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An Analysis of the Kansas and Florida Privatization Initiatives

April 2010

INTRODUCTION

This report was prepared in response to a request from Page Walley, Casey Family Programs Managing Director for Strategic Consulting, for an analysis of the privatization efforts of Kansas and Florida. Kansas and Florida were chosen because they are the only two states that have privatized all child welfare services – other than investigations – statewide.

Following a review of the recent literature on child welfare privatization, including independent evaluations, government reports, and state assessments, nine interviews were conducted with private provider staff from Kansas and Florida directly involved with the privatization initiative and a national consultant on privatization in the target states. The state's perspective was primarily captured through interviews with current private providers who worked for Florida's Department of Children and Families at the time of the transition to privatization, as well as information compiled during a March 2009 Casey Family Programs visit with Florida state leadership.

The report includes contextual information on privatization across the states, historical background on the Kansas and Florida initiatives, a summary of challenges and lessons learned during the transition process, the benefits of privatization, and performance and fiscal outcomes. Appendix A provides a table comparing the key components of the two privatization models

KEY FINDINGS

Across the interviews, common themes emerged regarding the lessons learned for an effective transition to a privatized child welfare system. The following are the most frequently cited themes by those interviewed, and represent a broad framework of issues around assessment, planning, and implementation.

➤ **Use of a phased-in transition with a clear and articulate plan**

The experiences of those involved in the Kansas and Florida implementation plans suggest that there needs to be a clear, well-articulated plan in place for the transition of services from the public to private agencies. There also needs to be adequate time allotted to allow the providers to build capacity of staff and resources. Those interviewed reported that Kansas implemented their initiative very rapidly, which resulted in confusion around roles and responsibilities, and a shortage of services during the initial transition. On the other hand, Florida took a phased-in approach to implementation and utilized a readiness assessment tool so that service and financial assumptions could be assessed before statewide implementation. This approach resulted in a smoother transition.

➤ **Develop a strong public-private partnership**

A strong public-private partnership was found to be essential to the successful privatization of child welfare agencies. Across the interviews, the importance of a high level of trust and open communication between the public and private agencies was strongly emphasized. In addition, privatization requires redefining the roles of the agencies so the planning team needs to clearly delineate the responsibilities of both public and private agency staff. Participants in the interviews stressed that there needs to be open dialogue between all the staff involved in order to maximize clarity of roles and to facilitate exchange of knowledge. It was also suggested that public agencies reach out to private providers early in the process to better understand and address their concerns.

➤ **Engage all stakeholders**

Based on the interviews of those involved in the Kansas and Florida initiatives, a broad-based planning process with the active engagement of all relevant stakeholders is recommended. Kansas efforts found that without initial buy-in and involvement, courts, foster families, schools, and other human service providers were concerned that the private providers would not be able to deliver adequate services. Well into the Kansas implementation, lead agencies had to conduct aggressive public relations campaigns to acquire the trust of the community, adding yet another stressor to the private providers.

➤ **Don't expect cost savings**

Although many states assume that privatization leads to cost savings, this was not the case in Kansas or in Florida. In fact, both states increased their funding upon implementation, more than doubling their child welfare budgets in the first ten years. The majority of states have increased their expenditures over the past decade even if they have not privatized, but not to the same degree as Kansas and Florida. There was consensus among those interviewed that public agencies should not expect to save money initially through privatization, given the start-up costs of developing, implementing and monitoring such an initiative, as well as providing a full array of services to children and families with expectations of higher quality.

However, it was also reported that costs leveled off eventually and additional resources were reinvested in other services such as prevention. In Florida, the average expenditures increased for the first four years, but during the last three years the expenditures were lower for the private providers, and far fewer dollars were spent on out of home care. In Kansas, it was reported that there also has been a small reduction in costs, although they did not initiate their privatization reform to save money, but to improve the quality of services. Refer to Table 5 for more information on fiscal outcomes.

➤ **Commitment to change is essential**

The most consistent message echoed throughout the interviews was that the first few years of the transition were extremely difficult and that a strong level of resistance from all sides to such a massive systems overhaul should be expected. According to those interviewed, many staff members in Kansas and Florida felt personally invested in the system at that time and had tremendous difficulty adjusting to the change. It took time to earn trust and build a strong cooperative partnership between state workers and the private providers.

However, it was also emphasized that, over time and with consistent efforts, the system would stabilize, a strong public-private partnership would be developed, and capacity for services would expand. Informants reported that once that occurred, the system as a whole began to see improvements. They commented that the appropriate amount of transition time varied regionally, but that any state should expect the full transition to take at least three years.

BACKGROUND OF CHILD WELFARE PRIVATIZATION

There is a long standing history of reliance by public child welfare agencies on the nonprofit sector to provide services to children. The private sector, in fact, was engaged in serving families long before the advent of public child welfare agencies. Even as state child welfare agencies were established in the 1930s and 1940s, they continued to contract with the private sector to expand the capacity for services. In the 1960s, amendments to the Social Security Act resulted in increases in the use of privately delivered services. Another expansion took place in

the 1980s with the passage of the Adoption Assistance and Child Welfare Act and the increase of federal funding for child welfare services.

The most recent expansion in child welfare privatization has emerged over the past two decades with efforts to improve outcomes and service quality, provide greater flexibility and opportunities for service innovation, and provide services with greater efficiency and cost effectiveness. National surveys found that during the 1990s, between 50-80 percent of states increased their reliance on contracted child welfare services to cope with the new restraints on their resources.

In addition, the trend in recent years has been to move away from traditional models of contracting towards performance-based contracting. Performance-based contracting shifts the focus away from system processes towards improved outcomes for children. This new strategy of purchasing for results, rather than for service delivery, reflects a general trend in the child welfare field towards greater accountability. Public agencies are now expecting the same performance from their private contractors that the federal government expects of them.

Scope of Privatization in States

Although widely used, the term “privatization” has no single definition in child welfare or in other human services. Some use the term broadly to include all contracted service arrangements, while others use it more narrowly. For the purpose of this paper, privatization is defined as contracting out the case management function and/or decision making authority. It is not the geographic, financial or caseload size of the initiative that defines privatization, but the degree to which these essential functions are managed by the private provider versus the public agency.

There has been limited research regarding the status of privatized child welfare service across the nation. The US Department of Health and Human Services, Administration for Children and Familiesⁱ conducted a survey in 2001 that provides one of the few estimates on the scope of privatization in the states. The assessment found that all 46 states that participated in the survey used contracts to deliver a range of direct services to children and families and/or to support administrative functions. In 2000, the Child Welfare League of America identified 39 privatization initiatives in 25 states through their national survey of states.ⁱⁱ Additionally, in 2006, the National Quality Improvement Center on the Privatization of Child Welfare Services conducted a needs assessment and knowledge gap analysis to gather information about the current status of the privatization of case management on a national level. All 50 states and the District of Columbia were contacted, with 45 statesⁱⁱⁱ participating in the project. Their findings are captured in Table 1 below.

Table 1 Continuum of Privatized Case Management Services

Level of Privatization	Definition	Number of States	Percent of States
Not currently privatizing case management	State public agency worker retains case management function. ^{iv}	32	71%
Small scale privatization of case management services	Providing case management services for a subset of children in a limited geographic location. (AZ, CO, MI, MO, OH, SD, TN, WI)	8	18%
Large scale case management efforts	Large scale privatization of case management services. (DC, IL, NY)	3	7%
System wide privatization	Statewide privatization of all case management services. (KS, FL)	2	4%

Source: Adapted from the National Quality Improvement Center on Child Welfare Privatization, University of Kentucky. *Needs Assessment and Knowledge Gap Analysis Findings*.

Most states fall somewhere on the continuum of public-private partnership in their child welfare service delivery system, whether they are moving large portions of the service array to the private sector or involved in more traditional subcontracting. Information gathered by the National Survey of Child and Adolescent Well Being^v revealed that:

- Over 80 percent of states contract out recruitment of foster families and family reunification services.
- Over 90 percent of states use the private sector to provide residential treatment services and family support services.
- Approximately 75 percent of states use private agencies to provide special needs adoption services.

The following table describes the efforts of certain states that have privatized some or all of their case management services:

Table 2 Specific State Privatized Case Management Services

State	Target Population
AZ one county	Children receiving adoption services
CO one county	All children and families receiving child welfare services with exception of CPS
DC one county	Children receiving treatment foster care services
FL state	All children and families receiving child welfare services with exception of CPS
IL state	Most children and families receiving child welfare services with exception of CPS
KS state	All children and families receiving child welfare services with exception of CPS
MO pilots	Select children and families receiving child welfare services
MI state	Children receiving foster care services and in some adoption cases

Source: Adapted from the National Quality Improvement Center on Child Welfare Privatization, University of Kentucky. *Needs Assessment and Knowledge Gap Analysis Findings*

The Quality Improvement Center’s assessment revealed the shifting of more core child welfare services, especially child protection, foster care, or adoption services from public agencies to private providers. There is also a growing trend toward transferring case management to the private providers, thus giving them primary decision making authority over day to day case decisions. Lastly, there is an increase in the number of states that are using performance-based contracting to contract for the delivery of outcomes, rather than services.

There is also great variability in how case management decisions are handled in privatized systems. In some cases, private providers have assumed all of the core case management functions, while in other initiatives, the public and private agencies share case management decisions, such as permanency goals and court related duties. Some states have created dual case management systems with overlapping public-private responsibilities in almost all the decision making areas.

The remainder of the report will focus on the privatization initiatives of Kansas and Florida, the only two states that have fully privatized their child welfare systems. The information was gathered through multiple interviews of child welfare staff directly involved in implementation, national experts on privatization in the target states, and also through government reports and independent evaluations. It should be noted that the interviews were conducted with private provider staff and national consultants and not with state workers, although some of the private providers worked for the state departments during the transition to privatization. The Florida interviews were conducted with Community-Based Care (CBC) lead agency CEOs, presidents, and directors. For the purpose of this report, they will be referred to as CBC directors.

FLORIDA¹

In reaction to large caseloads, high profile child deaths, and political pressure to downsize government, a 1996 state statute mandated the Florida Department of Children and Families (DCF) to privatize foster care and all related services throughout the state by 2003. It was decided that services would be contracted out to private agencies while child protection investigations would remain in the public sector to be managed either by the DCF or a county sheriff's office.

The original legislation in 1996 mandated that DCF establish five pilot programs to privatize case management functions as they moved toward statewide privatization. This mandate allowed these pilot sites significant freedom in determining the scope and focus of their programs. The state also required an external evaluation of the pilot programs. Evaluations revealed that four of the five initiatives were not successful: two of the contracts were terminated, one contractor dropped out of the pilot, and the fourth contract was never implemented. The fifth program was successful, however, and considered to be the model for replication.

Despite difficulties in four of the five pilot programs, the legislature decided to move forward with the statewide privatization initiative. It was a phased in process, with one region at a time privatized over a five year period. As of March 2005, the statewide transition to privatization was complete, with 20 lead agencies providing child welfare services in specific geographic areas in the state's 67 counties. Lead agencies now manage 500 sub-contracts with community providers and serve an estimated 20,000 children in foster care in Florida.

¹ Information provided to Casey Family Programs during the week of April 12-16, 2010, by Ann Bernard, Director, Lakewood Center; David Bundy, President, Children's Home Society of Florida; Charlotte McCullough, Consultant, McCullough & Associates; Shawn Salamida, President, Partnership for Strong Families; and Cynthia Schuler, CEO, Kids Central, Inc.

KEY DESIGN COMPONENTS

Community based care model

The lead agency model was adopted statewide, referred to as community based care (CBC) in Florida. In this model, DCF contracts with one local lead agency, which then sub-contracts with other agencies to provide services within a certain geographic area. The lead agencies, also known as community-based care providers (CBCs), are non-profit agencies responsible for overall case management for all child welfare cases from point of intake until case closure. In areas lacking a provider with enough capacity to be the lead agency, a network of small private agencies partnered to form the larger lead agency. The legislation also created a series of 22 Community Alliances to advise the lead agencies. These Community Alliances are composed of community members and work with the CBCs to create an integrated service delivery system that increases ownership of service delivery and design at the local level.

Global budget transfer payment structure

Each lead agency is given a percentage of the state's annual operating budget and expected to provide all services regardless of how many children and families they serve in their geographic area, less the amount for investigation costs. Lead agencies are responsible for accessing other funding sources for supplemental funding, such as Medicaid for therapeutic services. Florida is the only state that uses a global budget transfer for its child welfare initiative.

In 2005-06, the lead agencies received a total budget of \$625.4 million. The allocations across lead agencies vary considerably, ranging from \$2.3 million to \$71.7 million. This does not include the \$230.2 million spent between 1993-2003 on developing and implementing an effective SACWIS system to support casework functions and management reporting efforts.

Readiness assessment

Even with a phased in approach, Florida realized that a formal, standardized assessment of readiness was needed to ensure that the lead agency was fully prepared to implement the approved plans. From the onset, contracts included a start-up period of about 12-18 months to enable agencies to build the infrastructure and finalize a series of deliverables that were submitted to DCF. These deliverables included plans for: systems of care; network development; quality assurance; and fiscal and risk management. DCF developed a readiness assessment tool and a formal process for assessing and preparing local department units and lead agencies to safely transition services. The readiness assessment process utilized an external team of peer experts to assess the development of the local infrastructure and transition plans, and provided technical assistance to both public and private agencies prior to initiating the transfer of services.

CHALLENGES AND LESSONS LEARNED

Florida transitioned to a fully privatized case management system after careful planning and deliberation, and over a multiple year implementation period. Even with appropriate forethought, however, the first few years were difficult. The following section summarizes the lessons learned that emerged from the interviews with Florida lead agency directors.

➤ **Develop strong public private partnerships**

Across the interviews, it was communicated that a strong public-private relationship is essential to the success of privatization. From the perspective of the private providers, there was a level

of anxiety among some of the state workers early on in the transition which led to resistance to the change. Due to this resistance by some of the public agency workers and their legitimate concerns about the skill levels of the private sector workers, certain public-private relationships began based on mistrust. As the two agencies began to work cooperatively and have an open dialogue around the concerns, though, the relationship between the two agencies improved. Although it still varies by region, public and private agencies are now working to provide seamless service delivery to children and families.

Even in the areas where a cooperative relationship between DCF and the CBC existed, there was often confusion around the roles and responsibilities of both the public and private agencies. Neither the lead agencies nor the DCF staff was completely clear as to their new roles. According to those directly involved with the transition, it was unclear as to the role that the DCF staff would play in the development of case management. Likewise, the providers were unsure how they were expected to respond to the monitoring from DCF. This resulted in differing interpretations around case planning responsibilities. The ensuing confusion resulted in a significant amount of time spent clarifying those roles. According to those interviewed, these “growing pains worked themselves out over the first couple of years” and there is now much better transparency regarding public and private roles.

➤ **Involve the community as partners**

Prior to the formation of community alliances, the lead agency boards were comprised of local private provider executives, many of whom then subcontracted case management and other child welfare services to their own agency. Determining this as a conflict of interest, the Florida legislature mandated the formation of community alliances as the central point for community input and collaboration. The lead agencies solicited volunteers from the community to be on the community board. The alliances are composed of local partners, including representatives of local public agencies, law enforcement, local funding agencies, the courts, and other locally appointed community stakeholders such as foster and adoptive parents, and CASA volunteers.

According to one of the lead agency directors, this shift from provider based boards to community boards was paramount in becoming a truly community based care service delivery system. By directly involving a local body of people committed to and invested in child welfare, the community alliances ensure that the statewide privatization effort remains responsive to the needs and priorities of local communities. They are charged by statute with a range of responsibilities that include: joint planning for resource utilization in the community; needs assessment and establishment of community priorities for service delivery; determining community outcome goals to supplement state-required outcomes; serving as a catalyst for community resource development; providing for community education and advocacy on issues related to delivery of services; and promoting prevention and early intervention services.

➤ **Use data to track performance**

Similar to Kansas, there were challenges with child welfare data in the first few years of the transition. The department encountered multiple delays and technical difficulties in implementing its SACWIS system, HomeSafe Net. This impeded DCF’s ability to evaluate the performance of the community based system and to measure and monitor outcomes. It also led to inconsistencies in the way that the lead agencies collected information since all of the agencies were collecting data through their own data system. However, one of the advantages of this, according to the directors, was that many of the lead agencies were “already more business driven and so as an industry they paid more attention to the data.” They used the data to track outcomes and monitor the performance of their subcontractors. One lead agency even

integrates prevention service program data with foster care data from the state SACWIS system.

There was consensus among those interviewed that the state data system has improved considerably over the past few years. DCF decided to discontinue HomeSafe Net in 2006 and has since implemented its new system, Florida Safe Families Network. According to those interviewed, Florida DCF now has a strong data system, and uses it to support their CQI process. Some of the improvements include: reduced dependence on paper files, easier access to case information by lead agencies, DSF, and judicial staff; and facilitated performance analysis. A new financial module will help DSF better integrate fiscal and programmatic data.^{vi}

➤ **Provide consistent contract management**

Another theme that emerged from the interviews was major challenges around contract monitoring of the lead agencies by DCF. There was great variability across the regions around how often the monitoring occurred. According to one privatization consultant, “it was not uncommon for there to be 50 onsite visits for one CBC in a year, and only one visit to another CBC in that same year.” The lead agency directors reported that the amount of oversight from the state didn’t allow much flexibility and was “overwhelming and required much time and energy devoted to meeting the current contract requirements and keeping up with the new ones.”

Although those interviewed voiced concern around the monitoring, they did credit the state with making an effort to improve monitoring and streamline the process. In addition, a 2008 government report^{vii} stated that DCF has made changes to strengthen the contract oversight of the lead agencies. Some of the changes include: implementing a training program for its contract monitoring staff; bringing back the fiscal monitoring responsibility in-house; and redesigning and implementing a new quality improvement system.

➤ **Ensure equity in funding**

Each of the lead agency directors commented that there were significant inequities in how different regions across the state were allocated funds. Historically, according to those interviewed, the amount of funds allocated had often been based on high profile events that happened in that region, such as a child fatality. The region would then get an influx of money to address those issues. As a result, district offices that had higher placement rates and longer lengths of stay were often receiving more funds. Those offices with improved performance outcomes were not being financially rewarded and in some cases, were underfunded.

This inequity in funding allocation continued after the transition to community based care and some lead agencies found themselves short of funding. In addition, there were more children coming into care as a result of the CPS case workers having more time to devote to investigations. According to those interviewed, there is currently more equity in funding across the regions.

➤ **Stay the course**

The most consistent message echoed among the Florida lead agency directors was that the first few years of the Florida transition to privatization was extremely challenging, with some informants stating that it was the most trying period of their career. Accordingly, the privatization initiative was a “massive undertaking” and the first two to three years were spent “just trying to stay afloat and manage the day to day operations.” However, the lead agency directors also

agreed that, once the transition issues were addressed, the system as a whole stabilized and both quality of services and outcomes for children and families improved.

BENEFITS OF PRIVATIZATION

In addition to the challenges and lessons learned that emerged during the conversations, the lead agency directors also identified many positive aspects of the privatization initiative. In fact, all of those interviewed reported that even with the challenges in the early years, the child welfare system has dramatically improved since the transition to privatization. Some of the new strengths identified include:

- **Ability to be innovative and flexible-** Privatization has allowed the lead agencies to be nimble in their design and implementation of new programs. The constraints commonly found in a strictly regulated bureaucratic public system do not exist to the same degree in a privatized system and therefore the providers can expand or contract services based on emerging needs. According to those interviewed, families are often more receptive when community providers are involved in conducting home visits and offering in-home services, given the fear and mistrust many of the families have of the child protection case workers. This partnership gives credibility to the public child welfare system and encourages relationship building.
- **Advocacy-** Another benefit frequently mentioned is the ability of private providers to impact policy decisions, generate political will, and advocate for children and families in a way that DCF is unable to do. In 2002, the Florida Coalition for Children (FCC) was restructured to form a professional partnership between child welfare service providers and the emerging CBC lead agencies. FCC staff educates state and local policy makers regarding issues affecting children and families in crisis and the agencies involved in serving them. In addition, they work with lobbyists, the legislative committee, members of the legislature, and other child welfare agencies and advocates to monitor and affect legislation relevant the children and family that they serve.
- **Stronger Accountability-**The lead agency directors also attribute statewide performance improvements to an increased level of accountability. Prior to privatization, the department was unable to enforce their own performance standards and usually fell short of meeting them. Although it took some time to build capacity and become stable during the transition, there have been continuous improvements in permanency outcomes since stabilization of the system. According to directors, this is the result of clear and manageable outcome measures.

PERFORMANCE OUTCOMES

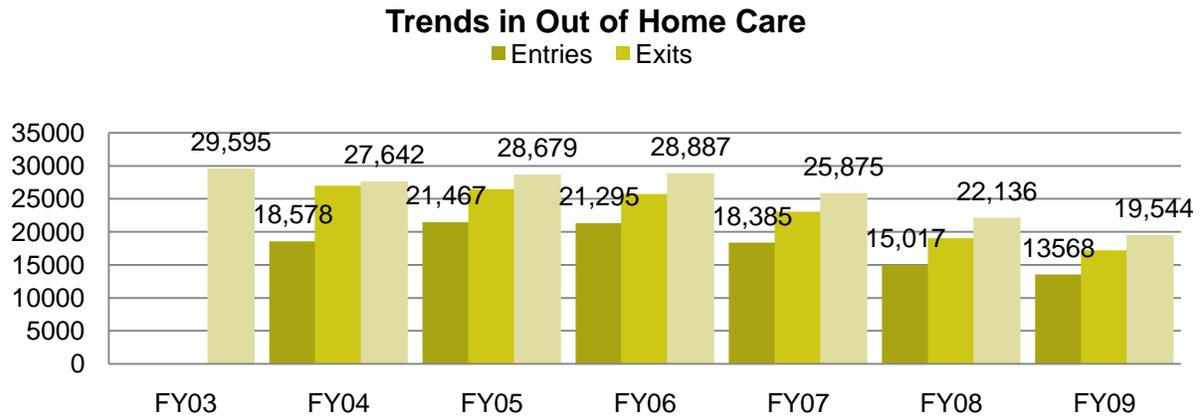
Florida has had rigorous independent evaluations of their community based care initiative completed by the University of South Florida since the onset of the initiative. The evaluation findings are mixed, with improvements in some performance areas, and poorer outcomes in other areas. In addition, there is a great deal of variability in performance across the different CBC sites. Some findings include:^{viii}

- Agencies that perform best in the reducing length of stay and achieving permanency areas also more likely to have higher rates of re-entry.

- The number of children reunited with families within 12 months continues to increase; monthly visitation has improved but is variable across CBCs.
- Caseloads and staff vacancy rates have decreased substantially.
- The number of adoptions has increased dramatically.

The following charts illustrate outcome trends statewide since the implementation of community based care. Overall, between 2003 and 2009 the number of children in out of home care in Florida has decreased significantly, as shown in Figure 1. The numbers of entries has declined approximately 38% between FY 2005 and 2009. In the years in which data is available, the number of exits has always been greater than the number of entries.

Figure 1



Repeat maltreatment is an indicator of safety. During a time when the number of children in care declined, the percent of children experiencing repeat maltreatment also decreased. According to this measure, safety was not compromised to achieve the reduction. As shown in Figure 3, the total number of entries has declined significantly over the past several years. A decline in first entries is responsible for this overall trend, while re-entries increased slightly. In FY08, 26% of entries were re-entries, which is higher than the national average of 20%.

Figure 2

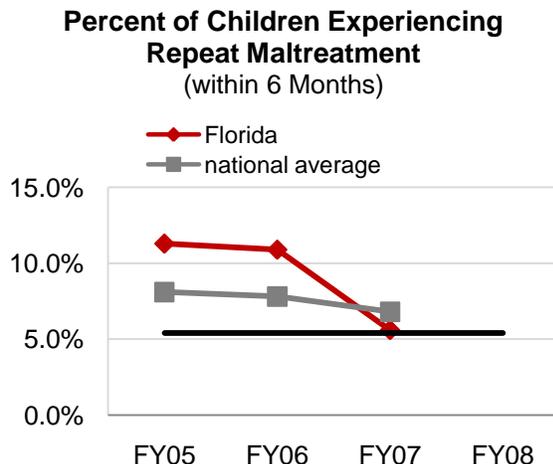
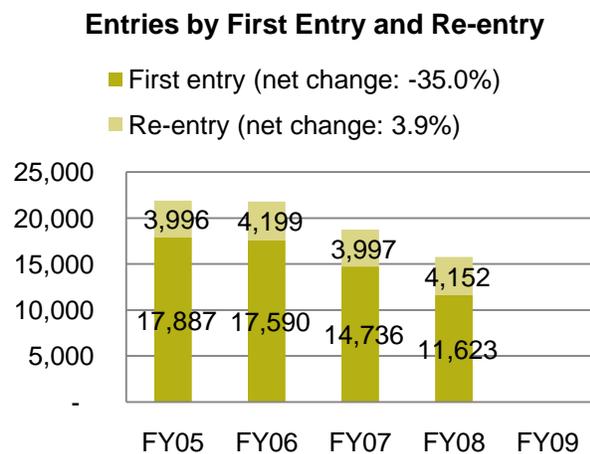


Figure 3



IV- Waiver

There was consensus among those interviewed that the Federal IV-E Waiver has been one of the most crucial components of the success of privatization. The waiver allows federal foster care funds to be used for any child welfare purpose rather than being restricted to out of home care as generally required under federal law. This allows the lead agency to flexibly move the money in the way that they determine is best children; simply put, the money follows the child and not the foster care placement.

In addition to the waiver, Florida participants also identified a paradigm shift in Florida towards family centered, permanency driven practice as being essential to the improvements in outcomes. They acknowledge that the three-fold combination of family centered practice, flexible funding through the waiver, and the innovative practices through privatization as the driver behind Florida's reduction of children in out of home care.

KANSAS²

In the early 1990s, the Kansas child welfare system, Kansas Department of Social and Rehabilitation Services (SRS), was in crisis. At that time, SRS was the primary agency providing child welfare services in Kansas, and there were numerous constraints on the agency's ability to provide these services effectively. This resulted in escalating numbers of children in foster care waiting to be adopted, rising costs, lack of safety for children in care, and general doubt among concerned citizens that the system would properly provide for these children.^{ix}

Reacting to these systemic deficiencies, a lawsuit was filed by the American Civil Liberties Union (ACLU), who sued on the grounds that SRS had excessively large caseloads and inadequate monitoring of children. The 1993 settlement mandated significant reforms to SRS, and included a consent decree which required annual reviews of their performance. In addition to subsequent pressures for an overhaul of the system as a result of the lawsuit, the newly elected Governor, Bill Graves, made child welfare his highest priority. The state legislature and executive office acknowledged the challenges, demanded reform, and subsequently increased the state's child welfare budget.

As a result of pressure to overhaul the system, in late 1995 SRS undertook a bold new initiative to privatize the entire child welfare system, with the exception of CPS investigations. They revamped the delivery of services to children and families through the privatization of family preservation, foster care/integration (or reunification), and adoption services. SRS shared case management responsibilities in the initial years with the private providers but their new focus was on increasing safety through improved investigations. The other goals of the reform included "enhanced efficiency of services, improved uniformity of services, the establishment of a basic standard of care, and an increase of timely permanency."^xThis standard of care would be monitored with the introduction of performance-based measurements for the providers.

² Information provided to Casey Family Programs on March 29, 2010 by Bruce Linhos, Executive Director, Children's Alliance of Kansas; Charlotte McCullough, Consultant; Melissa Ness, Consultant; and various Kansas privatization reports.

KEY DESIGN ELEMENTS

Regional Lead Agency Model

The state opted for a lead agency model for separate child welfare service components, selecting private providers to provide case management, family preservation services, adoption, foster care, and group home services. The adoption contract was one statewide contract, in order to maximize the pool of adoptive families. For family preservation and foster care, the state was divided into five regions with a single lead agency responsible for each region. Subsequent contracts amended the separation of lead agencies into the three areas of family preservation, foster care, and adoption; lead agencies now provide a range of services. Currently, six lead agencies have contracts covering five regions in Kansas.^{xi} As of 2007, post-investigation responsibilities have been privatized in almost all 105 counties in the state. Contractors provide services directly and also subcontract with other agencies for services that they cannot provide themselves.

Performance-Based Measurements

Kansas was one of the first states to include performance measurements in their contracts as a way to set clear standards tied to specific outcomes. Prior to full-scale privatization, SRS had no metric or clear performance standards by which to measure service outcomes of their contractors. They had standards in place to identify which providers could contract for which types of services, but no measures linked to performance. According to reports, since these contractors were not being held accountable for providing timely outcomes for children, they often provided services for years without any incentives to show improvements.

Since SRS staff did not have any benchmarks to gauge appropriate measures of performance, they had to develop these measures from scratch. The challenge was to find an appropriate balance of valid measurements in their contracts that were outcome-oriented, yet realistic. The development of these standards was a laborious process, but an educational one, since SRS used this opportunity to determine which outcomes supported the goals of the agency. The performance measures developed by SRS were later reflective of the CFSR (Child and Family Services Review) measures.

Table 3 provides an example of some of the outcome indicators written into the contracts and the subsequent contractor performance in the first few years of the transition.

Table 3 Performance Standards

Outcome Indicator	State Standard	1998	1999	2000	2001
Children referred to the contractor will not experience substantiated abuse/neglect within 12 months of reintegration.*	80%	N/A	97%	97%	99%
All children will be placed with at least one sibling.	65%	74%	78%	73%	70%
Children will achieve permanency within 12 months of referral to contractor.*	65%	N/A	33%	43%	41%

*Standard was not applicable to the first year of the contract.

Payment Structure

The first set of contracts utilized a case rate methodology for reimbursing service providers. A capped payment was intended to cover all services provided to the child or family for the life of

the case. Under this system, the contractors received a set payment for each child, paid in four installments, starting with removal from the home until adoption and one year post adoption.

The state underestimated the costs for the initial contracts. Consequently, when the second set of four year contracts took effect on July 1, 2000, the state moved away from the case rate payment system for adoption and foster care to a per child per month payment. This modified payment structure included a base administrative rate with a variable rate per child per month.

In 2005, the third round of child welfare contracts created a payment structure with tiers and caps at specific months of stay in a child's custody episode. According to Kansas providers, this payment method was not sustainable and created too much risk for both the state and the contractor. In 2008, the payment method for foster care and adoption services reverted back to the 2000 structure of monthly administrative fixed payments and variable monthly payments for the number of children served. Family preservation services continued with the tiered structure.

CHALLENGES AND LESSONS LEARNED

Kansas encountered many obstacles during the transition to privatization of their child welfare services. Since they were the first state to privatize case management statewide, they did not have the experiences of other states' initiatives to inform their process. The following section highlights important lessons learned regarding the planning and implementation phases.

➤ Develop a clear, phased-in transition plan

The Kansas staff interviewed for this report repeatedly stressed that, most importantly, there needs to be a clear plan in place and enough time allotted in order for a smooth transition to privatization to occur. This did not occur in Kansas, though, since SRS chose a rapid transition rather than a phased-in approach, with the entire statewide transition completed in less than two years. There was not a clear transition plan in place nor the sufficient time designated for the Kansas nonprofits to build capacity. This strict timeline became a major challenge, especially with some agencies increasing to as much as three times their original size. Some of the problems that ensued because of the quick transition include:

Staff Shortages

The privatization initiative was predicated on the assumption that the child welfare state workers would be laid off from the child welfare system during downsizing and then move to the non-profit sector to work as the main source of new hires for the contractors. This never materialized, however, since the majority of state staff did not choose that option and instead either moved to another agency within the state or retired.

High Staff Turnover

Another challenge that compounded the staffing problem was a high staff turnover rate. This was a significant concern for child advocates. During the first two years of privatization, the turnover rate for staff was about 50 percent in some agencies.^{xii} Some children were being assigned a new caseworker as often as every month. New workers in the private sector complained of the same problems that were endemic in the public sector, such as inadequate pay, lack of career advancement opportunities, and burn out. Job security was also a concern, since the contracts undergo a new bidding process every four years.

Key informants stated that the high turnover rates at the private agencies have leveled off over the past few years as caseloads have stabilized. They also reported that the other issues around job security and confusion around roles and responsibilities have been alleviated, leading to an increase in job tenure.

➤ **Engage and educate stakeholders**

Although the Kansas SRS had executive and legislative backing behind the privatization initiative, there was not a commensurate effort dedicated to educating other key stakeholders working directly with child welfare system. Community partners and the legal system were initially involved in the Request for Proposal (RFP) procurement process, but were left out of on-going decision making and not routinely notified of changes on an ongoing basis. According to assessments, this disconnect led to confusion and frustration among the involved parties and led to a furthering deterioration of an already tenuous relationship.

This lack of engagement with the court system led to significant challenges. According to a report on the Kansas efforts^{xiii}, the courts were very reluctant to accept the transition to privatization. At times, the relationship with the legal system became adversarial. Incorrect information was occasionally provided to courts about which agency was accountable for children being served. This problem has been mitigated over the past few years through more open communication with the legal system and efforts to include them in additional decision making. Although there are still barriers to communication, they are now being addressed directly and in a timely manner.

➤ **Assess payment structure risks**

Financial difficulties have challenged the private providers since the onset of the initiative. Since previous state system costs were not tracked, SRS had to estimate how much contractors should receive for each child. Consequently, contractors based their bids on speculation and underestimated the costs considerably. There were no start-up costs built into the contracts to cover all the additional expenditures. In addition, after the first year of privatization, there was a 20 percent increase in the number of cases entering the system, which led to an additional increase in costs. This combination of unanticipated start-up costs, lack of baseline data on costs, and an increase in the number of children entering the system all contributed to the financial challenges.

As the contracts progressed, it became clear that the case rate of about \$15,000 was insufficient to cover the costs of the services for some cases. Costs were on average 65 percent above this rate. The state responded by making additional payments but even that was not enough for some agencies, resulting in one bankruptcy and widespread financial losses for other contractors.

Because the contracts were short in duration, Kansas was able to restructure the contracts back to a monthly per child cost rate. This appears to have provided the contractors with more predictable cash flow and lowered the risk to the private providers.

➤ **Clarify dual case management roles**

In the initial years, Kansas implemented a dual case management approach; public agencies were still responsible for core case management decisions such as permanency plans and attending court hearings, but collaborated with the private provider case manager when making

those critical decisions. According to reports^{xiv}, this created confusion around the roles of the case workers. During the first few years, public agency staff closely monitored the decisions reached by private agencies. In response, private agency workers complained that their decisions were micro managed and required excessive documentation. They also reported that the monitoring interfered with achieving timely permanency outcomes since they could not control major decision points. This improved once the private providers took control of all case management functions.

➤ **Obtain baseline data and develop incentives**

As mentioned earlier in this report, SRS had to develop measures of performance for the contractors without any baseline data to guide them. Many of the standards were compiled using national statistics and input from SRS, stakeholder, and university staff that were familiar with the Kansas system. Initially, many of the standards were set too high and required scaling back. As the contracts progress and Kansas has learned from the previous contract sessions, the performance measurements have been revised to reflect more realistic expectations.

According to some reports, a limitation with the performance measure contracting model has been the limited accountability of providers due to the fact that there is no link between payment and outcome achievement, unlike other performance-based contracting. Although the policy states that failing to meet the standards would result in non-renewal of a contract, there have been no other explicit rewards or penalties. Evaluators found that during the first four years of privatization, SRS viewed the measurements more as goals to work toward rather than actual performance standards. According to those interviewed, the performance measures are used to compare Kansas' private providers to one another, rather than for individual performance against outcomes, and that SRS uses the performance data primarily to decide whether to expand or reduce the contract.

BENEFITS OF PRIVATIZATION

Those interviewed claimed that the system in Kansas is a “far, far better system than it was before privatization.” They have seen “improvements in the quality of services, data systems, and the range of service available along with a better system of care” for children and families. One staff member commented that “we have created a system that is far superior to what we had before or even envisioned we would have.” Informants mentioned many additional benefits, including:

- **Increased data collection and accountability-** Kansas now collects data on safety and permanency, as well as other indicators of good practice, including family connections, educational needs, and timeliness of permanency hearings. They also have increased the level of accountability for providers through the use of performance based measurements in their contracts.
- **Increased funding and visibility-** The Kansas legislature has provided a significant increase in funds for the management of child welfare services- expenditures increased by \$100 million over a four year period. As a result, informants commented that the general public, local communities and stakeholders are more invested in what is happening in Kansas child welfare than ever before.

- **Focus on permanency-** The emphasis is now around achieving permanency and maintaining children with their families when possible. When that is not possible, the focus is on placing children in the most family-like placements close to their birth families, rather than in residential treatment centers or other restrictive placements. As a result, there are now more children exiting the system into permanency.

PERFORMANCE OUTCOMES

Kansas faced many challenges as a result of a lack of baseline data prior to privatization. The insufficient data made development of performance measures difficult and also ruled out any comparisons of outcomes pre and post privatization. As a result, there can only be evaluations of how Kansas has performed since the 1995 implementation.

Although Kansas has only seen a slight decrease of the number of children in out of home care since privatization, there have been improvements made in other outcome areas. The number of children in residential placement has decreased from 1,064 to 421 since 1997 and the number of adoptions has more than doubled in the same time period. In addition, the average length of stay in care has decreased from 23 months to 16 months.

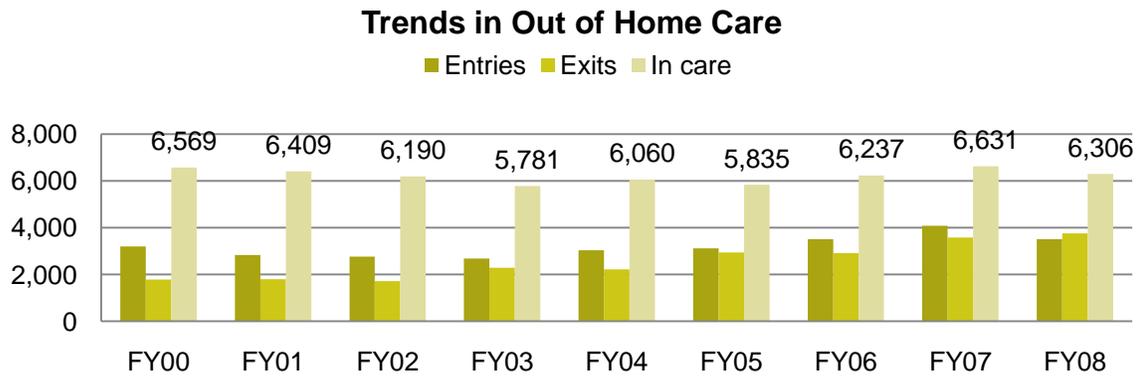
Table 4 Kansas SRS Outcome Trends

Indicator	1997	1999	2003	2006	2009
The number of children entering care	N/A	3,342	2,642	3,048	3,040
Number of children in residential placement	1,064	606	535	421	421
Percentage of children in Residential Placement	17%	N/A	12%	9%	8%
Number of Adoptions	352	418	486	501	812
Average Length of Stay(in months)	N/A	23	26	19	16

Source: Kansas Department of Social and Rehabilitation Services, Child and Family Services. (12/19/09) *Kansas Child Welfare*.

Until 2007, as illustrated in Figure 4, the number of children entering out-of-home care in Kansas was consistently larger than the number of children exiting out-of-home care, and the number of children in out-of-home care was growing. In 2008, these trends reversed, and the out-of-home care population declined by a small amount.

Figure 4



According to Figures 5 and 6, the rate of repeat maltreatment in Kansas has fallen, and is below both the national standard and national average. Both first entries and re-entries increased between 2005 and 2008, with re-entries increasing more than new entries. In 2008, 13% of entries were re-entries, which is lower than the national average of 20%.

Figure 5

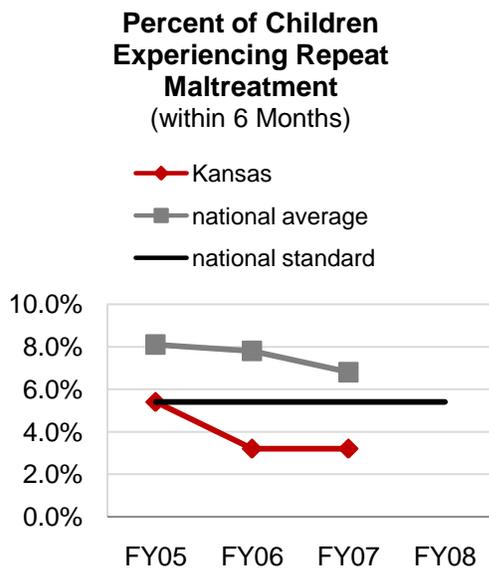
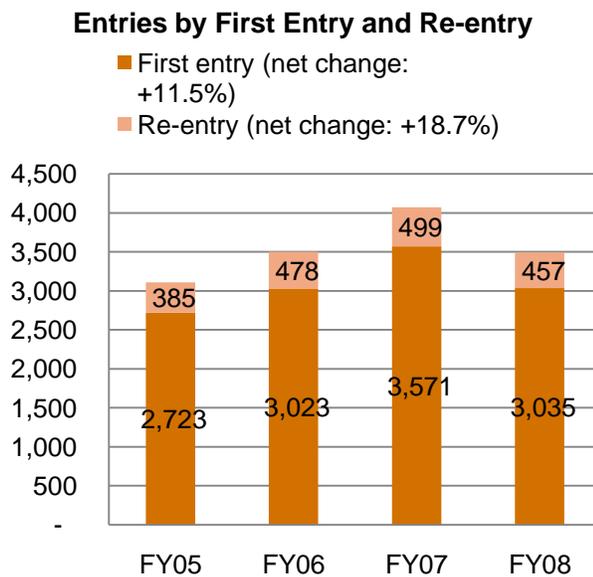


Figure 6



FISCAL OUTCOMES

The general experience of child welfare privatization initiatives is that cost savings are not realized. Those interviewed all commented that a state should not privatize in order to save money; in fact, states that privatize they will most likely end up spending more money in the initial years. Although the data is not included in Table 5, informants reported that costs have begun to level off and even decrease over the past three to four years.

Table 5: Total Child Welfare Expenditures (Federal, State & Local)

State	1996	1998	2000	2002	2004	2006
Florida	\$424,766,984	\$499,278,332	\$691,385,561	\$766,109,440	\$896,972,828	\$1,003,537,213
Kansas	\$127,280,610	\$117,448,069	\$172,185,030	\$198,491,580	\$229,779,303	\$288,966,692

Source: <http://ndas.cwla.org>; Retrieved on April 6, 2010

CONCLUSION

Child welfare agencies often implement different child welfare reform strategies concurrently in an attempt to improve outcomes for children and families. This makes it difficult to isolate the impact of a particular initiative, such as privatization. In Florida, for example, those interviewed emphasized that it was a combination of privatization, the IV-E Waiver, and an agency driven shift in values that led to their improvement in outcomes.

If a state chooses to privatize, however, the experiences of Florida and Kansas reveal key themes around a successful implementation process: the development of a strong public-private partnership; engagement of key stakeholders; sufficient staffing and financial resources; and a lasting commitment to the change from leadership. While there is no single road map to follow when transitioning to privatized child welfare services, the lessons learned by Florida and Kansas provide a broad-based framework for child welfare agencies transitioning to a privatized system.

Appendix A Key Privatization Design Elements

Kansas	Florida
<p>Driver</p> <p>Reaction to class action lawsuit consent decree and pressure from executive office and legislature to privatize services.</p>	<p>Driver</p> <p>Mandated by legislation to privatize entire child welfare system.</p>
<p>Implementation</p> <p>Rapid implementation statewide in less than 2 years with no transition period.</p>	<p>Implementation</p> <p>Implemented through phased in pilot programs over 5 years.</p>
<p>Lead Agency Model</p> <p>Lead agency at the regional level for family preservation and foster care services and a statewide lead agency for adoption services. Subcontracts for services.</p>	<p>Lead Agency Model</p> <p>20 lead agencies operating across 22 geographically defined areas are responsible to provide all services from time of referral until child achieves permanency. Subcontracts for services.</p>
<p>Case Management</p> <p>Began as dual case management and transitioned to providers being responsible for all case management functions.</p>	<p>Case Management</p> <p>Lead agencies responsible for all case management functions and decisions.</p>
<p>Contract Duration</p> <p>4-6 years service contract but must be renewed annually.</p>	<p>Contract Duration</p> <p>3-5 year service contract with 9-12 month start-up contract that includes readiness assessment.</p>
<p>Performance Based Contracting</p> <p>Performance measures are tied to contract renewals, but no link between outcomes and payments.</p>	<p>Performance Based Contracting</p> <p>Performance measures are tied to contract renewal. One lead agency, Kids Central, links payments to performance as part of pilot program.</p>
<p>Fiscal Design</p> <p>Foster Care/Adoption- Monthly case rate</p> <p>Family Preservation- performance based tiered payments with declining rates the longer a child remains in care. The average statewide monthly payment is \$3,500, paid out on a monthly basis as follows:</p> <ul style="list-style-type: none"> • 100% of rate for first 5 months • 66% of rate for months 6-12 • 29% of rate for children in care > 12 months 	<p>Fiscal Design</p> <p>Global Budget Transfer- Each lead agency is given a predetermined percentage of the state's annual operating child welfare budget and must provide all services within that allocated budget amount. Contractors bear the risk for providing those services.</p>
<p>No IV-E Waiver</p>	<p>IV- E Waiver implemented in 2006</p>

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- ⁱ U.S. Department of Health and Human Services, Administration for Children and Families. (2001). *National Survey of Child and Adolescent Well-Being. State Child Welfare Agency Survey*. Washington, D.C., Author. Retrieved on April 1, 2010 from http://www.acf.hhs.gov/programs/opre/abuse_neglect/nscaw/
- ⁱⁱ McCullough, C., Schmitt, B.(2003). *2000-2001 Management, Finance, and Contracting Survey Final Report*. Washington DC: Child Welfare League of America, Inc. System Integration Management Institute.
- ⁱⁱⁱ The states that did not participate include SD, NE, IA, WV, and MD.
- ^{iv} These states were: AL, AK, AR, CA, CT, DE, GA, ID, IN, KY, LA, MA, ME, MN, MS, MT, NC, ND, NH, NM, NV, OK, OR, PA, RI, SC, TX, UT, VA, VT, WA, WY.
- ^v US Department of Health and Human Services, Administration for Children and Families (2001). *National Survey of Child and Adolescent Well-Being. State Child Welfare Agency Report*. Washington DC: Author.
- ^{vi} Florida Legislature: Office of Program Policy Analysis and Government Accountability, (June 2008.) *DCF Improves Contract Oversight of Lead Agencies*. Page 7. Retrieved on April 14, 2010 from: <http://www.oppaga.state.fl.us/reports/pdf/0839rpt.pdf>
- ^{vii} Florida Legislature: Office of Program Policy Analysis and Government Accountability, (June 2008.) *DCF Improves Contract Oversight of Lead Agencies*. Page 3. Retrieved on April 14, 2010 from: <http://www.oppaga.state.fl.us/reports/pdf/0839rpt.pdf>
- ^{viii} McCullough, Charlotte. Performance Based Contracting Experiences and Lessons Learned.
- ^{ix} Ortega and Levy. (2002). Facing the Challenge of a Changing System: Child Welfare Workers in a Privatized Environment. *Evaluation Research in Child Welfare*.
- ^x James Bell Associates (April 2000). *External Evaluation of the Kansas Child Welfare System year End Report*.
- ^{xi} Center for Public Policy Priorities. (2008). *Drawing the line between public and private responsibility in child welfare: The Texas debate*. Pg. 21
- ^{xii} Ortega and Levy. (2000) Facing the Challenge of a Changing System: Child Welfare Workers in a Privatized Environment." *Evaluation Research in Child Welfare*.
- ^{xiii} Figgs J and Asklock, S. (2001). Family Preservation/Foster Care/Adoption: Public Private Partnership Initiative.
- ^{xiv} U.S. Department of Health and Human Services. (2008). Evolving Roles of Public and Private Agencies in Privatized Child Welfare Systems. Retrieved April 5, 2010 from <http://aspe.hhs.gov>