Center for the Support of Families

Private Provider Performance Management through Performance-Based Contracting

Introduction

How can a child welfare agency effectively partner with private providers to ensure better outcomes for children and families? *State and county child welfare systems have long relied on contractual relationships with private providers for many of their most vital services to children and families. This includes direct services, such as foster and congregate care, in-home family and front-end investigative services, as well as supportive services, such as day care or counseling. While the percentage and types of services contracted by states and counties to private providers varies widely,* ***the outcomes of any public child welfare system are impacted by the quality of these services and the extent to which a functional performance management process is in place*** *that ensures private provider accountability.* ***Public child welfare agencies must, therefore, make sustainable investments and align financing to support collective partnerships with their private providers around the shared goal of securing the best possible outcomes for the children and families they serve****.*

Background

The role of private providers, the scope of services provided, and the way such services are delivered within public child welfare systems varies. In many states, private child welfare agencies have, in fact, been in existence and in the business of providing services to abused and neglected children for much longer than the state or any county-based child welfare agency with whom they contract. In some states, the presence or reliance on private provider services is relatively small or limited to a single region or county. In others, private providers may account for most or all of a particular type of service, such as relative foster care or shelter care services. There is also variance in what public agencies pay private providers to do and how services are expected to be carried out. For instance, contracted casework services may be fully privatized or public and private agencies may share case management responsibilities.

While public child welfare systems' approaches toward ensuring private provider accountability also vary, performance-based contracting (PBC) has become an increasingly preferred approach. When implemented successfully, performance-based contracting can lead to improved service delivery and outcomes for children and families. Casey Family Programs conducted a review in

2008[1] of PBC models in child welfare and found that common characteristics of PBC models include:

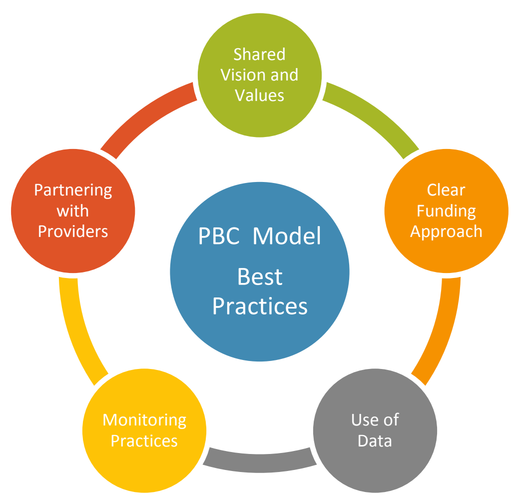
- an emphasis on output, quality, and outcomes rather than how the work is performed;
- an outcome orientation with clearly defined objectives and timeframes;
- the use of measurable performance standards and quality assurance plans; and
- the use of performance incentives by linking payment to outcomes.

The Casey study also found that PBC models across states varied in several ways, including the extent to which incentives and disincentives were offered, the level of financial risk assumed by providers, the types of data collected and utilized to monitor performance, and the extent to which providers engaged in the development of performance indicators tied to agency contracts.

Whatever type of performance management system a public child welfare agency chooses to implement, the guiding principal should be to establish and effectively manage provider contracts in a way that incentivizes performance and leads to better futures for the children and families they serve.

Public Child Welfare Agency Best Practices that Promote Better Private Provider Performance and Improve Outcomes

Some jurisdictions do not have a clear understanding of how their contracted private providers are performing or the impact these providers are having on children and families. There are often long-standing systemic barriers in place, such as a lack of data infrastructure in the agency or insufficient staffing to support effective private agency monitoring. Relationships with the agency's private provider community may have not been effectively cultivated or nurtured, leading to miscommunications or a general lack of participation in joint agency problem-solving, even around issues that impact both the agency and the provider, such as child welfare legislation or state budgetary challenges.



While the rewards to a child welfare system from investing in a PBC model can be significant, it does require deliberate planning as well as agency investments. Public agencies should first consider their organizational goals and the role that private providers play in achieving those goals, and then examine their organizational capacity to implement a PBC model successfully.

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[1] Review of Performance Based Contracting Models in Child Welfare; Myslewicz, Mary; Casey Family Programs March 2008

The following are essential best practices that public child welfare agencies must invest in if they are seeking improved provider performance and agency outcomes.

I. Ensure Private Providers Understand the Overall Vision for the Child Welfare System and What They Need to Do to Achieve It

It is vital that agencies begin by clearly identifying the values – stated or unstated – that drive the child welfare system's current functioning. A first step is for agency leaders and stakeholders to co-create a vision for children and families in the jurisdiction, mutually agreed-upon and committed-to, that can provide the basis for defining practice expectations and desired outcomes. Stakeholders may include child welfare involved parents or grandparents, young persons who have been in foster care, private providers, community advocates, and other legislative or judicial partners. Co-creation of a vision with the agency and its stakeholders that **makes clear desired child and family outcomes** is important in any major improvement effort.

To move to a substantially different way of practice, the entire system must change, and to be successful the changes must reflect the needs and desires of the communities it serves. If the agency changes its practices without ensuring that needed supports and services are in place, the experiences of children and families may not change. It will be necessary to assess and identify gaps in current supports, identify differences in values and approaches to serving children across providers; and determine what is needed for consistency and to achieve desired outcomes. **Practice expectations** can then be agreed upon or operationalized for each of the agency's contract types. These can be developed in partnership between the providers and the agency, and documented in what are sometimes known as provider policy manuals.

Finally, contracts must be negotiated with providers to ensure that needed services are in place and available. These contracts include desired outcomes, and how performance on these outcomes will be measured, as well as practice expectations and how these will be monitored. The overall aim is to align financing for providers and community partners with the agency's vision, desired outcomes for children and families, and practice expectations.

II. Develop a Clear Funding Approach

The first step to developing a clear funding approach for private providers is to understand how current funds are expended for provider services, the current rate structure and how these rates are determined. Understanding how providers are currently paid is central to this analysis. Some providers may be paid a fee for providing a service such as completing a home study for a prospective foster parent, or a set amount for each day that a child is placed in the provider's foster home or group home or per diem rate. Some providers may be paid the same amount each month based on a pre-approved budget. Many of these providers may already be paid in some manner for performance. Some basic questions to better understand how well the current funding approach is working include:

- How many private providers are currently serving children and families in the state or jurisdiction?
- What are private providers paid to do?

- How much are they paid? Are these rates consistent by types of private providers?
- What funds are used to pay private providers?
- How were these rates determined?

Included in this analysis of the current funding approach is a review of previous attempts by the state or jurisdiction to modify their funding approach. For example, a state or jurisdiction may have previously and unsuccessfully attempted to combine Medicaid and Title IV-E funding in order to pay providers one blended rate for therapeutic foster care services due to absence of all necessary approvals in the past.

The next step is to assess current provider performance to the extent that is possible. This means exploring what is happening with children when they are in the care of providers. Are children spending time, for example, with their parents and siblings?

This analysis also focuses on where children are going after leaving the provider's care and how much time children are spending with the provider. Are they going home? Are they transferring to the care of another agency? And, what are children and families reporting about their experiences? Are there other qualitative data to understand the current performance of providers?

Once leaders are clear on the current funding approach, the impact of the current approach on children and families, and the vision for desired outcomes in the future, they can create a funding approach to align with this vision and desired outcomes. Here are some possible features of a private provider performance-based funding approach.

Make a direct link between funding and desired outcomes

Linking funding with desired outcomes does not necessarily have to mean that providers will be responsible for financial penalties for poor performance or offered bonuses for improved performance. It does mean determining how much risk private providers will assume in the funding approach. How much funding will be tied to improved performance? How much funding will be paid to providers for the everyday basic care for a child, regardless of performance on desired outcomes? Once this decision is made, it is possible to make informed decisions about the appropriate mechanism for reimbursement and payment to providers.

Tie financial incentives to progress by an individual provider

Providers are often better able to demonstrate progress when results are compared to their own past performance rather than to that of other providers, as performance can vary based on children being served and types of services being offered. The agency should determine baseline performance on desired outcomes and then develop a method to track progress over time from this baseline. Decisions should be made about the pace of progress that will meet the criteria for certain financial incentives.

Reinvest savings accrued from practice improvement with providers

Some agencies will save costs once PBC implementation begins. For example, care day use could begin to decline. One option is for the state or jurisdiction to reinvest savings or a portion of these savings with private providers, affording them the opportunity to invest in practice improvements. To do so, most states and jurisdictions must then advocate for needed changes to state law to permit reinvestments of cost savings back to providers.

Create a continuum model that blends available federal dollars

Some agencies will be able to create a continuum model using available Medicaid and Title IV-E dollars. This means partnering with CMS and the state's Medicaid agency to blend and use all available funds for children in foster care.

This rate will be based on each child's need and will pay providers an established rate for the period of the time the child is in foster care. The provider is then able to use this rate to meet the needs of the child no matter where the child is placed or which services may be needed – in-home services, kinship care, foster care, group home care, therapeutic foster home care, or acute care.

There are some advantages to this model. There are financial incentives for providers to offer services that are less restrictive. Expectations for the providers are more aligned because these federal funds have been combined into one contract.

III. Use Data That Promotes a Shared Understanding Provider Performance

When child welfare agencies want to gain a better understanding of how they are performing on key child welfare outcomes, or want to get to the root cause of a perceived problem, obtaining and utilizing data is critical to efficiently and accurately knowing where the agency stands or where it needs to improve. It is important for public child welfare agencies also to evaluate the performance of their contracted providers. These performance measures must align the practice expectations and outcomes that have been identified by the agency for performance-based contracting. Using data to understand performance of providers helps standardize the metric by which results are evaluated and leads to uniformity in understanding the impact of services across all providers. Without data, assessing provider performance is much like guesswork, where findings will be based on assumptions, and may lead to bad decisions later.

Public and private agency leadership must have shared understanding of the importance of and advocate for the use of data to assess performance. Having an agency culture that prioritizes data usage will ensure that this critical step will not be overlooked or devalued. Agencies should be clear about their interpretations/assumptions about what the data means and their expectations of how providers are to use the data, depending on the agency's unique system of provider accountability.

Agencies must consider what data sources are available and accessible and will provide the critical information needed to assess and understand how providers are succeeding at the mandates or outcomes they are being asked to meet. Accessible data should include both quantitative sources, like administrative data from information systems, and qualitative data, including information from case reviews, focus groups or surveys, and it should be collected uniformly across all providers. Data should also be collected longitudinally, so fluctuations in performance will be reflected in the bigger picture of the data over time, and will give a more balanced picture of provider performance.

Providers should have access to agency data and other critical data sources whenever possible. Providers should be able to see not only how they perform next to other (similar) providers, but how they perform in relation to the larger system and how the public agency is performing, particularly if the public side of the system shares responsibility with private providers for providing the same type of services. This commitment to data transparency sends the positive message to the provider community that achieving outcomes for children and families is a shared responsibility.

Finally, agencies should support and model the effective use of data to providers, especially in the initial stage of starting up a new data reporting system or embarking on a new initiative that involves sharing data. Agencies should take the time to talk with their providers and understand their current capabilities or limitations. At every opportunity, whether it's an agency leadership meeting with provider leadership, or at the more local level, modeling the use of data in agency decision making, goal setting, and problem solving sets the stage for a shared understanding of provider performance.

IV. Invest in Quality and Coordinated Agency Monitoring Practices

An essential component of any successful performance-based contracting model is a structured agency-monitoring process that addresses all aspects of provider compliance and practice expectations and is also clearly articulated, transparent, and administered uniformly throughout the provider community. The primary purpose of monitoring is to verify private provider contract compliance with agreed-upon practice expectations.

A primary method for provider monitoring is the systematic review of outcomes data and practice expectations, as specified in the applicable provider contract and program plan. Ideally, monitoring should be focused at the provider contract or program level, with limited involvement at the case (child/family) level.

Agencies should strive to invest in the use of uniform monitoring tools and standardized data, to the greatest extent possible. Compliance with all contractual and policy requirements should be monitored frequently and consistently, with regular reporting back to providers on their performance. Monitoring decisions that impact a provider should be based on clearly stated and known criteria, and supported by a complete analysis of the data. The intensity of monitoring should also be adjusted in accordance with the provider's performance. This includes the routine monitoring of "red flag" type performance issues, such as critical incident reports, maltreatment reports, licensing violations, etc., and the extent to which the provider can or cannot effectively address them to achieve positive outcomes. Agencies interested in implementing performance-based contracting should be prepared to make the necessary investments in staffing and training to ensure that monitoring functions are applied uniformly and with fidelity.

Finally, monitoring is not an isolated responsibility, but rather an integrated and comprehensive function, composed of fiscal, contractual, and programmatic components, that requires close communication and collaboration with other agency divisions, such as licensing, fiscal audits, contract administration and procurement, finance and budget, and field operations. Agencies should take the time to consider the potential impacts of implementing a PBC model on broader agency functions.

V. Partner with Providers to Solve Problems and Improve Outcomes

Critical to successful performance-based contracting is building a collaborative relationship between the private providers and the public agencies. Public agencies must establish clear, consistent, and frequent communication with private providers from the beginning of the relationship (or as soon as possible), so that provider agencies are aligned with their public agency counterparts and share their goals and desired outcomes. There may be a need to address issues that are internal to the agency, like staff perceptions of their roles versus provider roles, staff culture that may not see providers as partners, or chronic communication barriers. In general, initiatives are more likely to succeed if there is buy-in at all levels. By meeting and communicating regularly, with both public and private agencies at the table, expectations will be clearer, and mutual understanding of roles and the co-dependent nature of the public-private partnership will be understood by all to help improve outcomes for children and families.

There are three simple, yet imperative, ways to accomplish this goal. First, public agencies need to share information. This goes beyond sharing data – it is about all kinds of information, which includes but is not limited to legislation that impacts providers specifically or the system as a whole, budget challenges and priorities, and new initiatives such as developing a new practice model or launching a new data system. Second, agencies need to listen to their provider partners. This means asking for their input and ideas, their perceptions of what challenges they are facing, and what is working well and what can be improved. Finally, public and private providers need to work together to achieve their common goals of serving children and their families and improving outcomes. They can achieve this by having established structures like standing committees, as well as regular meetings to ensure collaboration, communication, and shared understanding.

Conclusion

CSF's approach to performance-based contracting is designed to improve the public child welfare agency's capacity to effectively partner with private providers and hold them accountable for practice expectations that improve outcomes for children and families. Agencies that make essential investments up front such as ensuring a shared vision, developing a funding approach, sharing performance data, developing monitoring practices and partnering with providers to solve problems can better the needs of children and families.