



A Candid Look at Contracting Trends, Challenges, Lessons Learned & Predictions

California Alliance of Child and Family Services

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Topics for Discussion

- Contracting Trends
- Challenges
- Lessons Learned
- Success Factors
- Crystal Ball Predictions
- Questions & Answers

Contracting Trends

- Over half of the states have contract reforms efforts - most of these are performance-based or include risk-sharing payments. In all, there is an increased emphasis on accountability, purchasing results, introducing risk, and rewarding performance.
- In some, case management is delegated; in others the public agency retains CM.
- In most there is an explicit intent to strengthen the public-private partnership.

Contracting Trends

- In all efforts, planners have to determine the target population/services, the contracting model, the roles/responsibilities, the outcomes, the payments. Sometimes planning happens behind closed doors, sometimes it is inclusive.
- The final contract has to be responsive to unique state/local needs. Because of this, **no two states have reached the same decisions or created the same performance-or risk-based contract.**

Contracting Trends

- Nationwide, target populations vary depending on overarching goals / mandates:
 - Reduce deep-end placements (MA, MO, IL group care)
 - Front-end diversion and family-focused in-home (AZ, NE, IA)
 - More timely permanency for children in kinship & foster care (IL, MI, TN, MO, NYC, NE, TX)
 - Transition of youth exiting system w/out permanency (IL)
 - Timely adoption (MI, NC, MN, ND)
 - Coordinate care & resources across systems (WI, IN)
 - Improve outcomes for all children and families— both in-home and in OHC—from entry to exit (KS, FL, NE)
 - Make all service contracts performance-based (DC, IA, IL)

Contracting Trends

- States are increasingly linking payment amounts or schedules to performance. In 2009, the QIC-PCW found 14 states link payment directly to performance and 11 others that use PMs to gauge referral and renewal decisions.
- There was and is great variability in how payments are structured and risk is introduced.
- Very few of the payment models are repeated across states.

Contracting Trends

- All contracts have some element of risk. **Risk-sharing** is a function of determining who is responsible for each type of risk.
- Some contracts do not explicitly link performance to payments but they do pay **ONLY** when certain services are delivered. Some incentivize **ALL** outcomes/PMs in contracts; others only incentivize a few measures.
- There are numerous different payments and contracting models. The risks to private agencies are different under each.

Contracting Trends

- The types of contracts vary.
 - Some states have soup-to-nuts contracts for service networks to ensure no wrong door for eligible child & family; others have different contracts for each type of service.
 - In either model, each service could have explicit “standards” and performance-based payments to advance safety, permanency, and well-being goals or achieve other system enhancements.

Contracting Trends

- Lead Agency Model – Most common model:
 - Public agency contracts with one or a limited number of agencies w/in designated region to provide or purchase all specified services for target population from time of referral to case closure or at some other point specified in the contract.
 - Network development/management is often a key requirement of LA contracts.
 - Case management (or care coordination) is included.

Examples: FL, KS, MO, NE, TX, WA (aborted)

Contracting Trends

- There are variations in a Lead Agency model.
 - Some provide most, if not all, services with few or no subcontracts; others procure most services; a few deliver no services directly (operating as MSOs).
 - Some contracts cap amount of services LA can deliver; others don't.
 - Some are single agencies; others are newly formed corporations.
 - VAST majority are nonprofit and most are accredited.

Contracting Trends

- Instead of Lead Agencies, some states decided to use performance-based contracts with all agencies providing specified services (e.g., PB contracts are by type of service with outcome expectations appropriate for the service).
- Some states have no competition at the front-end, but only the best performing agencies may survive (IL, for example).

Contracting Trends

- Illinois was first state to use a performance-based “caseload” model:
 - 1997 – Foster and kinship care agencies were required to accept % of their caseload in new referrals and move % to permanency each year. Agencies had case management responsibility.
 - By 2005 – Illinois’ foster care caseload had fallen by 65%.
 - With caseload reductions, state retained better performing agencies and eliminated ineffective ones.
- In 2009, IL began PBC for residential care, IL, and transitional living services. 1st time a RT provider saw themselves as responsible for permanency and stability.

Contracting Trends

- Nationwide, there is great variability in size and scope :
 - Two states have statewide initiatives that include entire child welfare caseload after CPS investigations (KS, FL)
 - Others have regional Lead Agencies for defined services or subsets of the child welfare caseload (TX, MO)
 - Others have PBCs for all service providers - Some contracts are small and others are quite large. (IL)
- Scale is an issue in both directions. When providers are at risk, the size, case mix and scope of services matters.

Contracting Trends

- No decision is more important or controversial than case management. Role clarity is essential.
 - In some states, public agency delegates all case management for certain children/youth. (FL, KS, IL, NYC)
 - In others, private agency has control over some day-to-day decisions but public agency retains case management. (IA, TX, NE)
 - A few states have “overlapping” case management/ care coordination which may pose challenges. (PA, MA, WA)
- The public agency **ALWAYS** retains responsibility for oversight.

Contracting Trends

- Initiatives have consistently had similar goals:
 - Improved outcomes consistent with ASFA and CFSR
 - System improvement (expansion of services, more equitable distribution, greater local control, greater family involvement, EBPs, etc)
 - Introduction of some financial risk/incentives to better align fiscal and programmatic goals
 - A greater focus on shared public-private accountability for results

Challenges

- Challenges still abound in selecting/defining “outcomes” and performance measures:
 - Poorly defined outcomes/measures
 - Too many, too few, or not “right” outcomes
 - No alignment between \$ and expectations
 - Lack of balance between roles/authority and outcomes
 - What is linked to \$ & the threshold for success

Challenges

- Designing fiscal model neither simple nor straightforward. States struggle with:
 - Overall pricing (how much \$ should be in the pot)
 - How rates will be determined
 - How payments will be made
 - How risk/rewards will be introduced
 - How “savings” will be used/reinvested
 - When and how adjustments will be made.

Transition Challenges

- Even if you do everything right, expect transition challenges:
 - Fear and loss
 - Role confusion
 - “That’s not the way it works” or “good old days” sentiments
 - Mistrust
 - Different understanding of contract terms
 - Inadequate or questionable data

Public Agency Transition Challenges

- Internal opposition
- Infrastructure for contract management
- Figuring out what shared accountability means (It is NOT Attila the Hun or Kumbaya by the campfire)
- Time & effort to cultivate relationships
- Data to stay on top of quality, cost, risk
- Early warning systems

Private Agency Challenges

- Business/administrative capacity
- Higher than projected start-up costs
- Lack of technology
- Limited understanding of risk
- No experience managing for “results”
- Inadequate or ill-prepared staff
- Inadequate or uneven service array
- The practice culture

Lessons Learned

- What worked? Results are mixed. Some contracts exceeded expectations; some were dismantled; others were modified and expanded.
 - Without independent evaluations it is hard to tell why individual contracts succeed or fail.
 - Many (most) have resulted in stronger public-private partnerships.
- Innovative practices and improved results have been noted in all types of contracting models. Conversely, all types of contracts have also experienced failure.

Lessons Learned

- Even when “results” lag, state administrators often cite the following benefits of their new contracting efforts:
 - True public/private partnerships are created.
 - The whole system is more accountable and outcome-driven.
 - New services and non-traditional supports are added.
 - Financial incentives are aligned with programmatic goals.

Lessons Learned

- **Success does not relate to the type of contract or payment model.** It relates to:
 - Alignment of design and payment decisions
 - Contractor's capacity and flexibility to enhance business and casework practices
 - Overall adequacy of funds/rates
 - Public agency's willingness and effectiveness in partnering to achieve real shared accountability.

Lessons Learned

- Changing the culture is harder and takes longer than most people expected. **PATIENCE!**
- PBC is not a panacea for system deficits or a short-term answer to budget woes.
- You get what you pay for and it may cost more short-term. Cost savings (or a redistribution of expenditures) over time is possible.
- The work (and the challenges) are the same for public and private workers.

Lessons Learned

- You get what you measure so use care in selecting PMs—unintended consequences can and do occur.
- You can't fix what you don't know. Data challenges have to be resolved.
- Take the bells & whistles away and it all boils down to **GOOD PRACTICE**.
- Relationships and rhetoric matter.

Lessons Learned

- To build a REAL partnership, you first have to honestly confront the imbalance of power head-on.
- It is a lot easier to be a good partner when things are working well. A sense of humor helps!
- It is important to recognize and celebrate success rather than focusing solely on what's not working.

Summary of Lessons Learned

- There is no quick fix;
- There is no free-lunch (we are not just going to save money and do the work better); and
- There is no silver bullet.
- This is just hard work!

“Partnership” Success Factors

1. Strong, steady leadership
2. Inclusive planning process
3. Shared vision
4. Adequate implementation time/start-up \$
5. Reliable, accessible, and trusted data
6. Courage and political support
7. Role clarity
8. Workforce development/cross-training

Partnership Success Factors (cont)

9. Clear performance measures
10. Transparency in payment model and incentives/penalties
11. Data-driven QA/QI/oversight
12. Formal structures to support ongoing communication
13. Flexibility! Contracts are a work in progress

Partnership Success Factors (cont)

14. Trust. Follow through on promises, prove and demonstrate good will.
15. Front-line buy-in on both sides.
16. Transparency. No games, no hidden agendas. Everything is on the table.
17. Adequate funding. Public agencies have fewer resources and are being asked to do more with less. This unrealistic expectation does not have to be passed down.

Partnership Success Factors (cont)

18. Private Agency Capacity. Are private agencies ready to meet the needs of the public agency? Do they have the full complement of the service array needed?
19. Recognition of expertise and mutual respect.
20. Shared accountability-The power of public-private partnerships can't be overstated; but partnership without shared accountability is empty. (Mattingly 2008 QIC).

Partnership Success Factors (cont)

- **Shared Accountability Takes Work!** QIC asked 17 states to share their structures and strategies:
 - Leadership at the top.
 - REAL working committees (IL CWAC)
 - Regular & frequent meetings with candid dialogue, ongoing communication
 - CQI process focused on system change.

Things to Avoid

- **Magical Thinking:** There is no perfect contract out there. There is no prevailing “model” and no comparative data to say one works best.
- **Arrogance:** Thinking you can design a perfect system or manage a contract while ignoring lessons learned elsewhere.
- **Stupidity:** Mandating things that FAR exceed funding—or believing as a private agency that you can do the impossible.

Things to Avoid

- **Thinking that this shift is easy!** Moving from purchasing or delivering services to buying or managing for “results” is challenging for both sides.
- **Rigidity.** Saying oops and making a mid-course correction is not a sign of failure, it is a good indicator that early warning systems are working.
- **Overselling.** The truth is the results are often mixed.

Crystal Ball

- Contracts for all types of services will increasingly be performance-based with outcomes that mirror ASFA /CFSR.
- There will be more providers (in-state or out-of-state) willing and able to share financial risks, potential rewards and be held accountable for results.
- There may be more consolidation and more statewide and regional contracts.

Crystal Ball

- Private agencies that can help public agencies manage shrinking resources and meet federal and state requirements will survive and thrive.
- Some private agencies will opt out of PBC and others will not survive the transition.
- The imperfect partnership will continue to evolve until shared accountability becomes more than rhetoric.



Let's Talk...

Questions & Answers

For Additional Information

All of the ASPE topical papers can be accessed online:

Assessing Site Readiness: <http://aspe.hhs.gov/hsp/07/CWPI/site/index.shtml>

Program and Fiscal Design:

<http://aspe.hhs.gov/hsp/07/CWPI/models/index.shtml>

Roles of Public & Private Agencies:

<http://aspe.hhs.gov/hsp/07/CWPI/roles/index.shtml>

Evaluating Privatized Efforts:

<http://aspe.hhs.gov/hsp/07/CWPI/guide/index.shtml>

Preparing Effective Contracts:

<http://aspe.hhs.gov/hsp/07/CWPI/contracts/index.shtml>

Quality in Contracted Services :

<http://aspe.hhs.gov/hsp/07/CWPI/quality/report.pdf>

The ASPE series builds upon field research and the work of the [Quality Improvement Center for the Privatization of Child Welfare Services](http://www.uky.edu/SocialWork/qicpcw/) (<http://www.uky.edu/SocialWork/qicpcw/>). The QIC site contains links to other research reports.