented the wide variation between financing models in these child welfare initiatives. The study authors found that the arrangements vary for the same initiative over time, and between initiatives in the same state. The study authors developed three categories to classify these payment models. The three categories should be viewed as a continuum rather than distinct groups.

1) **Capitation:** This is a prepayment system that funds all contracted services for an entire, defined population on a monthly basis, generally based on an annual fixed fee. The rate remains fixed regardless of the number of children served and a new client does not generate new income. While capitation gives providers flexibility in the use of the funds, it leaves the contractor at risk both for the number of clients entering the system and the intensity (level or amount) of services that

those clients need. The study found that this model is used rarely because public agencies often lack reliable historic administrative data that would allow the agency to estimate the true cost of care for an entire population of cases.

2) **Case Rates:** Under this arrangement, the contractor is paid a set amount for each child referred to the contract. Because these payments are per child, the contractor is again at risk for the level of service needs or intensity, but not at risk for the numbers served. This was the most common form of contracting used in the CWLA's 1998 and 2000-2001 surveys. In many cases, these contracts specified goals to be achieved and divided the payments such that they were linked to attainment of various outcomes.

3) **Performance-Based Contracts:** These contracts specify expected levels of performance, most commonly in the way of service or client outcomes. In many cases, providers are paid and/or the payment amount is linked to specific outcomes or results. In these cases, contract agencies receive some or all of their payments only after they have achieved certain milestones (e.g., shortened length of stay, certain types of placements). The researchers found that performance contracting methods were even being used within more traditional fee-for-service contracts in the form of bonuses and penalties (McCullough & Schmitt, 2003).

Rate Setting and Risk Management

Establishing appropriate and sufficient case rates has proved to be one of the biggest challenges in privatization efforts (Kretman, 2003; U.S. DHHS, 2003). Wulczyn and Orlebeke (1998) define rate setting as "the specific policy and contractual agreements that determine the amount of operating revenue a provider could expect to receive, including the use of prospective payments" (p. 3). The issues of rate setting and risk management are intrinsically connected. As described in a Westat and Chapin Hall study (2002) three factors drive financial risk to contract providers:

- intensity (the level and/or costliness of services)
- duration (the length of time that the service

must be provided to achieve its objective) and

- volume (the number of clients who must be served).

To establish accurate case rates, states must have reliable information about the size and service needs of the target population, the costs of services to be funded, and projected utilization of these services. While this information is critical to establishing fair and reasonable rates, it is in most cases quite poor (Westat & Chapin Hall 2002). The Westat and Chapin Hall study found that in setting rates states use a combination of some historical cost data for the services and target population and sometimes the geographic area served. Because it is rare for states to have accurate cost data, once costs have been estimated, some state agencies negotiate further with the private providers to come to an agreed upon cost of care. Other states automatically increased the payment rate by some percentage to take into account the possibility that rate-setting methods underestimate cost (Westat & Chapin Hall, 2002).

Performance Standards and Measures

Increasingly, states are using performance measures to direct providers to achieve certain outcomes (Martin, 2000). As with other components of privatization efforts, states vary widely in how they utilize performance measures. While many states base contract renewal decisions on agency performance, other states have adopted performance-based contracts (discussed above) which directly link payment (or components of payment) to achievement of specified measures. In its most general sense, performance contracting clarifies or spells out the desired results for contractors. Not surprisingly, studies have found that the most frequently used outcome measures in child welfare contracts involve child safety, permanency, and well-being. Within each of these broad outcomes, states use a range of indicators and standards to measure success (McCullough & Schmitt, 2003).

In addition to traditional child welfare outcomes, many initiatives are adopting some fea-

tures of managed-care performance indicators, including the collection of customer satisfaction data and access to services. One study found that among those initiatives studied 88 percent measured indicators of child safety, 79 percent measured recidivism or re-entry standards, and 71 percent measured indicators of permanence within certain time frames. About two thirds of the initiatives measured client satisfaction and child functioning outcomes (Collins, 2004). Many states have developed contracts that include both performance measures and performance standards that contractors must meet to re-compete for contracts.

Contract Monitoring

As contract arrangements between the public and private systems continue to evolve, so does the manner in which these contracts are monitored. Contract monitoring should assess compliance with statutes, regulations, and the specific terms of the contract agreement. It should evaluate the contractor's performance in delivering services, achieving program goals, and avoiding unintended results. While monitoring contractor performance is a critical component of any privatization effort, a 1997 GAO study found this to be "the weakest link in the privatization process" (p.14).

As a result of continued concern within Congress and the Federal Office of Management and Budget about whether states were adequately monitoring contract services, in 2004 the U.S. DHHS Office of the Inspector General (OIG) assessed six states' compliance with federal grants management requirements (specifically, 45 CFR Part 74). These requirements direct states in how they should ensure that "sub grantees" (or private providers) comply with federal program and fiscal regulations, use funds appropriately, and achieve performance goals.

The OIG found that while in all six states, state officials conducted on-site visits to monitor contractors, in three of these states monitoring mechanisms were not implemented as planned. Planned visits did not take place at all or did not take place as scheduled. Further, in all six sites,

fiscal monitoring was found to be “minimal.” States most often relied on a single independent audit. In noting that all six states were using case rates to fund providers -- a system that reimburses contractors for the number of children served rather than for the cost of their care-- the OIG recommended that states increase the amount of monitoring that they do in order to ensure that children and families are getting quality services and that they are not receiving inadequate care due to insufficient agency payments (U.S. DHHS OIG, 2004).

Traditionally, contract monitoring involved assessing a series of financial, procedural, and casework practices as required by the contract. Casework and program measures involved who and how many should be served, and types and intensity of casework practice. Contract measures included outputs (number of children or families served or number of hours spent on families) rather than service quality and results (the impact of services). Increasingly, as contracts are written to include performance measures, public agencies are tying agency performance to payment mechanisms and payment schedules. Contracts are being monitored, and in many cases, providers are being rewarded according to child and family outcomes in addition to their compliance with process or practice standards.

Westat and Chapin Hall (2002) found that among the 22 states it studied, the two most common forms of contract monitoring were the use of collaborative case reviews and analysis of management information systems. Case reviews can take the forms of ongoing collaborative decision making meetings or periodic case reviews where public agency staff looks over a sample of cases to examine service provision and costs. Discussions are held between public and private agency staff about service quality, patterns of expenditures, and permanency plans. Other states are increasingly relying on management information systems to monitor services. For instance, New York had implemented a new interactive system that allows the public agency to tie reimbursement to child outcomes (Westat & Chapin Hall, 2002). Florida provides broad oversight to its

network of community based grantees (Florida TaxWatch, 2006).

The monitoring of large-scale privatization efforts requires sophisticated MIS and contract monitoring abilities. The data collection and data management requirements for monitoring these contracts require sophistication, large-scale investment in computers, software, and training on both the side of the public and private sectors (Embry et al., 2000). Researchers continue to report that states struggle to develop and maintain management information systems that produce timely data and track information on service utilization, costs, client status, and outcomes.

Methods

Targeted Regional Forums

As discussed above, the first phase of a QIC is to conduct a knowledge-gaps analysis. The QIC PCW conducted a year-long needs assessment involving four inter-related methodologies: key informant discussions with state child welfare administrators; regional forums with states experienced in child welfare privatization; meetings with targeted groups affected by privatization efforts (e.g., representatives from the courts, tribes, and consumers); and literature reviews. This information was used to develop research questions that would be examined in the selected research and demonstration projects.

The remainder of this article will present findings from the regional forums involving representatives from 12 states or jurisdictions experienced in privatization efforts. These 12 sites were identified during the QIC’s key-informant discussions with state child welfare administrators. This article presents discussion themes and lessons learned about developing contract payment systems as well as operating contract management and monitoring systems.

Each of the 12 states had privatized core child welfare services, generally including the case management function. The first forum included four states --Florida, Illinois, Kansas, and New York -- that had privatized a significant portion of their child welfare systems. The second and third

forums included eight states with smaller scale privatization experience -- Colorado (El Paso County), New Mexico, Missouri, Wisconsin (Milwaukee County), Ohio (Columbus), Michigan, Pennsylvania (Philadelphia), and Washington, D.C. States participating in the forums had implemented a range of privatization models and included child welfare systems administered by both states and counties. The primary goal of the forums was to gain insight from individual privatization endeavors that could be analyzed to identify common themes. Another goal was to identify “lessons learned” from successes and challenges in the privatization process.

Individuals invited to participate in the forums were purposefully selected to span a variety of key perspectives in public, private, and stakeholder sectors. They included state and county child welfare contract and program managers, private agency contract and program managers, and community stakeholder representatives from groups such as state child advocacy groups, child welfare researchers, private child care associations, and foster/adoptive parent associations. There were 79 participants from the above-mentioned categories.

The first forum spanned one day, and based on the recognition that this was not sufficient, the subsequent two forums met for 1.5 days. Participants were first sorted into three groups based upon their general roles in respective states: members from the public child welfare agencies, members from private contractors, and community stakeholders. The participants were initially grouped in this way so as to encourage candor without risk of impacting relationships with their counterparts in other sectors. This approach also enabled a comparison of perceptions between sites.

After the role-specific groups were completed, mixed groups were formed. These groups were created by purposefully assigning a mixture of public agency, private contractor, and community stakeholder participants into three comparable groups. Care was taken to spread representation from individual states across groups. These

groups discussed considerations that should be addressed as states move forward in privatization of child welfare services based on lessons learned from their experience. An additional process was added to the second and third forum agenda: At the end of each day, participants were reconvened and asked to prioritize the most important themes that arose in that day’s discussion. A total of 27 focus groups were conducted across the three forums.

Data were collected through digital audio recording and extensive field notes typed by dedicated note takers from the research team. Field notes provided the primary data source, and these were checked for accuracy, using the audio records. Data were free-coded and sorted by identified themes using ATLAS-ti 5.0 qualitative data analysis software (2005). Primary data analysis was completed by one of the focus group facilitators. Two additional facilitators conducted peer checks of themes identified by the primary analyst. Contradictory interpretations were reconciled by reviewing original data sources. This article combines responses from the nine role-specific groups, the 18 mixed-focus groups, and the two large-group “most important themes” discussions.

Findings

This article reports major findings regarding contract payment structures and contract management of privatized child welfare services. The following are the most frequently cited themes, and represent a broad framework of issues around each topic. An exhaustive analysis of themes is beyond the scope of this article, but may be obtained through the National QIC-PCW.

Because considerable convergence in themes occurred in retrospective role-specific groups and prospective mixed groups, themes are not sorted along these divisions. Rather, major themes identified by multiple groups as being most important are presented and, where applicable, special considerations identified by public agencies, private contractors, and community stakeholders are elucidated. Themes reported are organized into three broad content areas: contract payment structures,

performance standards and measurement, and contract monitoring.

Contract Payment Structures

States briefly discussed how payments are structured in their service contracts. It is important to note that some participants used different labels for similar payment structures. For example, “dynamic caseload” and “performance based contracting based on caseloads” are essentially the same thing. For simplicity, we have described these systems using more commonly known labels.

Underlying any discussion of a contract payment system is the distribution of financial risk between the public and private agencies. As described earlier in the literature review, financial risk is driven by the size of the caseload, the service needs of the caseload (both amount of service and costs of services), and the length of stay in care. Each payment system contains risk to both the public and private agencies. Most states represented at the forums use some form of case-rate or performance-based contracting. These coincided with the systems described in the CWLA study above, with some modifications.

- **Case rate.** The private provider receives a set rate per child (or family) served. The rate is independent of the level of need for a specific case. The hope is that costs related to low-need cases will counterbalance the costs of high-need cases. Some jurisdictions build in an “overrun protection,” which means the state will protect the provider from exceptionally expensive cases. It was noted that without such protection, small providers are at risk from high-need “outliers.” Participants observed that for this payment system, a reasonably high contract caseload is needed to spread financial risk across a large number of cases.

- **Layered case rate.** This payment structure assigns specific rates to different cases based on a “need level,” usually one of three categories. The definition of each category of care and the corresponding rate for each

level of care is set in the contract.

- **Capitated rate.** In this model, the contractor is paid a flat fee (e.g., per month) and receives a certain number of cases from the state agency. One contractor stated he sees this as the best model, in that it provides for the most flexibility on the part of the private agency. “When you’re paid piecemeal, it’s hard to build capacity.” A public agency representative said that states are often uncomfortable with this model, but turn to it out of a need for simplicity.

- **Performance contracting based on “dynamic caseload.”** This represents a variation of the capitated model. In this model, contract payment is based on moving an agreed-upon portion of a caseload to permanency in an agreed-upon timeframe. Private providers are expected to manage their caseloads by balancing the number of cases flowing in and those flowing out. The provider can reduce costs by moving children to permanency earlier than budget projections. However, if children do not reach permanency within this time frame, the provider is not paid additional money for new referrals. Therefore, some incentives and some disincentives are built into the contract.

The payment structures discussed above represent general approaches most frequently discussed by forum participants. Specific payment arrangements can be quite complex, and thorough discussion of these variations is beyond the scope of this report. Some states reported using different payment methods for different child welfare contracts.

Incentives and Disincentives

Some states that did not describe themselves as using performance-based contracts nevertheless discussed their use of incentives and disincentives to improve performance. For example, many contracts require permanency within a specified time. The provider that doesn’t meet the time frame must continue to provide services to the child without further reimbursement. There

may be a similar penalty for “bounce-backs,” cases in which the child returns to the system soon after reunification, for example one who returns within – say -- 12 months of permanent placement.

Some private providers noted that their contracts were too punishment-driven, and had little in the way of incentives built in. Some private providers also discussed a desire to be allowed to reinvest savings created by efficiency toward expansion or improvement of services, whereas others have already established such mechanisms for reinvestment of savings

Funding Levels

Private providers reported a range of experiences with the level of state funds they receive relative to the costs they incur providing services. Some reported that their state allocation fully funded their program, whereas others stated their private agencies had to supplement their budgets through fund raising. One contractor said that his agency wouldn’t be able to work with the state contract if it weren’t for supplemental support from the agency’s foundation. One public agency representative said that the ability to raise funds is a private sector strength, and should be used as a cost-matching mechanism.

Use of Data in Setting Payment Rates

Some contractors expressed frustration about the fact that in many instances state agencies do not know the true costs of care and then expect providers to accept rates that are not based on actuarial data. One participant noted that it is very costly to conduct sound actuarial studies. As a result, payment rates tend to be adjusted with new contract periods to better reflect the actual costs of delivering child welfare services.

Communication and Trust

Forum participants discussed the value of communication and trust in several contexts. In terms of contract payment structure, it was noted that where a high level of trust exists between the public and private agencies, there is more comfort in accepting terms that may be based on limited data, knowing that the public agency will work

with the contractor to address problems as they arise. Virtually all states discussed the importance of open communication and trust in contracting relationships.

Performance Standards

Forum discussions regarding performance standards and evaluation mechanisms tended to revolve around themes of relevance and fairness. There was wide consensus on the premise that the public agency should evaluate the performance of contractors to ensure compliance with state and federal laws, and to ensure high quality services for children and families involved in the child welfare system. Variation existed regarding the specific standards to apply, the methods used to assess performance, and the appropriate state action when standards are not met.

Processes vs. Outcomes

Considerable discussion revolved around the question of whether providers should be assessed on casework processes or on client outcomes or on both. The nearly unanimous consensus was that outcomes (e.g., safety and permanency) were the most appropriate measures of performance. That said, most jurisdictions reported that they assessed provider performance on both outcomes and frontline practices (e.g., frequency of contact with a family). Participants noted that it is important that the public and private agencies reach consensus on meaningful performance indicators and measurement strategies early in contract negotiations. Participants also noted that the standards have changed over time as the privatization model has matured and the state or community has established new system goals. There was a general trend toward more focus on “outcomes” monitoring, such as safety and permanency measures, and less on “processes.”

Typical Measures

Most participants agreed that findings from the Child and Families Services Review were critical to establishing relevant outcome measures, and most jurisdictions reported some evaluation of safety and permanency. Of the two, measures of permanency seemed to drive most rewards and

penalties (mainly penalties), which may be reflective of the fact that case management for families of children in out-of-home care is the most typical segment of the service array being handled by the private sector. Child well-being was seen as important, but difficult to measure. Frequently discussed measures across all outcomes included frequency of face-to-face contact, number of moves during placement, reunifications, kinship placements, and maltreatment recurrence rates. While there was agreement that permanency outcomes should be measured, private providers also discussed the challenges they face in meeting these permanency guidelines when some decisions, and consequently performance on some measures, are out of their control. The most frequently cited example of this was the role of the courts in overseeing cases impacting the timing of permanent placements.

General Recommendations from Participants

- *Specific performance indicators that should be used.* Forum participants stressed the importance of measures of permanency rates; child maltreatment recidivism; and longitudinal measures of family well-being.
- *Measuring permanency.* Participants noted the importance of measuring both time to permanency and type of permanency reached. Providers note that not all children will or should be returned home, that it is important to recognize that different outcomes are to be expected, and providers should not be penalized for environmental/human factors that often are out of their control.
- *Knitting together revenue and performance.* Participants noted that it is important to tie payment to performance. While child welfare contracts have always contained performance measures, only recently have they been directly linked to payment in some locations. Private agency representatives specifically voiced a desire to see incentives put in place for superior performance, as measured by established outcome-based standards. Participants also noted that effective performance evaluation systems

should have the following characteristics: ability to produce “real-time” data from which to assess performance, a minimal number of required outcome measures, and use of qualitative data from agencies as well as aggregate measures of success.

Contract Monitoring

“The toughest part of the public/private partnership is monitoring” –forum participant

All states participating in the forum discussed challenges in developing effective and efficient contract monitoring processes for public/private child welfare partnerships. Forum participants generally agreed on the following: Consensus must be reached on meaningful performance indicators as well as for mechanisms and time lines for conducting reviews; efficient data management systems must be in place to assist in tracking designated measures; appropriate actions for noncompliance and superior performance must be delineated; and a process for making necessary adjustments to the monitoring system should be defined. The following section elaborates upon specific forum discussions regarding contract monitoring.

Management Information Systems (MIS)

Participants stressed that in monitoring, it is imperative that both state and private providers have the ability to collect, report, and analyze data. The state must determine what data it wants to collect, and ensure the reliability of the data. Both state and private information systems need to be compatible so that data can be appropriately retrieved and reviewed. Many states discussed challenges with incompatible systems where private agency staff were unable to enter information into the state’s official MIS system. Some contractors noted that their MIS systems were superior to those used by the public agency, and that, in some cases, parallel systems are maintained due to state agency requirements.

Components of Contract Monitoring

Participants discussed three key components of overall contract monitoring and oversight in

privatization. The first involved monitoring business functions and compliance with standard state and federal regulations and policies. (Forum participants distinguished this from “care (or process) monitoring,” which involves an assessment of the quality of service delivery.) This can be done on a sample basis by conducting case reviews; if noncompliance on outcome data is found, the state can increase the level of scrutiny on how many cases are being reviewed and increase the frequency of the case reviews. Another important feature of contract monitoring is client “outcome monitoring,” which includes monitoring the focal client-level performance measures for children and families. Data for this form of monitoring can be collected from state management systems. Together, these three components provide information on whether an agency is fulfilling the terms of the contract.

Streamline Contract Monitoring

Participants described a tendency for an evolution from initial over-monitoring by the state agency to more targeted, system-level monitoring as trust grew between the agencies. Participants generally agreed that private providers can be more “creative” when crafting solutions for families when the public agency is less prescriptive in its contract requirements related to service delivery.

It was recommended that there should be considerable negotiation regarding the specifics of the contract during the planning process, for instance, specifying what would trigger the need for corrective action plans. Outcome measures should be specified, as well as measures for these outcomes. Contracts should identify the populations to be served, the services to be provided, and federal and state regulations that must be followed. Many expressed an effort or desire to emphasize quality (e.g., progress toward CFSR requirements) as opposed to compliance with process measures in their systems.

In addition to changing the intensity and level of monitoring over time, at least one jurisdiction discussed changes in who monitors contracts. One state that uses lead agencies described hav-

ing shifted more monitoring responsibilities to these lead agencies as part of their oversight and administrative functions.

Staffing Requirements

Participants discussed the resource-intensive nature of contract monitoring. One private agency CEO stated he has three staff members dedicated to managing two state child welfare contracts. A public agency representative described the difficulty in getting the state to fund positions designated as quality assurance (QA), and consequently, his agency contracts out for these positions. It was generally agreed that for contract monitoring and quality assurance functions, staffing levels should reflect the importance of these functions to ensure that problems are identified and addressed as soon as possible.

Internal vs. External Monitoring

Some public agencies have opted to contract only with “accredited” agencies. These agencies have, to some extent, built in QA, and have internal monitoring systems. The state continues to oversee program-level issues, but leaves case-level monitoring to the contractor unless a specific event warrants state scrutiny. However, it was acknowledged that credentialing is an expensive process for private agencies.

Frequency of Monitoring

Participants discussed a range of monitoring techniques, and most explained that their jurisdictions tended to use a variety of monitoring mechanisms. Many randomly selected a sample of cases each month for monitoring. Some had monthly meetings with CEO’s and/or program managers to review program-level data, for example, referrals, permanency rates, etc. Some jurisdictions also used a more comprehensive annual review process. Interestingly, participants did not agree on the best level and frequency of monitoring. This matter was frequently discussed during the forums. One jurisdiction moved from having monitors permanently stationed in contractor offices, maintaining continuing oversight, to monthly reviews by off-site monitors. Another jurisdiction conducts comprehensive reviews twice a year. Representatives from another state

felt that their accreditation process is a sufficient quality assurance mechanism and they feel confident enough to be more “hands off” with monitoring.

Legal Requirements

Jurisdictions that are under court orders or receivership noted that the court decree often specifies monitoring requirements. “We’re under so much scrutiny, we track everything.”

Addressing Noncompliance

Participants noted that there needs to be some threshold or base amount of technical assistance that the public sector provides regardless of performance to help satisfy regulations and address everyday issues in the field. Then, as issues arise, the public agency can increase their level of scrutiny and assistance, targeting certain areas. Participants reported that public/private partnerships built on open communication and feedback enabled ongoing improvements to the system of care. However, when performance does not improve, public agencies will need to make decisions about when to freeze intake and when to impose fiscal sanctions.

State Corrective Action Processes

Some jurisdictions require corrective action plans from under-performing agencies. In some jurisdictions, if an agency needs corrective action, the state will freeze intake with the ultimate option of contract termination. However, participants noted that in jurisdictions that lacked private provider capacity, it is much more difficult for a public agency to freeze referrals or to terminate contracts with underperforming contractors.

Contract Transitions

Participants discussed challenges of transitioning from one provider to another when contracts are re-bid. Representatives from one jurisdiction noted that in planning for privatization, they did not consider the impact that contract transitions would have on the system. They described an instance in which the contractor lost contact with families when contracts changed hands due to re-bidding. They also noted that the youth in independent living need to be made aware of contract

transitions to prevent further disengagement from the system. Since re-competing contracts too frequently can be problematic some states are moving toward multi-year contracts.

Contract Toolkits

Participants discussed the lack of an accessible body of common knowledge regarding contract monitoring, and recommended the development of “toolkits” with information about how to monitor and assess contractor performance.

Discussion

It must be noted that a limitation of this study is that it was a qualitative analysis of themes expressed by a group of twelve states experienced in privatization of child welfare. It was designed to elicit the range of challenges, solutions, and lessons learned based on the perceptions of individuals from various vantage points in the child welfare system. Most of the themes noted cannot be generalized to all states participating in the forums, and certainly not to all states involved in privatization. As such, these findings should be viewed as practical lessons learned for other jurisdictions considering privatization or in the initial planning phases as well as guideposts for important questions to be tested through more rigorous research.

Perhaps the most significant finding from the discussions was that states are exploring a range of contract payment systems and contract monitoring and oversight techniques. Even within these twelve states, tremendous variance was identified in how to address the challenges that were in many cases commonly experienced. Participants eagerly listened to what others were doing because there is no guide book, and certainly no tested method for doing it right. This is not necessarily indicative of poor planning or management, but rather the result of few resources, and a lack of rigorous research to help guide states and communities as they explore large-scale privatization initiatives.

A second important theme that emerged was that contracting relationships continue to change

and evolve as systems mature, performance is assessed and new agency goals are established. Clearly states and jurisdictions are still struggling with many aspects of the implementation phase of privatization initiatives. If mandated services for which federally established outcome indicators are in place are to be contracted from the public to the private sector, the components of these contracts, the manner in which performance will be assessed, and the processes for monitoring and continuous quality improvement are critical. This is particularly difficult in a system in which public sector service provision is under-researched (McGowen & Walsh, 2000; Epstein, 1999; Wald-fogel, 1998, 2000). The determination of which outcome indicators should be measured, and how these indicators are tied to financial incentives and disincentives are clearly unresolved and an area of significant interest to the field. Then, the findings of the forums suggest that privatized states are still struggling with balancing a need for quality and performance oversight with the desire not to over-regulate or micro-manage the private agencies to the point that their ability to be innovative and flexible in working toward evidence-informed practice is impinged.

Certainly, the need for further research into effective mechanisms for use in the implementation of public/private partnerships in service provision is tremendous. The field must move from anecdotal information, such as the information included here, to empirically supported findings about the benefits of one design over another. At the heart of this, of course, is the nature of the relationship between the public and private agencies (and between their respective frontline workers) as they strive to serve children and families. Although the arrangement whereby public agencies and private for-profit entities work together is often referred to as a partnership, the degree to which these operate successfully through trust, common vision, open communication, and data-driven negotiation—as opposed to primarily a contractual relationship—varied significantly in the states and jurisdictions participating in the forums. This, too, is an area of great need of re-

search.

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