

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

*A Presentation for the 25<sup>th</sup> Annual Conference  
on Treatment Foster Care  
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# Presentation Overview

*We will answer the following questions during this presentation:*

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

What IS  
performance-  
based  
contracting?



# Performance Based Contracting

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

# Expectations and Benefits of PBC

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

# Why are public child welfare systems interesting in PBC?

- Promotes achievement of departmental outcomes
- Identifies priority areas and invests resources to maximize client outcomes
- Sets groundwork to evaluate programs and services
- Documents results for fiscal accountability
- Transfers risk to the contractor!

# Why are private agencies interested in PBC?

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



# Challenges of PBC

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



# History of PBC in Illinois

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

# What Made PBC Successful in Foster Care Case Management?

- Private sector input into decision making on the performance outcomes over time;
- The availability of reliable and verifiable data to measure performance; and
- The state's commitment to reinvest savings earned by a reduction of the number of children in care back into the child welfare system to fund improvements

Effective child welfare  
system reform requires  
effective collaboration  
across complex systems...

Duh!

# Leading Change

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

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

# What is collaboration?

- A mutually beneficial and well-defined relationship entered into by 2 or more organizations to achieve common goals
- The collaborative relationship includes:
  - ✓ Commitment to common goals
  - ✓ Jointly developed structure and shared responsibility
  - ✓ Mutual authority and accountability for success
  - ✓ Sharing of resources and rewards

# Elements of Successful Collaboration

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

*Paul Mattessich (2005)*

# Environmental Factors

- History of collaboration or cooperation in the community
- The collaborative group is seen as:
  - A legitimate leader in the community
  - Competent and reliable
- Favorable political and social climate



# Membership Characteristics

- Members see collaboration as being in their self interest
- The group has an appropriate representatives from each segment of the community affected by its activities
- Members share an understanding and respect for one another and their respective organizations
- Ability to compromise

# Factors Related to Process and Structure

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

# Communication

- Open and frequent communication
- Honest dialogue with all necessary information shared
- Established:
  - ✓ Formal channels of communication
  - ✓ Informal relationships
  - ✓ Communication linkages

# Purpose

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

# Resources

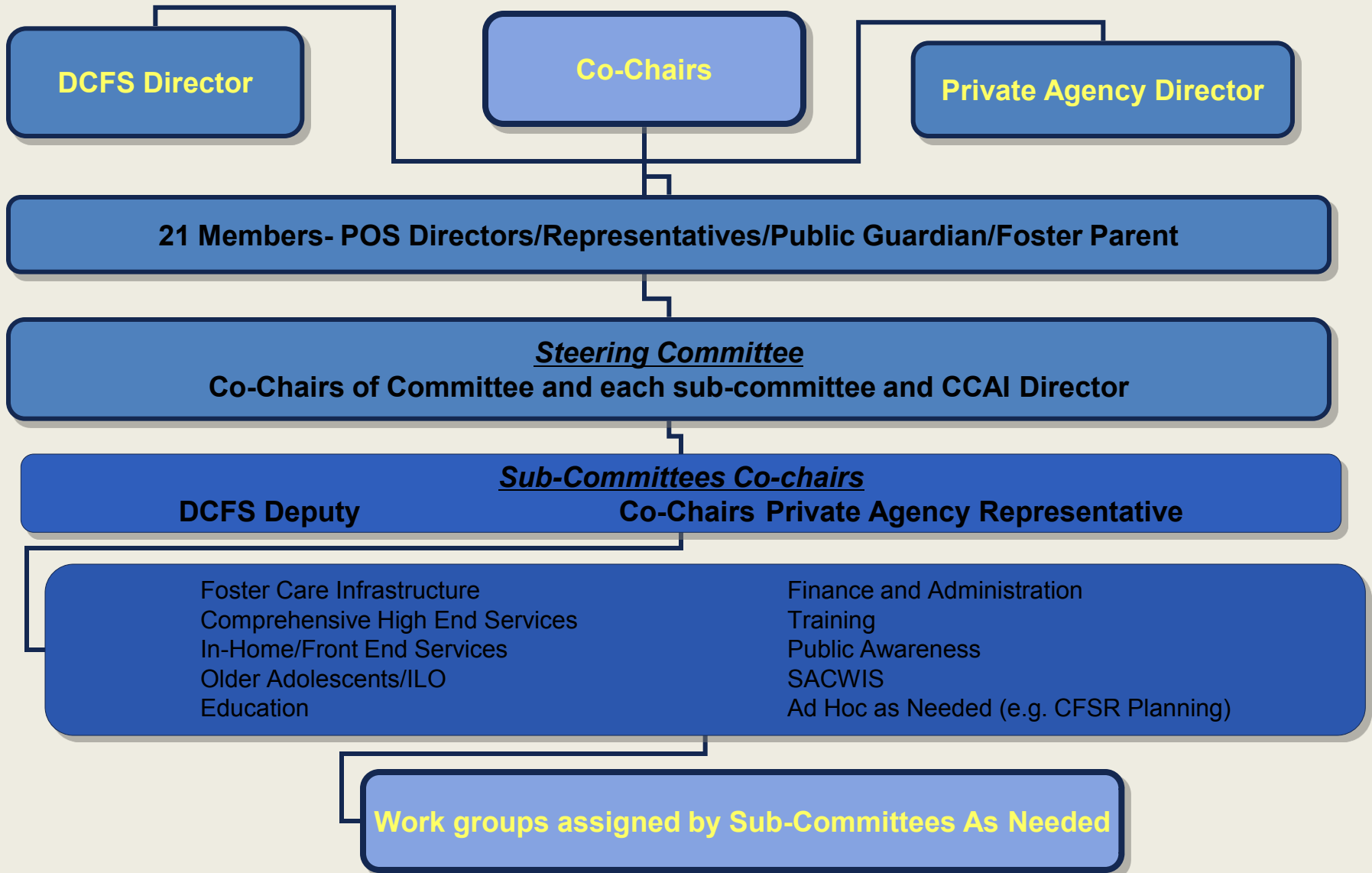
- Sufficient funds, staff, materials and time
- Skilled leadership

# Child Welfare Advisory Committee (CWAC)

- Used for organizing discussions between state agency and providers relating to provider program/financing changes:
  - Foster Care Performance Contracting
  - Residential Performance Contracting
  - Differential Response
  - Permanency Innovations Initiative (PII)
- Used for designing, planning, implementing and assessing systemic reform efforts

# ILLINOIS CHILD WELFARE ADVISORY COMMITTEE

## *Organizational Structure* *CWAC Full Committee*



# CWAC Collaborative Planning

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

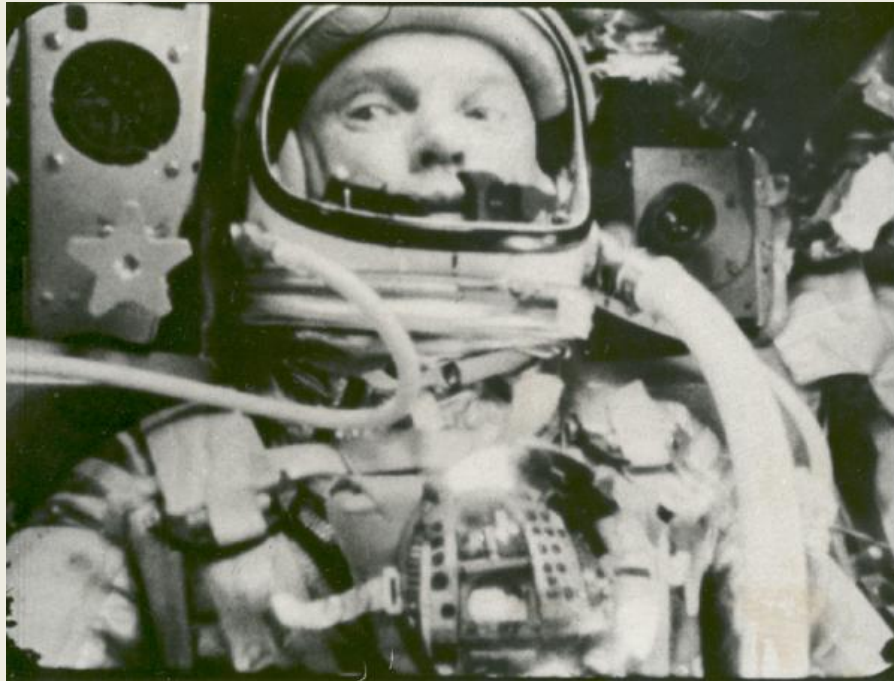


# CWAC Collaborative Planning

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- Private provider buy in
- Commitment to reinvest in the system
- Quality of services for clients
- Availability of services and resources in the community

Some issues to consider  
collaboratively and within your  
own agency BEFORE you go  
there....



# What does your system of care look like?

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

# Is your performance contingent upon others?

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

# What do you measure now?

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- ASFA Measures?
- State Performance Goals?
- Consent Decree Requirements?
- "Special" items of interest?
- Quality Standards from an accreditation agency, e.g. COA?

# Where do you get your "numbers" from?

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

# CQI, QA, QM

## Linkage is Critical

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



# Words MATTER!

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

# Bottom line...

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Performance change cannot be anecdotal.

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

Errors in performance measurement can be costly!

# Illinois *Striving for Excellence* Project

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

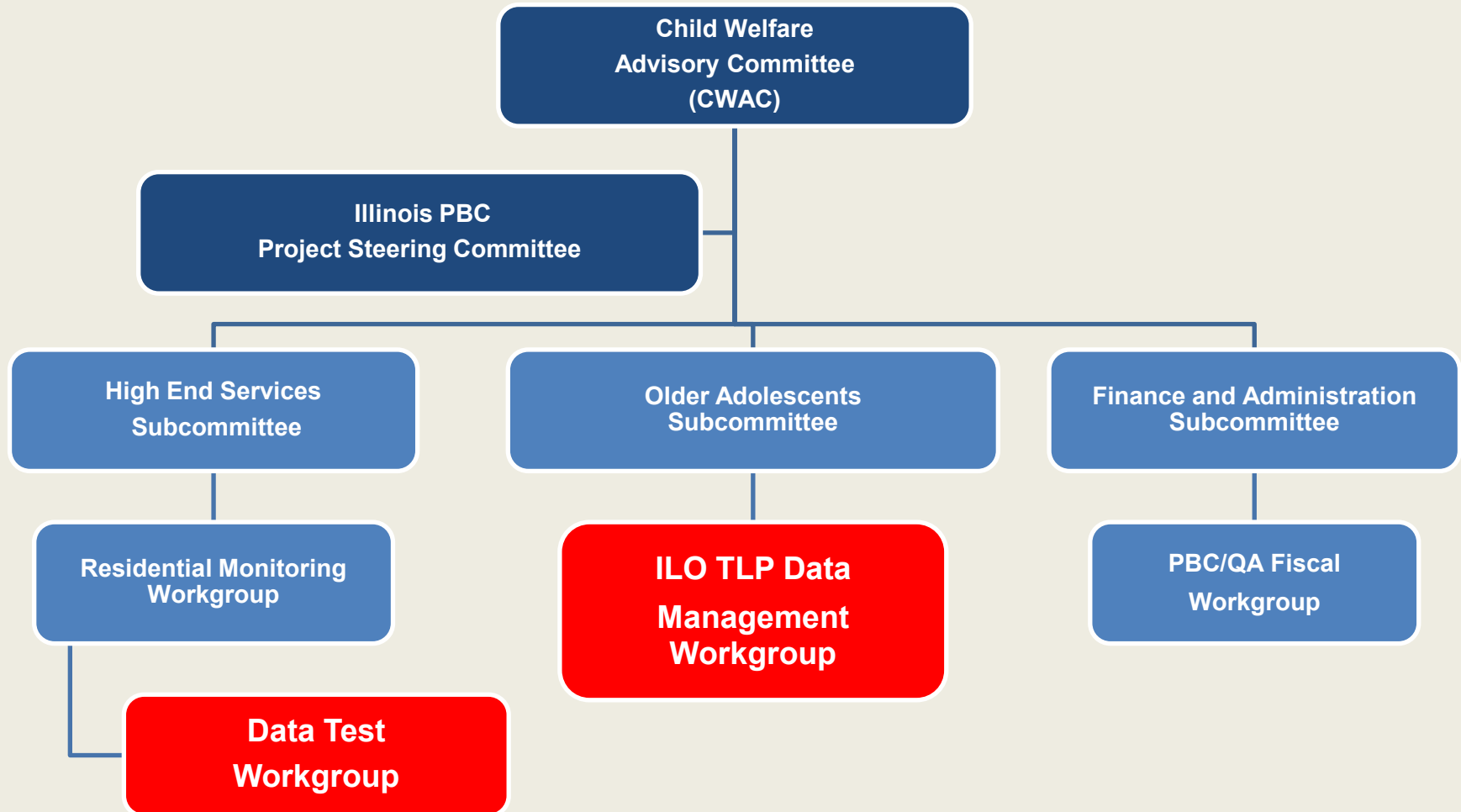


# *Striving for Excellence*

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

# *Striving for Excellence* Organizational Structure



# Goals of the *Striving for Excellence* Project

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

# Increasing Residential Costs

	FY2007	FY2008	FY2009	FY2010	FY2011
Institutions/Group Homes	\$ 136,579,223	\$ 139,656,125	\$ 159,573,894	\$ 164,096,410	\$ 165,182,300
Independent/Transitional Living	\$ 56,842,602	\$ 57,289,652	\$ 52,966,965	\$ 50,960,332	\$ 52,706,300
Shelters & Support Costs	\$ 19,726,490	\$ 25,990,404	\$ 28,412,441	\$ 28,918,357	\$ 29,329,900
Foster Care	\$ 261,817,102	\$ 250,306,626	\$ 257,292,076	\$ 252,448,484	\$ 255,708,900
Foster Care Support Costs	\$ 58,071,948	\$ 55,934,887	\$ 56,532,322	\$ 55,091,789	\$ 56,743,100
	\$ 533,037,365	\$ 529,177,694	\$ 554,777,698	\$ 551,515,372	\$ 559,670,500
Institution/Group Homes % of DCFS Out-of-Home Care Budget	26%	26%	29%	30%	30%

*Note: FY 2011 is the projected and estimated budget.*

**For 8% of Total Youth in Care**



# Criteria for Identifying Measurable Performance Indicators

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

## **Goal 1:**

**Improve Safety/Stability  
During Treatment**

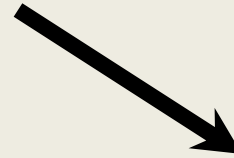


### **Indicator:**

**\* Treatment Opportunity Days Rate**

## **Goal 2:**

**Effectively and Efficiently  
Reduce Symptoms/  
Increase Functionality**



### **(Original) Indicators:**

**Immediate Discharge Disposition  
Sustained Positive Discharge  
Length of Stay**



### **Indicator:**

**\* Sustained Favorable Discharge Rate**

## **Goal 3:**

**Improve Outcomes At  
And Following  
Discharge**



# Treatment Opportunity Days Rate

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

Active Days

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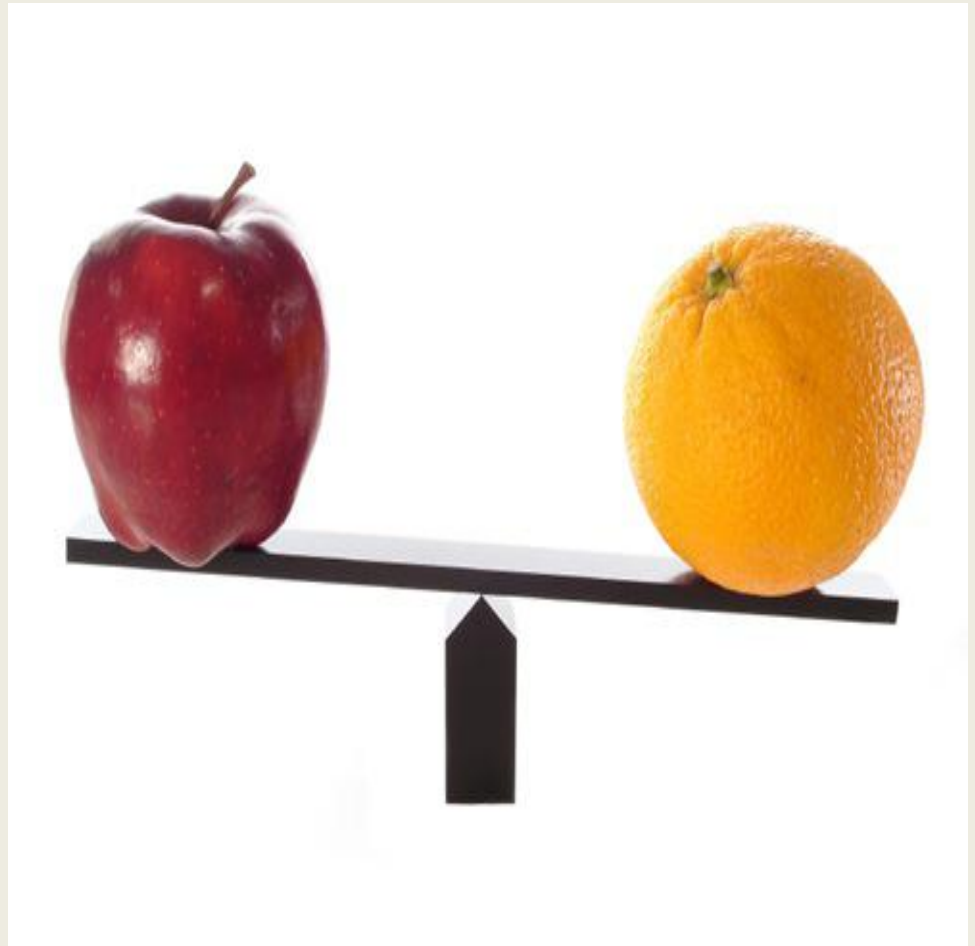
Active Days + Interruption Days

# Sustained Favorable Discharge Rate

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

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

*"How can you compare my agency with others when I have the harder to serve kids?"*



# First things first...

- Getting the right service, at the right time, for the right price, for the best results
- Importance of standardizing the rates
  - Prior to PBC, rates were set using an individualized cost based rate methodology
  - Different levels of care with different staffing patterns needed to be considered
  - Staffing may be dependent on site specific issues, e.g. a cottage model versus a unit model

# What is Risk Adjustment?

- A statistical procedure to determine the significance and relative weights of identified risk factors related to performance outcomes
  - Risk factors = mostly child and some placement characteristics (e.g. geography)
- RA results are then used to calculate each provider's expected performance based on the severity of their case mix, relative to the statewide residential treatment population

# Strengths of Risk Adjustment

- Levels playing field
  - Makes PBC feasible where youth are not randomly / systematically assigned to agencies
  - Reduces *incentive* to avoid serving difficult youth
- Allows for modification as better data become available or as populations change
- Supports continued performance improvement
  - Current year's thresholds based on (adjusted) average performance
  - As PBC incentives increase performance, risk-adjusted performance thresholds will also increase - continuously raising the bar



# PBC Fiscal Model

- DCFS forecasts the types of beds needed each FY
- DCFS determines agency specific capacity based on those needs
- 100% of agency capacity guaranteed for each fiscal year
- In exchange - there is a "no decline" policy in the contract
- Penalties are imposed for exceeding Treatment Opportunity Days Rate
- Incentives are awarded for exceeding Sustained Favorable Discharge Rate

# But, what if the provider isn't set up to handle the kids you send them?

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

Okay - so  
how did  
you do?

What  
happened?



# Treatment Opportunity Days Rate

**FY 2010**

**73 Contracts (31 Agencies)**

**49 Exceeded Benchmark - 67%**

**FY 2009**

**69 Contracts (39 Agencies)**

**38 Exceeded Benchmark - 55%**

**FY 2008**

**71 Contracts (40 Agencies)**

**32 Exceeded Benchmark - 45%**

# Treatment Opportunity Days Rate Penalties

FY 2009	FY 2010
<ul style="list-style-type: none"><li>▪ 24 agencies out of 41 exceeded their benchmarks</li><li>▪ Combined penalty amount of \$712,033</li></ul>	<ul style="list-style-type: none"><li>▪ 21 agencies out of 39 exceeded their benchmarks</li><li>▪ Combined penalty amount of \$327,507 <i>if they were imposed</i></li></ul>

# Sustained Favorable Discharge Rate

FY 2009	FY 2010
1969 “spells”	2012 “spells”
Projected SFDs: 294 (14.9%)	Projected SFDs: 238 (11.8%)
Actual SFDs: 342 (17.1%)	Actual SFDs: 369 (18.3%)
\$3,084,199 in incentives paid	\$3,327,542 <i>would have been paid</i>

# FY09 SFDR Performance Implications

## Length of Stay

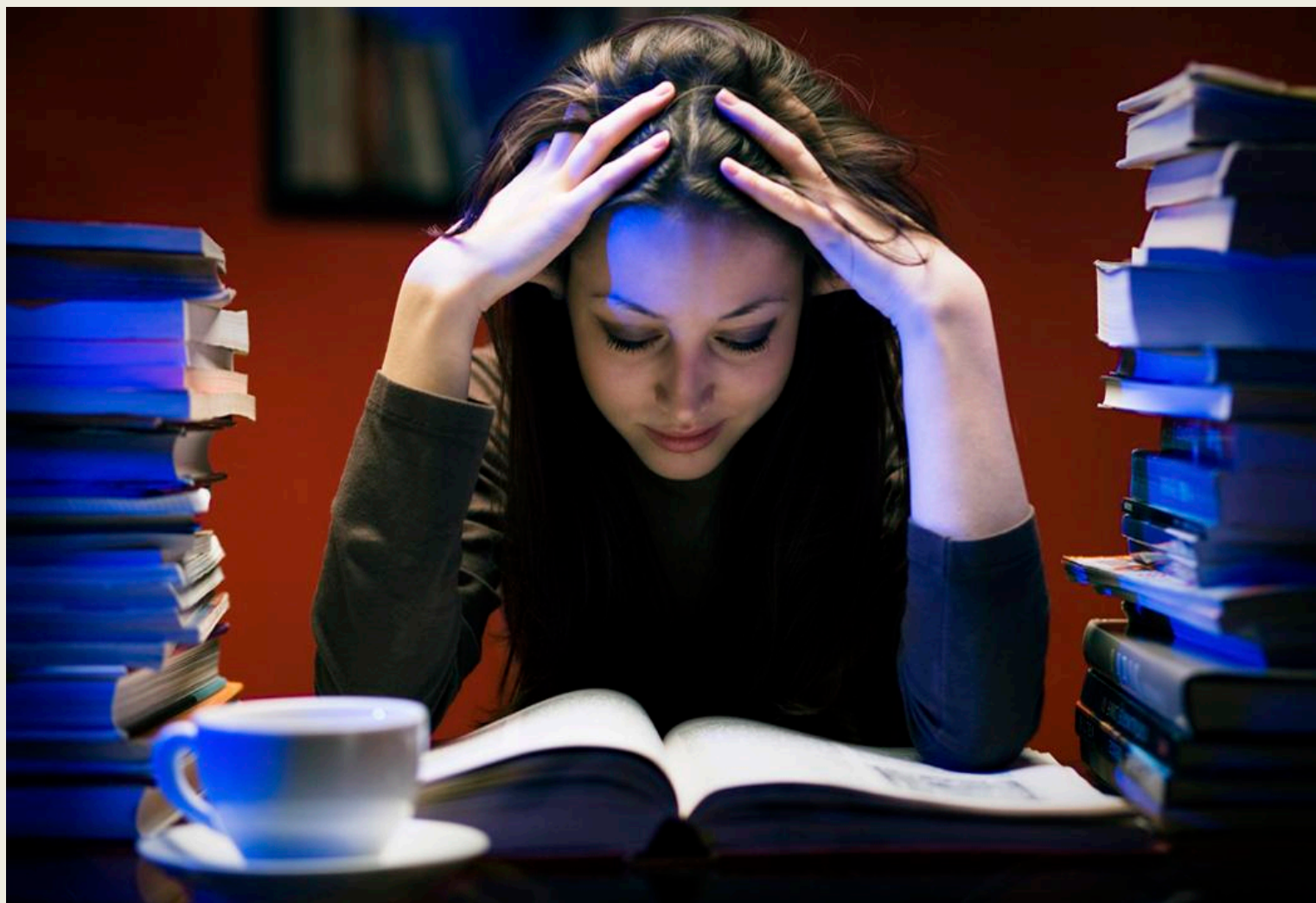
### FY09 Preliminary SFDR Performance: Average Length of Stay of Youth Favorably Discharged

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

# But, the best laid plans....

- Illinois multi-billion \$\$ budget deficit resulted in changes to the PBC fiscal structure:
  - No TODR penalties or SFDR incentives will be imposed for FY 2010 and FY 2011
  - Performance data will be tracked, analyzed and published





Answers to the 5 Research  
Questions Posed by the QIC PCW

Does an inclusive and  
comprehensive planning  
process produce broad scale  
buy-in to clearly defined  
performance based  
contracting goals and  
ongoing  
quality assurance?

# Yes!

- 500 + Collaborative Meetings since project inception with no end in sight!
- Performance measures developed and refined through public/private partnership using the existing CWAC structure
- Statewide provider forums, D-Net, list serve, informal monthly Residential Provider Group, and *CCAI Monday Report* used as communication tools

What are the necessary components of performance based contracts and quality assurance systems that promote the greatest improvements in outcomes for children and families?

# Do not even attempt PBC without:

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

# Alignment is Critical

- Align the following in both the public child welfare agency and private agencies:
  - ✓ programmatic,
  - ✓ fiscal/budget,
  - ✓ quality assurance,
  - ✓ operations, and
  - ✓ leadership
- Determine if other external entities must also be aligned, e.g. schools, community mental health
- Establish an Implementation Team in the public child welfare agency to cut through bureaucratic silos

# Preliminary Findings

## Lower Performing Agencies

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

# Preliminary Findings

## Lower Performing Agencies

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



# Preliminary Findings

## Higher Performing Agencies

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

*Nothing  
is  
written  
in  
stone....*



# Why should we care about measuring performance?

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

*From "Reinventing Government"*

***ANY QUESTIONS?***





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