

# Analysis of the Washington Federation of State Employees Position Paper

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## Executive Summary

In February 2010, the Washington Federation of State Employees (the Federation) issued a position paper, entitled *Improving Outcomes for Children and Families served by DSHS Children's Administration through Savings and Reinvestment of Services*. The paper concludes that privatization in other jurisdictions failed to achieve improved outcomes, cost more, and exacerbated systemic problems such as the workforce crisis. As the two national experts participating on the Child Welfare Transformation Design Committee (CWTDC), we were asked by the Co-Chairs, at the request of some of our CWTDC members, to review the Position Paper and share our opinions about the concerns that were raised. This document contains our analysis.

Before delving into the specific concerns raised by the Federation, we offer our general observations about the Position Paper. The paper:

- under-reports the prevalence and findings of contract reform efforts across the country—leaving readers with the impression that Washington is attempting to do something that other states have rejected or abandoned;
- does not define basic terms or distinguish between contract reforms that privatize case management from other performance based contract reforms that do not;
- appears to mischaracterize the impetus for and the nature of contract reforms in other jurisdictions over the last decade; and,

- ignores the distinctions between the two phases of 2SHB 2106—*labeling both as “privatization” – which does not appear to be the intent of the legislation.*

We then focus specifically on six concerns that the Position Paper raises regarding implementation of 2SHB 2106. We conclude that while the issues raised in the Position Paper are important for planners of any reform to consider, the conclusions drawn are not supported by the research:

1. *The Workforce* - The Position Paper correctly notes that workforce issues have to be carefully considered when any state embarks on a contract reform effort. Planners have to take steps to reduce worker anxiety and fear by ensuring that the worker’s voice is heard in all aspects of planning. Washington is to be commended for actively engaging the Federation representatives in all CWTDC and subcommittee discussions. The Federation has had a significant impact on shaping the reform. By including state social workers on all the CWTDC Advisory Committees, Washington has ensured they have a voice and the opportunity to carry accurate information back to their constituencies. The Position Paper overstates the negative impact that contract reforms have had on the workforce in other jurisdictions.
2. *Child and Family Outcomes & Systemic Improvements* - The Position Paper is correct when it states that overall results have been mixed in many of the states that launched performance or risk-based contract reforms over the past decade. However, it is incorrect in stating that there is no evidence of success for contract models that have been tested in other states that are similar to what is being proposed for Washington. In fact, some of these public-private efforts have achieved dramatic improvements.
3. *Stakeholder Satisfaction* – The Position Paper cites a single study to draw the conclusion that stakeholders in privatized states prefer the public system to the private one. At a minimum, it should have made clear that the findings from that study are not consistent with findings from other jurisdictions. For example, it did not report a recent study of 14 states with PBC reforms that found that public agencies were generally satisfied with their contracts. The Position Paper also failed to note a positive trend—most if not all

new performance based or lead agency contracts routinely assess client satisfaction. Neither a public nor a private agency can fix what it doesn't know is broken and data from satisfaction surveys are now being used by public agencies and their private partners to identify potential problem areas that then become the focus of quality improvement efforts.

4. *The Effectiveness of Lead Agency and Other Performance Based Models* – While the Position Paper correctly notes that few contract reforms have had independent evaluations, there is still ample evidence that both lead agency and other performance based contracting models, with and without other state enhancements, have contributed to improved results for children and families in a number of states. The authors also appear to misunderstand the nature and benefits of one of the most prevalent models for child welfare contracts, the lead agency model.
5. *Legal Issues & the Risk* - The Position Paper states that public agencies are at substantially higher risk of losing Title IV-E funding when they contract for case management. There are no sources cited for this claim. There doesn't appear to be any evidence that states that have privatized case management have lost federal revenue as a result of that decision.
6. *Child Welfare Expenditures & Long-Term Costs* - The Position Paper correctly notes that performance based or lead agency contracts in some jurisdictions have initially cost more than the previous system. Stakeholders in Washington should not expect immediate savings or even the ability to quickly recoup investments that might be needed to transition 1500+ service contracts into a smaller number of regionally based performance based contracts in Phase 1, and to smoothly transition cases in the demonstration sites in Phase 2. However, the Position Paper fails to note that over time it is not uncommon for states to save money as a result of their contract reforms or at a minimum achieve a better distribution of resources—serving more children and families with the same level of funding, and achieving better overall outcomes.

The Position Paper concludes that, “any effort to implement the model described in 2SHB 2106 will be costly and very difficult to develop, much less to implement and to manage.” We disagree.

While the planning for and transitioning to performance based contracts in Phase 1 will be challenging, there is strong reason to believe from experiences in other places that a well-designed performance based contracting effort could help the department meet its stated objectives. Different challenges will emerge in Phase 2 when the private agencies in two sites assume case management responsibility. However, based upon experiences of other states with service contracts that include case management, improvements are seen—sometimes fairly quickly—in some outcome areas. For example, in the first years of a contract reform, many states have reduced their foster care caseload, increased adoptions, achieved more timely permanency for children, increased their worker contact to meet monthly standards, etc. These changes are not easy. We believe it is, however, reasonable to try something that has worked in other places.

In closing, we believe that the Position Paper is best viewed as an opinion piece. The Federation authors make some good points that should be considered during the planning, implementation, and evaluation of 2SHB 2106. Furthermore, many of the recommendations for potential cost savings or for enhancing services deserve further consideration for inclusion in the implementation of Phase 1 or Phase 2 of 2SHB 2106.

Finally, we caution against the use of loaded terms and hyperboles in weighing the pros and cons of contracting for child welfare services. These terms could undermine the public-private collaboration called for in 2SHB 2106. Evidence suggests that contract reforms lead to stronger partnerships between public and private agencies and when the private and public sectors become true partners and share information and data, children and families benefit.

# Analysis of the Washington Federation of State Employees Position Paper

## Purpose of the Analysis

In February 2010, the Washington Federation of State Employees (the Federation) issued its Position Paper, *Improving Outcomes for Children and Families served by DSHS Children's Administration through Savings and Reinvestment of Services*. The paper includes a review of child welfare privatization in other states and jurisdictions and concludes among other things that the efforts failed to achieve improved outcomes, cost more, and exacerbated systemic problems such as the workforce crisis. Among other criticisms leveled at 2SHB 2106 the Position Paper claims:

- .... several jurisdictions have tried, in various forms, privatization models. Unfortunately each of these jurisdictions has struggled to find success. (p 6).
- Nationwide, heavy caseloads, social worker burnout, recruitment and retention or the inadequate amount of foster homes create barriers to better outcomes in the jurisdictions where privatization has occurred (p 6).
- There is certainly room for improvement (in Washington) but no analysis has determined if the changes being considered in the privatization model could yield any improvements at all (p 6).

The Child Welfare Transformation Design Committee (CWTDC) Co-Chairs, at the request of a couple of members of the CWTDC, asked us to review the Position Paper and share our opinions about the serious concerns that were raised as well as the recommendations offered.

## Research Findings

The Position Paper developed by the Washington Federation of State Employees (the Federation) includes an overview of what it labels “child welfare privatization” across the country that is at best incomplete. It selectively cites research findings to make points and fails to include findings that tell a more complex story.

Overall, the Position Paper under-reports the prevalence and findings of contract reform efforts across the country—leaving readers with the impression that Washington is attempting to do something that other states have rejected or

*The Position Paper under-reports the prevalence and findings of contract reform efforts across the country – leaving readers thinking that Washington is attempting to do something that other states have rejected or abandoned. The QIC-PCW reports that 24 states are currently using performance based contracting and 14 are currently linking payment directly to performance.*

abandoned. As an example, the Position Paper fails to mention findings from case studies conducted by impartial researchers, the three 50-state surveys conducted by the Child Welfare League of America (1999-2003), the findings from the few states with rigorous evaluations, or the recent 50-state assessments and surveys done by the federally funded Quality Improvement Center on the Privatization of Child Welfare (QIC-PCW). It ignores a 2009 QIC-PCW report that summarizes the findings across the 24 states that are presently using performance based contracts and the 14 that currently link payment directly to performance.

## Use of Terms

In addition to under-reporting the scope of contract reform initiatives, the Position Paper lumps all efforts under the “privatization” label and asserts that *all* states that are attempting privatization failed to “find success.” Before delving into the specific concerns the Position Paper raises about contract reforms, it is important to define basic terms, place the “privatization” discussion in a historical context and look more closely at the intent of Washington’s legislative mandate.

Although widely used, the term “privatization” has no single definition in child welfare or in other human services. Some use the term broadly and mean by it all contracted service arrangements, others use it more narrowly. The federally funded QIC-PCW uses the term to describe only those contract reforms that include the transfer of day-to-day, case-level decision-making from a public agency to a private agency. Performance based contracts, on the other hand, refer to any contract reform that is focused on restructuring contracts to align fiscal and programmatic goals. Performance based contracts might or might not include the transfer of case management from the public to the private sector. The Position Paper fails to make a distinction between the two concepts.

*The intent of 2SHB 2106 is not about “privatization.” The requirement for performance based contracts in Phase 1 specifically excludes case management; in Phase 2, the demonstration sites will test the effectiveness of the transfer of case management for a limited number of children randomly assigned to the experimental group. We believe the intent of 2SHB 2106 is more about contract reform.*

All states contract for some (if not most) child welfare services. The degree to which case management is included in contract reforms varies from state to state and even within the same state over time. Some states contract for virtually all services but retain virtually all case management; other states contract for case management and services for some segment of the caseload but retain case management for other children; at least half of the states have one or more performance based contract reforms that include partial or total responsibility for case management; other states have performance based contracts that exclude case management. Only two states (Kansas and Florida) have fully privatized case management and all child welfare services (post-investigation).

The purpose of 2SHB 2106 does not appear to be to mandate a *privatized child welfare system*. The requirement for performance based contracts in Phase 1 specifically excludes case management; in Phase 2, the demonstration sites will test the effectiveness of the transfer of case management for a limited number of children randomly assigned to the experimental group (all other children in the child welfare caseload will continue to have public agency case

managers). It is only after the results of the evaluation are known the governor will determine if the state should expand or end the pilots.

For the purpose of this paper, we use the term *contract reform* rather than privatization to describe state or local performance improvement initiatives that fundamentally change the way in which public agencies contract and work with their private agency partners. Contract reforms include initiatives that have transferred case management and those that have not. Almost all contract reforms are now using performance based contracts – i.e., the contracts have clear expectations for outcomes/outputs and the payment amount or schedule is linked in some way to performance.

## History of Reforms Nationally

The Position Paper correctly identifies the 1990s as the beginning of broad scale nationwide contracting reform efforts but it fails to accurately describe the impetus for or the impact of these efforts. In 1997, the federal government passed the Adoption and Safe Families Act (ASFA), and then, implemented Federal Child and Family Service Reviews (CFSRs). Together, these federal reforms require states to achieve improved performance on child and family outcomes including child safety, timely permanence and well-being.

The new federal mandates came at the same time that states were seeing escalating costs for out-of-home care driven by increases in the numbers served, the length of stay and the unit costs of care. State child welfare budgets

*Today, over half the states have performance based contracts but that does not mean they have “privatized child welfare systems.” In fact, Florida and Kansas are the only two states that have fully privatized child welfare.*

*In most states, contract reforms have led to explicit contract expectations, some shifting of roles and responsibilities of public and private agency workers, and new payment arrangements.*

*Contract reforms have created a greater sense of shared accountability for results and in many of these jurisdictions, children and families are reaping the benefits of a stronger public-private partnership.*

were increasing but still not keeping up with demand. National surveys found that during the 1990s, most states increased their reliance on contracted social services to cope with new constraints on public resources (GAO, 1997).

As private agencies assumed a larger role in many states, public administrators realized that private agencies needed to be held accountable for more than just delivering services. To hold private agencies more accountable, public agencies needed to give them greater decision-making authority. Contracts were then re-structured in ways that would align fiscal and programmatic goals and stimulate better results for children and families. In return for increased case-level decision making authority, private agencies for the first time entered into performance- or risk-based contracts and were held accountable for specified outcomes and system improvements.

Today, over half the states have performance based contracts but that does not mean they have “privatized child welfare systems.” In fact, it is important to note that for some states, the percent of a state’s overall budget that is allocated to contracted services did not increase with the launch of a performance based contract reform. For example, performance based contract reforms in Illinois and the District of Columbia did transfer case management duties but they did not significantly increase the proportion of services that were outsourced—both jurisdictions already had robust private agency capacity and a long history of contracting for services. However, contract expectations, roles and responsibilities of public and private agency workers, and contract payment arrangements did change significantly in these sites when performance based contracts were introduced (ASPE, Topic Paper 1, 2007).

Even under a fully privatized system such as Florida and Kansas, the public agency continues to play critical roles including contract procurement, quality assurance, monitoring, program funding and policy agenda setting. Ultimately, it is the public agency that is responsible for the care and safety of the children in state custody. For all of these reasons, what is being explored today by states and communities across the country is the relative balance that public and private agencies play in the delivery of child welfare services and their respective roles when realignment does occur (ASPE, Topic Paper 3, 2008). In many of these

jurisdictions, children and families are reaping the benefits of a stronger public-private partnership.

We assume the impetus for Washington's two-pronged legislative mandate was not unlike those in other states. Increasingly, states have turned to performance based and lead agency contract reforms as means of fusing programmatic and fiscal reforms (McCullough & Schmitt, 2003). The legislature in these states is attempting to hold both public and private agencies accountable for more effectively using limited resources to achieve improved outcomes.

## Two Different Parts to 2SHB 2106

In Phase 1 of 2SHB 2106, the department is directed to introduce performance based contracts statewide. The new contracting approach does nothing to change the state's approach to public agency case management but it does address the state's outdated approach to contracting for services. The state is spending over \$100 million dollars each year in fee-for-service contracts with over 1500 non-profit and for-profit agencies and individuals but there appears to be no strategic approach to contracting and no data to suggest whether contracts are meeting child and family needs. The state is unable to say what services are provided to a given child and family, at what cost, to get what result. Contracting decisions are not

*Phase 1 directs the department to introduce performance based contracting statewide. These contracts move the state's current fee-for-service contracts to performance outcomes. This seems very reasonable and overdue. In Phase 2, the legislature calls for two demonstration pilot sites. Given the increased funding for child welfare by the Legislature in recent years and outcomes that continue to lag, it is prudent for the legislature to cautiously test alternative approaches.*

made in the context of an overall plan to enhance quality and ensure equitable distribution of services across the state. The current approach to paying private agencies incentivizes them to do more of the same rather than taking responsibility for tailoring services to individual needs. The contracts are not only not performance based; but, many appear to be unmonitored and

unregulated. The introduction of performance based contracts in Washington is reasonable and, one could argue, overdue.

In recent years, the Legislature has increased funding for child welfare to ensure manageable caseloads for its public agency workers—average caseloads for social workers reportedly are around 16-18 children per worker, far lower than many public and private agency caseloads across the country. However, in spite of the workforce investments, performance on key outcomes continues to lag.

In Phase 2 of 2SHB 2106, the legislature calls for pilots in two sites to test whether or not private agencies with case management authority can achieve better results for children and families than their public agency counterparts. Rather than calling for privatization of case management, the legislature is calling for an independent evaluation to determine whether or not the demonstration sites attain better results at the same cost. As Washington (and all states) struggle with hard economic times and budget deficits, it is prudent for legislators to question whether or not funds that are allocated for child welfare are being used in the best way to get better results for children and families and, when performance is not improving despite investments, to cautiously test alternative approaches.

## **Analysis of Specific Issues Raised**

The Position Paper focuses on six inter-related concerns regarding implementation of 2SHB 2106. It asserts: (1) the workforce issue will become worse; (2) child and family outcomes will not improve; (3) stakeholders will not be as satisfied; (4) lead agency and other performance based models won't work; (5) the state will be at risk if it contracts for case management; and (6) the system will cost more.

These are important issues for planners to consider. However, the conclusions drawn from the Position Paper are not supported by evidence.

## (1) The Workforce

Washington is fortunate to have a seasoned, stable, and well-compensated public agency workforce. According to the Bureau of Labor Statistics in 2008, when compared to other states, Washington's public child welfare workforce is more stable (turnover is 7% compared to 15% nationwide) and more experienced (average tenure is 9 years, compared to 6.5 years nationwide).

*Most states that have gone through a similar transformation as Washington have put strategies in place to create safety nets for public agency workers. Several states have also been able to reduce caseloads after contract reform efforts.*

It is natural for the Federation to not want to lose ground. However, the Position Paper overstates the impact that different types of contract reform efforts have had on the workforce in other states.

It is true that workforce issues have to be carefully considered when any state contracts for services previously provided by public agency workers. Fortunately, research would indicate that, in fact, workforce issues are being addressed and strategies are being put into place in states and jurisdictions where contract reforms have occurred to create safety nets for public agency workers that might be displaced as a result of a reform. As far back as 1997, a GAO report on the experience of six state and community governments found that all sites had workforce strategies—including offering early retirement, severance pay, buy-outs and, in some cases, the opportunity to compete with private providers for the contract work. In other cases, workers were offered career planning and training to move into the private sector (GAO 1997). Some sites required contractors to give public agency staff preferential consideration in hiring practices (ASPE, Topic Paper 1, 2007).

It is also true that many states that moved to performance based contracts in recent years were not as fortunate as Washington. Prior to the new contracts being introduced, the public agency workforce was overwhelmed, turnover rates were high and caseloads were unmanageable. In those instances, the workforce problems that preceded a contract reform were not immediately solved when private agencies assumed case management responsibility.

But, the Position Paper goes too far when it makes the claim that “privatization” made things worse.

The Position Paper cites a workload study done by the North American Council on Adoptable Children (NACAC) to make the point that the workload crisis in Florida became more acute after privatization. However, the Position Paper failed to mention that the study cited actually related only to one county in Florida (Palm Beach) and not the state as a whole. The Paper also did not mention that the study reported equally troubling (or worse) trends occurring in states that had retained case management. For example, the NACAC report notes:

“In Texas, a county worker quit after her caseload rose past 60, four times the Child Welfare League of America’s recommended limit of 15.” It goes on to cite practices in the Georgia system, “When Children’s Rights filed suit against the Georgia Department of Human Services in 2002 (*Kenny A. v. Perdue*), workers in Fulton and DeKalb Counties (greater Atlanta) were expected to handle 35 to 50+ cases.”(Downloaded at: <http://www.nacac.org/adoptalk/WorkforceIssues.html>).

The Position Paper also failed to include more recent findings in Florida that private agencies have begun to successfully address the workforce problems that they inherited through caseload reduction and adherence to accreditation standards. With the drop in the number of dependent children in Florida, caseloads for case managers have dropped across all districts of the state in recent years and this is contributing to a more stable workforce.

A recent Florida Title IV-E independent evaluation report notes, “One positive impact of the reduction in the number of children served is a reduction in caseload size. With the previous high caseloads case managers tended to be ‘flat overwhelmed by the sheer volume.’ For one lead agency, the reduction in caseload size to a reported current level of 15 to 18 has resulted in better staff retention – a reduction in turnover from 60% to 25% circuit-wide (2008 Florida Title IV-E Waiver Evaluation report).” While this performance is not on a par with that of Washington, the caseloads and turnover rates have decreased from the levels seen in the public agency workforce prior to the launch of community-based care.

Florida is not the only state to see worker caseloads decline after a contract reform effort. As Jess McDonald of Illinois has noted, “...when the Performance Contracting initiative was first launched for Cook County relative care in July of 1997, caseloads were at 25 children per worker—the highest caseloads in the state. By the end of the first year of the initiative (state fiscal year 1998) it was possible to lower the contracted caseload from 25 children per worker to 22 children per worker within existing spending levels. By the end of the 2000 fiscal year, average caseloads were lowered to 18 children per worker—the lowest in the state (Jess McDonald, Congressional Testimony, 2000).”

The Position Paper also doesn't mention that some privatization initiatives result in public agency staff reductions. Missouri for instance, is working to become a fully accredited state child welfare system and needed to reduce its caseloads to do this. In 2005, rather than asking the legislature for additional public agency staff, the state chose to expand its use of private providers for foster care case management in three regions of the state (St. Louis, Kansas City and Springfield), while also maintaining its public agency units. After two years of implementation, each of the three Missouri regions with private agency contracts has been able to reduce caseloads within the public agencies without loss of public agency staff (ASPE, Topic Paper 3, 2008).

It is true that planners of any child welfare contract reform have to take steps to reduce worker anxiety and fear by ensuring that the worker's voice is heard in all aspects of planning. Washington has

*It is true that planners of any child welfare contract reform have to ensure that the worker's voice is heard in all aspects of planning. Washington has actively engaged the Federation representatives in all CWTDC and subcommittee discussions and this has had a significant impact on shaping the reform. In fact, the CWTDC was successful in gaining support from the legislature for an amendment which allows the public agency workers to continue to operate in the two demonstration sites selected for the pilots – thereby maintaining a department presence in all areas of the state.*

actively engaged the Federation representatives in all CWTDC and subcommittee discussions and it has had a significant impact on shaping the reform.

The Position Paper overestimates the negative impact of 2SHB 2106 on the public agency workforce. Given the two-phased approach to implementation of 2SHB 2106, there will be no impact on public agency workers in Phase 1 when CA moves to performance based contract. This fact is not clearly stated anywhere in the Position Paper.

The Federation has been successful in gaining support from the CWTDC and the legislature for an amendment to the original language which allows the public agency workers to continue to operate (albeit at a reduced level) in the two sites selected for the pilots—thereby maintaining a department presence in all areas of the state. The CWTDC has also been responsive to the Federation’s input on the experimental design that will be used for the evaluation and on efforts to keep the pilots as small as possible, and meet 2 SHB 2106 evaluation requirements, to minimize displacement of workers.

## **(2) Child and Family Outcomes & Systemic Improvements**

The Position Paper is correct when it states that overall results have been mixed in many of the states that launched performance or risk-based contract reforms over the past decade. What the Position Paper does not say is the same is true for the achievement of positive outcomes for children and families in all states—regardless of whether or not they privatized case management or other services. We can use the CFSR results as an example.

*There are examples of states that have met or exceeded contract expectations. Illinois is a good example. Its success in reducing the number of children in out-of-home care with performance based contracting has been recognized nationally, including earning a Harvard Innovation in American Government Award.*

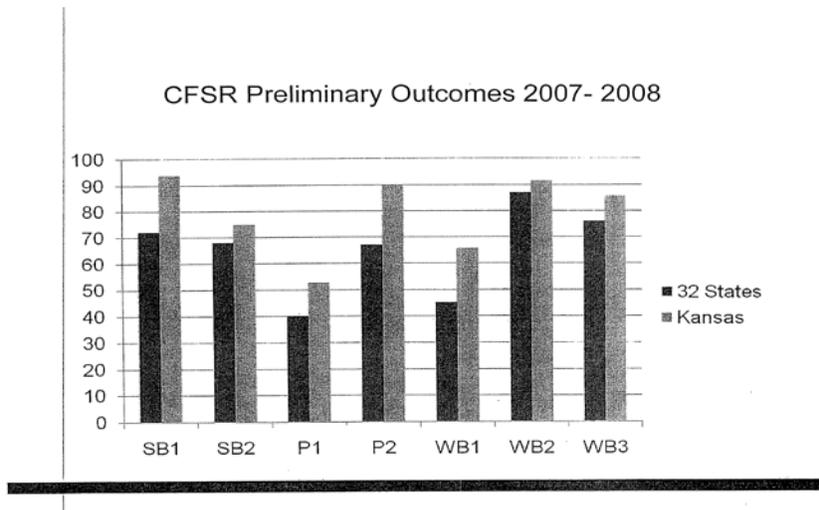
The Child and Family Services Review (CFSR) is the federal government’s program for assessing the performance of state child welfare agencies with regard to achieving positive outcomes for children and families. The CFSR assesses state performance on 23 items relevant to safety, permanency, and well-being outcomes and 22 items pertaining to seven systemic factors. A number of researchers have identified many issues with the CFSR measures—not the least of which is the question of whether or not the measures have validity. But at present the CFSR is the only approach we have for gathering and reporting the same information from all

states. No state passed the first round of CFSR review (2000-2004); and, thus far, none of the states that have completed their second review have passed—regardless of whether or not they had privatized case management and some or all child welfare services or not. Washington is scheduled for its second review later this year.

In addition, the Position Paper is incorrect when it claims that none of the contract reforms or privatization has been successful in meeting contract expectations. One example of success through the introduction of performance based contracts is Illinois. Between 1997 and 2005, the Illinois Department of Children and Family Services reduced the number of children in out-of-home placement by 65 percent. Performance based contracts required providers to achieve reunification, adoption, or subsidized guardianship in a predetermined percentage of cases annually. Illinois’ success with performance based contracting has been recognized nationally, including earning a Harvard Innovation in American Government Award.

As another example, consider Kansas, the first state to fully privatize all child welfare services (post-CPS investigation) through lead agency models. Although the state did not pass its second CFSR review, its performance on the case review portion of the review was higher on all safety, permanency, and well-being measures than the average performance of the 32 states that had also completed the review (National Conference of State Legislators, 2010). See Figure 1 below.

**Figure 1 - Performance of Kansas on the Second CFSR Compared to 32 States**



The Position Paper did not present findings from Washington’s first CFSR. Instead it uses AFCARS data from Casey’s KidsCount and the Child Welfare League of America’s state fact sheets to make the claim that the state compares well to other states that have privatized case management functions for some or all children and families. The chart, however, is problematic on several levels. First of all, it includes data that, for the most part, is descriptive of the demographics of a state’s caseload but not data that tells you how well a state is performing. Secondly, the choice of states included as a comparison to Washington is confusing. It is not clear why Kentucky was chosen as a “privatized” state since most case management is provided by the public agency. Third, the chart claims that the comparison states selected had privatized child welfare systems for at least 7 years but the chart uses data from 2006 which was only 1 year after Florida had completed its transition to lead agencies. For more recent data, the CWLA 2010 state factsheets (reporting 2007 data) are available at: <http://www.cwla.org/advocacy/statefactsheets/statefactsheets10>.

Data issues aside, the comparison included in the Position Paper actually shows what one would expect when any set of states are compared—some states do better on some outcome measures than others regardless of the degree to which services have been privatized. To further illustrate this point, consider the following child welfare trend data on two measures that are central to the intent of 2SHB 2106—reducing the number of children in dependency, including reducing the average length of stay. According to the U. S. House Ways and Means 2009 *Green Book*—an impartial compilation of state child welfare data—from 2001-2007 the number of children in foster care declined in Florida, Illinois, New York, and Wisconsin, all states in which case management for children in foster care is provided (in whole or in part) by private agencies. During that same time period the foster care caseload in Washington has risen (*Green Book*, 2009).

Table 1, below, provides more detail on the number and rate of children entering child welfare by state and the number in care on the last day of the calendar year in 2001 and 2007. Six states that have partially or totally privatized case management were selected (five of these are the same as the states selected by the Federation).

As the table shows Washington is one of two states that had a higher caseload at the end of 2007 as compared to the end of 2001. Washington’s caseload rose by over 2,000 children. Kansas also experienced a small increase in its caseload from FY01-FY07 (up by 222 children). In contrast, Florida, New York, Illinois and Wisconsin all saw the caseload numbers (and rates) drop. Illinois had the greatest decrease going from 28,202 children (8.7 rate) at the end of 2001 to 17,875 (5.6 rate) at the end of 2007.

**Table 1- Number and Rate of Children Entering & In Foster Care, By State, FY 2001 and 2007**

*(Rate equals number of children who entered care and who were in care on the last day of the calendar year compared to every 1,000 children (individuals under age 18) in the general population.)<sup>1</sup>*

| STATE      | Entered at anytime during fiscal year |     |             |     | In care on last day of fiscal year |     |             |     |
|------------|---------------------------------------|-----|-------------|-----|------------------------------------|-----|-------------|-----|
|            | Number/Rate                           |     | Number/Rate |     | Number/Rate                        |     | Number/Rate |     |
|            | 2001                                  |     | 2007        |     | 2001                               |     | 2007        |     |
| FLORIDA    | 18,673                                | 5.0 | 18,949      | 4.7 | 32,477                             | 8.7 | 26,363      | 6.5 |
| ILLINOIS   | 6,350                                 | 2   | 5,004       | 1.6 | 28,202                             | 8.7 | 17,875      | 5.6 |
| KANSAS     | 2,824                                 | 4   | 4,075       | 5.9 | 6,409                              | 9   | 6,631       | 9.5 |
| NEW YORK   | 15,135                                | 3.3 | 13,225      | 3   | 43,365                             | 9.3 | 30,072      | 6.8 |
| WASHINGTON | 7,273                                 | 4.8 | 6,998       | 4.6 | 9,101                              | 6.0 | 11,107      | 7.2 |
| WISCONSIN  | 5,158                                 | 3.8 | 5,232       | 4   | 9,497                              | 7   | 7,446       | 5.6 |

<sup>1</sup> All rates were calculated based on estimated State population under the age of 18. A relatively small number of children counted in State foster care caseload numbers, as shown in this table (and used to calculate rate) may be age 18 or older.

**Source:** Table prepared by the Congressional Research Service. Foster care data are from AFCARS as reported by States by mid-January 2009 and provided by HHS. State population used to calculate rates shown were from the Census Bureau’s annual (as of July 1) population estimates (Vintage 2007) for individuals under the age of 18.

Table 2 shows the median and mean lengths of stay for children in foster care on the last day of FY07. Washington and four comparison states are performing better than the national averages on the length of stay measures. However, two of the comparison states (Florida, Kansas) have significantly lower median and mean lengths of stay than Washington. Illinois is struggling and far above the national mean and median. It is reasonable to speculate that Illinois’ performance on this measure may be directly related to the state’s success in reducing the overall number of children in foster care (the previous measure). As more children successfully move to permanency in any state, those who remain tend to be children who have

been in care for some time and children and older adolescents who have more complex therapeutic needs.

**Table 2 – Length of Stay for Children in Foster Care on the Last Day of FY 2007**

| STATE                  | Less Than 1 Month | 1 to 5 Months | 6 to 11 Months | 12 to 17 Months | 18 to 23 Months | 24 to 29 Months | 30 to 35 Months | 3 to 4 YRS | 5 or more YRS | MONTHS IN CARE FOR ALL CHILDREN |             |
|------------------------|-------------------|---------------|----------------|-----------------|-----------------|-----------------|-----------------|------------|---------------|---------------------------------|-------------|
|                        |                   |               |                |                 |                 |                 |                 |            |               | Mean                            | Median      |
| FL                     | 4.9%              | 24.0%         | 21.8%          | 14.3%           | 9.4%            | 6.8%            | 4.3%            | 7.5%       | 6.9%          | 20.2                            | 11.7        |
| IL                     | 2.1%              | 10.6%         | 9.5%           | 9.3%            | 8.2%            | 8.1%            | 6.8%            | 17%        | 28.0%         | 49.6                            | 31.8        |
| KS                     | 5.1%              | 24.1%         | 22.1%          | 13.8%           | 9.6%            | 6.5%            | 4.3%            | 8%         | 6.3%          | 19.4                            | 11.6        |
| WA                     | 3.9%              | 16.7%         | 18.7%          | 15.0%           | 12.5%           | 9.5%            | 6.1%            | 12%        | 5.8%          | 22.2                            | 16.2        |
| WI                     | 5.5%              | 22.3%         | 17.2%          | 13%             | 9.3%            | 7.4%            | 5.1%            | 10%        | 10%           | 25                              | 14          |
| <b>US Total (N=51)</b> | <b>4.3%</b>       | <b>19.1%</b>  | <b>18.0%</b>   | <b>13.3%</b>    | <b>9.4%</b>     | <b>7.3%</b>     | <b>5.1%</b>     | <b>11%</b> | <b>12.2%</b>  | <b>27.8</b>                     | <b>16.2</b> |

These tables are intended to show that achievement of outcomes is complex as the measures are interrelated. In addition many factors must be considered when comparing one state’s performance to another on any one measure or across measures or in describing trends over time. It is always important to place findings in historical, political, social, financial, and cultural context when making comparisons between states. Whether or not a state contracts for some services or provides them directly is just one of the variables to consider.

All states included in this document have made progress in the achievement of some safety, permanency, or well-being outcomes but the results are mixed—it is likely that Washington’s performance may exceed that of Florida and Kansas and other states with contract reforms in some areas, and lag behind in others when it completes its second CFSR. None of the states selected for examination is expected to pass the second round of the CFSRs.

*The achievement of outcomes is complex as measures are interrelated. In addition, many factors must be considered when comparing one state’s performance to another on any one measure or across measures or in describing trends over time.*

*There are examples of excellence across the country. Washington has the benefit of learning from other states that have been using various types of performance based contracting for some time.*

### (3) Stakeholder Satisfaction

The Position Paper cites a report by the National Resource Center on Quality Improvement for the Privatization of Child Welfare (QIC-PCW) to make the point that all stakeholders in privatized states prefer the public system to the private one. Once again, the Position Paper relies upon a single study to draw this conclusion.

It did not note that the findings of this study are not consistent with findings in other states and jurisdictions. It also did not mention that satisfaction ratings need to be placed in some context. For example, it is likely that not all stakeholder perceptions will be positive in the initial stages of any new reform effort or practice change. Washington should expect this with both Phase 1 and Phase 2 of 2SHB 2106.

*Most, if not all, new performance based or lead agency contracts require that satisfaction data be routinely collected and used to assess satisfaction trends over time. This allows the public agency, working in partnership with its contractors, the opportunity to continually improve. Iowa recently collected satisfaction data from the families that received family safety and preservation services from private agencies and found that 91% of the families expressed overall satisfaction with the services they received.*

What the report failed to note is a positive trend—most if not all new performance based or lead agency contracts require that satisfaction data be routinely collected and used to assess satisfaction trends over time and to help inform quality improvement efforts. Neither a public nor a private agency can fix what it doesn't know is broken. By routinely assessing satisfaction, the public and private agencies now have the opportunity to make improvements to remedy concerns. As an example, on a quarterly basis, Iowa collects satisfaction data from the families served by its contracted family safety service agencies. It reports survey responses for each of the contracted agencies. The most recent report (Iowa DHS, March 2010) found that 91% of the families expressed overall satisfaction with the services they received.

While all stakeholder opinions are important, with any contract reform it must ultimately be the public agency who decides whether or not the reform is working. If the public

agency is dissatisfied it can require improvements and if that fails, terminate or not re-bid a contract. Interestingly, a recent study of 14 states with performance based contracting reforms found that public agencies were generally satisfied with their contracts—even when private agencies weren't hitting all of their performance requirements. Most expressed the belief that things were heading in the right direction even if it was a work in progress (Planning and Learning Technologies, the University of Kentucky, and the University of Louisville, 2009). This is important for Washington to understand as improvements may not occur evenly or quickly in either Phase 1 or Phase 2.

#### **(4) The Effectiveness of Lead Agency and Other Performance Based Models**

The Position Paper makes two valid points about lead agencies and other performance based contracting models. First, it notes that there have been limited independent assessments of these initiatives across the country. While the report is correct that few states have undergone a rigorous evaluation to fully understand the success (or failure) of their lead agency or performance based contracts, there is ample evidence to suggest that the contracts have met the public agency's goals in a number of states. As an example, consider the testimony offered to Congress by Jess McDonald, the director of the Illinois child welfare agency at the time that the state turned to performance based contracts in 1997:

“Since the implementation of Performance Contracting, the dramatic increase of children moving to permanency has been nothing less

*It is true that there have been a limited number of independent assessments of lead agency and performance based contracting implementations to date, and that other improvements have often been implemented at the same time as contract reforms.*

*However, even without an independent evaluation, the reality is that administrative data and case study evidence suggest that both lead agency and other performance based contracting models with and without other enhancements have contributed to improved results for children and families in a number of states.*

than stunning. The impact on Illinois' caseload alone is amazing—a 40 percent decline from a peak of over 51,000 children in care to 30,000 in just three years. As important as these gains are, the single most important accomplishment of Performance Contracting is the reinvestment made possible through consistent gains in permanency. These reinvestments support better service delivery for children and families in Illinois' child welfare system.” (Jess McDonald, 9/6/2000)

Secondly, the Position Paper notes that states made other improvements at the same time that contract reform began, making it impossible to sort out what factors contributed to the improvements. It is true that some (but not all) states did increase funding prior to or after implementation of a lead agency contract; others changed their practices; a few applied for and got a Title IV-E waiver to get greater funding flexibility; and at least one public agency went through accreditation. These are all factors that one could reasonably assume would result in some improvements. Had more states chosen to have independent evaluations we could more clearly determine how each of these factors contributed to the success or failure of their contract reform effort. Such research would make it far easier for Washington legislators and planners to weigh options.

However, even without an independent evaluation, we cannot ignore the reality that there are administrative data and case study evidence to suggest that both lead agency and other performance based contracting models with and without other state enhancements have contributed to improved results for children and families in a number of states.

The Position Paper also appears to simply misunderstand the nature of one of the most prevalent models for child welfare contracts, the lead agency model. There are many reasons why public agencies have chosen to use a lead agency model—not the least of which is a desire to create more effective and efficient locally designed and accountable service delivery systems.

Florida is a state with a lead agency model. It is also the recipient of a Title IV-E waiver (the only state with a statewide waiver that directly supports its community-based care contracts) and as such must conduct an independent evaluation for the waiver as well as a

legislatively mandated evaluation of its Community-Based Care reform. According to the latest waiver report, “As of March 31, 2008, the statewide out-of-home care population was 24,118 (a 19 percent decline from September 30, 2006). According to the September 2007 semi-annual report, all permanency outcomes significantly improved and stable or improved longitudinal trends in several safety outcomes were also found” (IV-E Waiver Demonstration Evaluation: October 21, 2009).

While Florida (and every other state) has a long way to go to meet federal mandates and achieve child safety, permanency, and well-being CFSR measures, Florida’s lead agency model is trending in the right direction. According to data on the state website from 2007-2008, the state:

- Finalized 3,674 adoptions – the highest one-year total ever achieved.
- Promulgated a written Rights of Foster Care Children.
- Safely reduced the number of children in out-of-home care by over 7,000 children (over 20 percent).
- Was selected as one of six states to participate in a National Governors’ Association Policy Academy on Safely Reducing Out-of-Home Care.

The Position Paper also fails to note the significant improvements in Kansas in the decade since the state privatized foster care, adoptions, and family preservation services using a lead agency model. While clearly the planning and transition process in the state was fraught with problems, over time the state and its private agency partners have made gains. Between 1997-2009 the number of adoptions almost tripled going from 352 to 812; the number of children in residential placement decreased dramatically from 1064 to 421; and the average months in custody decreased from 26 to 18 (Kansas Department of Social and Rehabilitation Services, 12/19/09). The state made these gains without a Title IV-E waiver, accreditation, or other enhancements.

The Position Paper does not describe the benefits that have been reported by those states and communities that have lead agency contracts. One of the most notable is the potential for private agencies to leverage support from the community and expand the political base for advocacy and program expansion. In addition, by broadening the service provider

network, the system can (over time) offer more specialized and, in some cases, more culturally appropriate services. This is beginning to occur in many communities in Florida. As an example, one lead agency, Kids Central Inc., was just re-awarded a contract for about \$25 million. It was successful in its bid in part because of the strong presence in the community, the multi-layered collaborations that were taking place, and the agency's success in garnering about \$5 million in federal and foundation grants to expand and enhance services for the children and families beyond what the contract covered. This by-product of a strong lead agency is not mentioned in the Position Paper.

The Position Paper asserts that lead agency contracts will add to the administrative costs because the public agency will have to hire and train staff for contract administration and contractor monitoring. It claims, "While it may be true that managing only a few contracts with lead agencies would be a reduction from the current practice, the number of providers isn't reduced so managing multiple providers is simply transferred to the lead agency – for a fee." There is simply no evidence provided to support the claim that the administrative costs would go up or that the number of providers would not go down under a lead agency model. Our experience would suggest otherwise.

The Position Paper's assertions about the costs of monitoring seem to reflect a lack of understanding of the critical role that monitoring should play in any state, regardless of the contracting model. Contracting for any child welfare service (whether a lead agency or contracts with 1500+ agencies) does not relieve the public child welfare agency of its responsibilities to ensure that children and families are well served and that tax dollars are effectively spent. Research suggests that that one of the added benefits of lead agency and other performance based contracts is that all parts of the system become more focused on outcomes, efficiencies, and data-driven quality improvement. Both the public and private agencies share responsibility for monitoring performance and costs on an ongoing basis.

In recent years as a result of contract reforms, many public and private child welfare agencies are collecting a range of information on program quality, practice, client outcomes, cost-effectiveness, and satisfaction and have more sophisticated tools and skills to do this. Using these new tools and real-time data that are accessible to all partners, public and private

agencies work together to identify problems and implement improvement strategies on an ongoing basis. As a way of differentiating these efforts from traditional compliance monitoring, the new approaches often are called continuous quality improvement systems (ASPE, Topical Paper 6, 2008).

It appears that the Department does not have a systematic approach to monitoring and limited staff capacity and experience in developing an effective, quality-focused monitoring system. If that is the case, it is all the more important for the state to select strong private agency partners who can help in developing a monitoring and QA/QI approach that ensures shared accountability for results. When public agencies contract for services, they are seeking one or more partners to share the risks, rewards, and responsibilities of delivering quality services to children and families in the child welfare system. To the extent allowed by procurement rules, a collaborative public-private planning process can ensure that consensus is reached on the broad goals and expectations of the quality assurance and monitoring systems (ASPE Topic Paper 6, 2008).

## **(5) Legal Issues & the Risk**

The Position Paper states that public agencies are at substantially higher risk of losing Title IV-E funding when they contract for case management. There are no sources cited for this claim. In fact, there doesn't appear to be any evidence that a state that has privatized case management has ever lost federal revenue as a result of that decision.

It is true, however, that state (and private agencies) must have the capacity to closely monitor fiscal performance to ensure that funds are being spent and claimed appropriately. This should be true for all services the state purchases and not just case management.

*There doesn't appear to be any evidence that a state that has privatized case management has ever lost federal revenue as a result of that decision. It is true that state, and private agencies, must monitor fiscal performance to ensure that funds are being spent and claimed appropriately.*

The Position Paper did not include information from a topic paper developed by the U. S. Assistant Secretary for Planning and Evaluation (ASPE, HHS, 2009) that specifically addresses the roles of public and private agencies in child welfare and recognizes the role of private agencies in case management. Among other things, that report notes, “Rules within Titles IV-B and IV-E allow states to make their own decisions about how to assign certain responsibilities to private providers. Several states or jurisdictions have transferred, or are in the process of transferring, significant if not primary case management authority to private providers. Kansas, Florida, and Illinois, for example, maintain that the federal requirements for states to have ‘overall responsibility’ for cases can be fulfilled through administrative oversight, quality assurance, and monitoring. Several direct service contracts in Washington D.C. and New York City have moved in this direction as well. In these states or jurisdictions, a public agency caseworker does not review day-to-day case management decisions for some contracts; instead, contract monitors from the state or county monitor large numbers of cases and/or evaluate overall contractor performance.” (ASPE, Topic Paper 3, 2008)

According to Madelyn Freundlich, a national child welfare expert cited by the authors of the Position Paper, “All states that have privatized some (or all) of their post-investigation case management functions for some (or all) children in state custody have proceeded on an understanding of ultimate decision-making responsibility through the courts, public agency oversight and monitoring. Florida, Kansas, and other states with privatization initiatives have undergone subsequent federal reviews of both programs and their Title IV-E eligibility determination practices. There is no evidence that these states have lost Title IV-E funds as a result of privatization. Nor is there evidence that the federal government has put these states on notice that their practices and policies fail to comply with Title IV-E regulations.” (Texas Alliance, 2008).

It is important to note that Title IV-E waivers have not been needed to make these changes. While Title IV-E waivers have no doubt helped states (and their private agency partners) use resources more flexibly to meet child and family needs, waivers have not been essential to contract reform efforts in any state cited in this paper. Florida had completed its statewide implementation of Community-Based Care in June 2005, 15 months before its Title

IV-E waiver was initiated. Kansas has never had an IV-E waiver. Illinois does have a waiver to support its kinship care and guardianship initiatives but a waiver was not needed to implement its statewide performance based contracts that resulted in the dramatic decrease in its foster care caseload.

## **(6) Child Welfare Expenditures & Long-Term Costs**

The Position Paper claims that all states that moved to privatization invested significant new resources into their systems before or after privatization and any success that resulted from privatization could be attributed to the added funds. In reality, most states with and without contract reform efforts have added resources to child welfare in the last decade—a fact that child advocates applaud.

*Initial start-up funds will likely be needed for both Phase 1 and Phase 2, but there is no evidence that the transition will cost more in the long run than the current system.*

From 2000-2004, average state expenditures (all states) went up significantly—federal expenditures increased by 24.9% and state expenditures by 47.7%. That trend is true of states that have not privatized services as well as those that have—a fact the Position Paper does not mention.

As illustrated in the following table, from 2000-2004, the expenditures for three states with privatization initiatives (Illinois, New York, Wisconsin) actually declined.

**Table 3 - Comparison of Total (State and Federal) Child Welfare Expenditures from 2000-2004**

| Year                 | 2000  | 2004  | 2000, 2004  |
|----------------------|---|---|---|
| State                | Total Child Welfare Expenditures for State Fiscal Year <sup>1</sup> | Total Child Welfare Expenditures for State Fiscal Year <sup>2</sup> | Estimated Total Child Welfare Expenditures (Percent Change) <sup>1, 2</sup> |
| Florida              | \$691,385,561   | \$896,972,828   | 29.7%   |
| Illinois             | \$1,390,079,185   | \$1,243,211,566   | -10.6%  |
| Kansas               | \$172,185,030   | \$229,779,303   | 33.4%   |
| New York             | \$2,206,199,199   | \$2,067,066,079   | -6.3%   |
| Washington           | \$382,390,216   | \$432,948,513   | 13.2%   |
| Wisconsin *          | \$415,507,211   | \$384,937,354   | -7.4%   |
| National N           | 51  | 51  | 51  |
| <b>National Mean</b> |   |   | <b>24.9%</b>  |

<sup>1</sup> The Urban Institute. (2001). *Child Welfare Survey*. Washington, DC: Author. <sup>2</sup> The Urban Institute. (2005). *Child Welfare Survey*. Washington, DC: Author. Calculations by CWLA- Downloaded 3/10/10 from: <http://ndas.cwla.org/data>

As depicted in Table 4, it is also true that both Kansas and Florida have increased spending more than the national percentage. However, both states were significantly below the national average in child welfare expenditures prior to privatization. According to one study on expenditures in 2000 (as privatization in Kansas and Florida was underway), Washington spent more per victimized child and per foster child than either Kansas or Florida (Geen, 2003).

**Table 4 - Various Measures of State Fiscal Commitment to Child Welfare and National Ranking (SFY2000)**

| State      | Spending Per child in general population (rank) | Per victimized child (rank)   | Per foster child (rank)      | Percent of general fund expenditures (rank) |
|------------|---|-------------------------------|------------------------------|---|
| Florida    | \$201 (32 <sup>nd</sup> )                       | \$20, 214 (27 <sup>th</sup> ) | \$19,390 (44 <sup>th</sup> ) | 1.45 (31 <sup>st</sup> )                    |
| Kansas     | \$258 (20 <sup>th</sup> )                       | \$20,606 (26 <sup>th</sup> )  | \$26,212 (37 <sup>th</sup> ) | 1.03% (39 <sup>th</sup> )                   |
| Washington | \$244 (23 <sup>rd</sup> )                       | \$53,786 (7 <sup>th</sup> )   | \$42,632 (20 <sup>th</sup> ) | 1.93% (24 <sup>th</sup> )                   |

Rather than looking solely at the overall level of spending from one state to another, it is arguably more useful to examine how states allocate funds to support at-risk children and families, prevent the necessity for out-of-home care placement, and achieve more timely and lasting permanency for children. The following study provides different perspectives on spending in Washington and other states.

*The Nelson A. Rockefeller Institute of Government's State Spending on Children's Services* project issued a report in 2007 ranking state spending for children from 1992, 1998, 2003 and 2004. It analyzed how spending has changed over time. Spending data is presented in three categories:

- ◆ *Education*: Elementary and secondary education
- ◆ *Health*: Medicaid, MCHBG, SCHIP
- ◆ *Non-Health/Non-Education*: Adoption Assistance, Child Welfare Services (Title IV-B, Subpart 1), Promoting Safe and Stable Families (Title IV-B, Subpart 2), Foster Care, AFDC, JOBS, Emergency Assistance, TANF, AFDC Child Care, Transitional Child Care, At-Risk Child Care, CCDF, Child Support Enforcement, and EITCs

Spending per child increased in all states from 1992 to 2003, with the majority of the states experiencing growth rates of between 20 and 45 percent. The national average was 34 percent. The amount spent per child (across all categories) varied from a low of \$3,710 (MS) to a high of \$10,119 (D.C).

In FY03, Washington was not among the big spenders for children, ranking in the middle of all states. It does, however spend more per child than three of the four comparison states. However, as depicted in Table 5, all states –those with and without contract reform initiatives— are below the national average in total per child spending.

**Table 5 - Total Spending per Child and Ranking and Total Non-Health, Non-Education Spending as a % of Total per Child Spending (FY 2003)**

| State       | Total spending per child (all categories) | Rank | Total Non-Health-Non-education spending for children as % of total per child spending |
|-------------|---|------|---|
| Washington  | \$5,481                                   | 25   | 4.4   |
| Florida     | \$4,614                                   | 40   | 3.2   |
| Kansas      | \$5,425                                   | 27   | 3.6   |
| Illinois    | \$5,705                                   | 22   | 5.3   |
| Wisconsin   | \$5,189                                   | 28   | 4.1   |
| <b>U.S.</b> | <b>\$5,803</b>                            | N=51 | <b>4 %</b>  |

The Position Paper does not address the fact that all states have increased their child welfare budgets in the last decade, but it emphasizes the increased funding that was needed to successfully launch contract reforms. In Washington, there will be real start-up costs for the conversion to performance based contracts in Phase 1 and for the demonstration sites. Legislators should not expect immediate savings or even the ability to quickly recoup the investments that might be needed to transition 1500+ service contracts into a smaller number of regionally based performance based contracts. There will also be costs associated with the start-up phase of the demonstration sites when cases will need to be smoothly transitioned from the public agency to the private agency workers.

However, we disagree with the Position Paper’s implied assertion that the reforms called for in 2SHB 2106 will cost more in the long haul. This does not seem to be supported by the evidence. While there have been only limited examples of states and communities that have saved money in the initial years of a contract reform, it is not uncommon for states to see a redistribution of their child welfare expenditures—in essence, as foster care caseloads decrease, more children and families are served with the same level of funding as the previous

system. Over time, it is also possible to expand prevention and aftercare services, and increase community-based formal and informal supports with savings from foster care caseload reductions. (McCullough & Schmitt, 2003, FL IV-E Waiver Progress Report 6, 2009).

As noted previously, Illinois was one state that achieved actual savings by converting their standard foster care contracts from cost reimbursement to performance based contracts. When its foster care caseload dropped from 52,000 in 1997 to approximately 18,000 (McEwen, 2006), the state was able to reinvest some of these funds back into the system to support reduced worker caseloads, recruiting foster homes, and providing more clinical services. (ASPE, Topic Paper 1, 2007)

Florida is another example. Expenditures for licensed foster care have steadily decreased from SFY 05-06 to SFY 08-09, and the ratio of out-of-home care spending to spending for front-end services, such as prevention, early intervention, and in-home services) has decreased notably over this time span (Armstrong, Vargo, Jordan et al, 2009).

In summary, all states have increased spending for their child welfare systems over the past few years. However, with the economic crisis and the end of some stimulus funding it is likely that most states will struggle to have adequate resources to support services that will meet federal and state child and family safety, permanency and well-being requirements. This will be true for states that privatize some case management services and for those that don't. Initial start-up funds in Washington will likely be needed for both Phase 1 and Phase 2 of 2SHB 2106, but there is no reason to assume that either the transition to performance based contracts or the contracts with supervising agencies will cost more in the long run than the current system.

## **Comments Regarding the Federation's Conclusions & Recommendations**

The Position Paper concludes that, "that any effort to implement the model described in 2SHB 2106 will be costly and very difficult to develop, much less to implement and to manage." We do not agree.

While it is true that planning for and transitioning to performance based contracts in Phase 1 will be challenging, there is strong reason to believe from experiences in other places that a well-designed performance based contracting effort could help the department meet its stated objectives.

It is also true that different challenges will emerge in Phase 2 when the private agencies in two sites assume case management responsibility. However, based upon experiences of other states with service contracts that include case management (Illinois, Kansas, Florida, New York City, District of Columbia), improvements are seen—sometimes fairly quickly—in some outcome areas. In the first years of a contract, many states have reduced their foster care caseload, increased adoptions, achieved more timely permanency for children, increased their worker contact to meet monthly standards, etc.

As an alternative to 2SHB 2106, the Position Paper offers a host of other ideas for improving services to children and families without disrupting the public agency workforce. It is beyond the scope of this paper to weigh in on the specific suggestions made. However, it is important to note, as the Position Paper correctly pointed out, many if not most states view their contracting initiatives as a part of the state's overall reform agenda. While new ways of contracting may result in significant improvements, it is not likely that contract reform alone will solve all problems in the current system. Given that reality, it is reasonable to assume that some (or many) of the Position Paper's suggested improvements could be made in conjunction with the implementation of 2HSB 2106.

In fact, many suggested changes are built into current lead agency and other performance based contracts in other jurisdictions. Just as an example, public and private agency staff are co-located in some lead agency jurisdictions; most contracts call for very flexible, individualized services to meet child and family needs, many contracts require the private agency to specify and use evidence-based practices, and all performance based contracts expect private agencies to build strong connections to other public and private child serving systems and formal and informal community resources.

## Final Thoughts

The Position Paper is an opinion piece and must be read in that light. It makes some good points that should be considered during the planning, implementation, and evaluation of 2SHB 2106. Furthermore, many of the recommendations for potential cost savings or for enhancing services deserve further consideration for inclusion in the implementation of Phase 1 or Phase 2 of 2SHB 2106. As noted previously, there is nothing in the legislative mandate that would prohibit the state from incorporating some or all of the Federation's recommendations into future procurement documents and contracts.

Finally, the QIC-PCW has cautioned against the use of loaded terms and hyperboles in weighing the pros and cons of contracting for child welfare services, "Instead of public vs. private service delivery, states are better served by asking how best to actualize the community's potential, both public and private, toward providing the best response to child welfare issues," (QIC, 2006 Needs Assessment p 26). We concur.

At a time when Washington continues to struggle with limited resources and less than satisfactory outcomes for children and families, planners must do everything possible to strengthen, and not undermine, the public-private collaboration called for in 2SHB 2106.

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