



STATE OF LOUISIANA

# Performance Based Contracting

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## Background

- **Louisiana Residential Review Commission Recommendation # 18 (*Performance-based system*)**
  - “All stakeholders should be accountable to one another and to the local system of care. Providers are responsible for clearly identifying, measuring, and monitoring successful outcomes for children, youth, and families. Critical and objective methods that measure specific outcomes and treatment progress in essential domains should be developed and agreed upon by a workgroup which should include OCS staff, provider staff, as well as youth and family representation. Funders and regulators should be responsible for supporting performance-based activities through provision of adequate resources to conduct these assessments”.
  - *A Blueprint for Transformation and Change: Louisiana’s Residential Programs; A Report from the Louisiana Residential Review Commission, August 2008*



## Departmental Changes

- October 2008 – Interim Secretary Nichols announced steps to reform child residential care in Louisiana.
- February 2009 – DSS provides update on residential reform including the review and inspection of residential facilities and the formation of a task force to make recommendations on licensure standards.
- July 2009 – Secretary Nichols announced newly proposed licensing standards for child residential facilities.
- November 2009 – State agencies take steps toward a Coordinated System of Care for children with behavioral health needs.



## Background

- *“Performance based contracting is a form of contract between the government and the private sector that exchanges increased performance for the necessary resources and flexibility needed to achieve the high performance benchmarks. It aligns the financial incentives in the contract with the outcomes the system should achieve on behalf of children and families.”*

- Shaver, M and Taylor, K. (2010). *Fostering Accountability: Using Evidence to Guide and Improve Child Welfare Policy*. Chapter 10. Page 295. New York: Oxford University Press.



## Goals of PBC in Louisiana DSS

- To align provider services for children in foster care and their families with state/federal outcome goals
  - Safety
  - Permanency
  - Well-being
- To incentivize a transition to more community-based services
- To establish benchmarks that enable DSS and providers to jointly track performance



## Achievement of Goals...

- requires working with providers to
  - balance risk
  - establish reasonable baselines
  - encourage adoption of evidence-based practices
  - determine goals for reinvestment



## PBC Supports Public-Private Partnership by...

- requiring that the private and public sectors work together to achieve key outcomes.
- offering greater flexibility to enable providers to better match services to child and family needs.
- evaluating provider performance by the same standards that federal monitors apply to public child welfare systems.



## The Child and Family Services Reviews

- **Safety:**
  - Children shall first and foremost be protected from abuse and neglect.
  - Children shall be safely maintained in their own homes whenever possible.
- **Permanency**
  - Children shall have permanency and stability in their living situations.
  - The continuity of family connections and relationships is preserved for children.





## CFSR (cont.)

- Well-being
  - Families have enhanced capacity to provide for their children's needs.
  - Children receive appropriate services to meet their educational needs
  - Children receive appropriate services to meet their physical and mental health needs.



## CFSR Measures Related to PBC

- Length of stay
- Exits to permanency
- Timeliness of reunification
- Timeliness of adoption
- Foster care re-entry
- Stability of placement
- Proximity to family
- Placement with siblings
- Visits with family



## Scope of PBC

- According to a 2009 survey of child welfare agencies, 25 states are currently using PBC in their child welfare service contracts.
  - 14 states reported having direct links of payment to performance written into the contract
  - 11 states use performance measures in contracts to monitor performance and determine contract renewal



## Key Design Elements of Existing Models

- Payment Structure
- Developing and implementing contracts
- Performance measures
- Contract monitoring
- Quality Assurance



## Payment Structure

The majority of PBC contracts can be classified into one of three different payment structures:

- Incentives and Penalties
- Caseload Models
- Pay for Performance



## Incentives and Penalties

### Florida and Tennessee

- Providers receive a base payment for services, and are paid incentives or charged penalties (or reductions in payment), for their performance on specified measures.



## Florida

- Providers are able to receive an incentive payment if they meet standards on the following four measurements of caseworker activities:
  - Case information is entered in a timely manner 90 percent of the time
  - Supervisory reviews are held within the initial four days after a case is received and again 30-45 days later, 100 percent of the time
  - Contact with birth parents is made in a specified percentage of cases.
  - Individually established goals for rates of reunification and legal guardianship/kinship care are met.



## Tennessee

- Bases its performance measures for improved permanency on historical data and for specific groups of children.
- Providers are asked to:
  - increase permanent exits by 10 percent of their baseline, which is their average performance over the past two years,
  - decrease days in care by 10 percent of their baseline, and
  - lower their re-entry rates over the course of a fiscal year





## Caseload Models

- Missouri and Illinois
  - Providers are required to accept a certain percentage of their caseload in new referrals, and move a percentage of their caseload to permanency every year.



## Pay for Performance

- North Carolina, New Mexico
  - This model presents the greatest risk to providers since they only receive payment when they achieve a certain milestone, such as completing an adoption. According to the Quality Improvement Center on Privatization there are three variations to this model:
    - McCullough, Charlotte. (2010). *Performance Based Contracting Experiences and Lessons Learned*. Retrieved on May 5th from :  
<http://www.joinhandsforchildren.org/documents/documents.shtml>
    - Contracts that pay when clients achieve a system goal.
    - Contracts that pay for a mix of completed services and client outcomes.
    - Contracts that only pay when target services are delivered.



## North Carolina

- Providers are paid percentages of an “average placement cost” at certain adoption milestones.



## Developing and Implementing Contracts

- Each state differed in its approach to the development and implementation of PBC contracts. They all, however, reported that there was a significant amount of time dedicated to this process.



## Implementation

- Missouri had a phased-in implementation, awarding the first set of contracts to seven provider consortiums.
- Tennessee had a phased-in implementation, phasing in providers over four years.
- Illinois rolled out its initial foster care PBC contracts in just under six months under significant pressure to improve outcomes and cut costs.



## Tennessee

- As of July 1, 2009, the entire network for DCS primary contracting agencies is now made up of PBC contractors.
- New PBC providers were given one year in which they were “held harmless,” meaning that the providers’ outcomes were measured but they were not held accountable for these outcomes, so the financial penalties did not begin until their second year.
- Tennessee DCS also raised the case rate as an additional incentive for providers who were still undecided about participating in the initiative.



## Performance Measures

- Some states incentivized the delivery of certain services through financial rewards and penalties.
- Other contracts incentivized improvement in casework practice under the assumption that improved practice would lead to improved overall outcomes.



## Illinois

- In Illinois, the impetus behind the PBC design was to achieve a basic objective for the system as whole:
  - To reduce the number of children in foster care through permanent placements, particularly those in relative care placements.
    - This decision was preceded by a careful monitoring of performance trends and data analysis of the underlying factors that drove large numbers of children into care.
    - The selection of performance measures was based on this system wide goal. The Illinois staff interviewed attributed this linking of performance measures to larger system goals as essential to the success of their PBC initiative.





## Florida

- Florida decided to incentivize good case practice, rather than larger permanency outcomes.
- Some of their performance measures include:
  - earlier and more accurate data entry,
  - increased supervisory reviews, and
  - increased meetings with birth families.



## Contract Monitoring/ Quality Assurance (QA)

Reported to be the most challenging part of the PBC process.

- Research indicates the need for a strong system for contract monitoring and quality assurance—one that incorporates effective reporting procedures and ensures that new outcome measures are appropriately evaluated.



## Missouri

- Merged quality assurance functions across the regions for consistency, equipped each region with quality assurance specialists, and created a Continuous Quality Improvement (CQI) process at the local and regional level.
- Local meetings were held on a monthly basis for the first three years of implementation.



## Missouri

- The quality assurance specialists provide daily technical support to the private providers.
  - One specialist is assigned for every 70 contracted cases.



## Reinvestment

- In Illinois, the state gained buy-in for the new system by making a commitment to the providers that a percentage of money saved by reducing the number of children in care would be reinvested into the system to improve quality of services.



## Reinvestment

- Tennessee has not instituted a formalized or contractual process that requires agencies to provide a detailed summary of reinvestment expenditures.



## Lessons Learned

- Engage private providers
- Clarify roles and responsibilities
- Identify clear performance measures and rewards/penalties
- Use an external facilitator



## The Work Ahead in Louisiana DSS

Deciding upon:

- The contracting model
  - lead agency
  - single provider
- Performance models
  - Incentives and Penalties
  - Caseload Models
  - Pay for Performance
- Performance measures and outcomes





## The Work Ahead in Louisiana DSS (cont.)

- Processes for sharing risk between DSS and providers
- Need and capacity for upfront investment
- Terms of reinvestment



## Next Steps

- Work group formation
  - DSS, LACCA, external consultants
- Timelines
  - July-September, 2010
- Process for input from providers/prospective providers
  - LACCA
  - DSS Website



[www.dss.la.gov](http://www.dss.la.gov)

[www.dcfsls.la.gov](http://www.dcfsls.la.gov)