

Improving Child and Youth Placement Outcomes: A System Redesign

(Foster Care Redesign)

Report

January 2011



Table of Contents

Executive Summary	3
Introduction	7
Redesign Objectives and Parameters.....	7
National Perspective	8
Quality Indicators	8
Stakeholder Summary	9
Public Private Partnership	9
Meetings, Presentations, Focus Groups and Workgroups.....	10
Stakeholder Survey and a Request for Information (RFI).....	12
Stakeholder Identified Barriers and Areas Requiring Focus	12
Proposed Foster Care Model.....	13
Procurement and Contracting Methods	13
Reimbursement Methodology.....	15
Catchment Areas.....	16
Staged Implementation.....	16
Contingency Plan	17
Comparison of Foster Care Systems (Chart).....	18
82 nd Texas Legislature	18
Time Line.....	18
Glossary.....	19
Appendices	21

Executive Summary

Too often, children in foster care must move to locations where services are available rather than the services being offered in the communities where the children live. For many, moving away from their home communities means leaving behind siblings, peers, families, schools, churches and other support networks. To a large extent, the structure of the current foster care system does not encourage providers to establish services where services are needed.

The contracting and payment structure of today's foster care system does not adequately acknowledge, compensate, or distinguish providers who offer quality services and improve the well-being and functioning of the children they serve. This can be partially attributed to the direct link between the provider's reimbursement rates and children's individual service levels. Currently, when children make progress and their service levels decrease, providers are reimbursed at the lower foster care rates, which fails to reward the improvements.

Further, a change in service level not only affects the rate of reimbursement but may also increase the likelihood that a placement change will occur. Many providers contract for a specific placement type (i.e. child placing agency, residential treatment center, general residential operation, etc.) to serve children with specific service needs (i.e. basic, moderate, specialized or intense). Very few providers offer a continuum of services or continuum of placement types that can accommodate the changing service needs of children. Many children in foster care are aware of this and some do not work toward improving behavior for fear that it will ultimately lead to changes in placements.

In January 2010, the Department of Family and Protective Services (DFPS) joined other child welfare stakeholders in a united effort to develop recommendations for a redesigned foster care system that address the problems with the current system and support improved outcomes for children, youth and families. The proposed redesigned system does not include privatization of case management; casework responsibilities will remain the role of the Child Protective Services (CPS) caseworker. Additionally, the proposed redesigned system does not preclude nor require additional foster care funding, with the exception of funding for normal entitlement caseload growth.

Children, youth and families rely on many different stakeholders for their safety, permanency and well-being. Twenty-six individuals representing various stakeholder groups were selected for a Public Private Partnership (PPP) that served as the guiding body to develop recommendations for a redesigned foster care system. The PPP includes foster youth alumni, members of the judiciary, foster care providers, child and family advocates, provider associations, a DFPS Advisory Council member, and DFPS staff. In December 2010, members of the PPP reached consensus on recommendations for a redesigned foster care

system that will result in better outcomes for children, youth and families, increase accountability, and improve the availability, quality and coordination of services in communities where services are needed.

Eight quality indicators, as adopted by the PPP, serve as a foundation for the development of a redesigned foster care system. The quality indicators include:

- First and foremost, children are safe in their placements.
- Children are placed in their home communities.
- Children are appropriately served in the least restrictive environment that supports minimal moves for the child.
- Connections to family and others important to the child are maintained.
- Children are placed with siblings.
- Services respect the child's culture.
- To be fully prepared for successful adulthood, children and youth are provided opportunities, experiences and activities similar to those experienced by their non-foster care peers.
- Children and youth are provided opportunities to participate in decisions that impact their lives.

Recommendations for How to Contract

In the current system, DFPS uses an "open enrollment" process to procure, or purchase, residential child care services for specific placement types. As a result, DFPS attracts many providers. While more than 300 providers have been procured through the open enrollments, the process offers no assurance that providers will locate in communities where residential services are needed. As such, an imbalance in the geographic distribution of foster care services throughout the state now exists. For example, one area of Texas may have a large number of basic foster care homes but very few, if any, therapeutic settings such as residential treatment centers. This is problematic for DFPS caseworkers who want to place children close to home and for providers who must care for children from other communities.

Residential contracts are structured to accommodate the Texas Service Level System. The system includes basic, moderate, specialized and intense service levels, each having a different reimbursement rate. Contracts prescribe a set of services for each service level, and in many instances, require a specific placement setting for the service levels. Because very few providers have all of the placement settings and services that are necessary to meet the needs of children regardless of service levels, children move from provider to provider when service levels change.

Current contracts are not performance-based contracts. Today's contracts include performance expectations but there are no incentives or remedies tied to expected outcomes for children. The many contractors who provide quality services that help improve the overall functioning of children are in no real way distinguished from providers who do not offer quality services.

Proposed changes to the contracting and procurement processes in the redesign foster care system:

- Competitively procure for Single Source Continuum Contractors (SSCC) that provide a full continuum of paid foster care services designed to meet the needs of all children who enter care in the designated catchment area.
- Procurement should be open to both in-state and out-of-state for-profit and not-for-profit entities with preference given to providers that already offer quality services in Texas.
- Hold SSCC's accountable for well-being and permanency outcomes, that support placing children close to home in the least restrictive, most family-like settings and helping them move out of the foster care system as quickly as possible, using a Performance Based Contract that includes financial incentives and remedies.
- Allot other existing funds to each SSCC to coordinate and deliver some services to parents of the children in their care. Currently, DFPS uses these funds to pay for services such as counseling, but intends to offer maximum flexibility in how dollars are spent.

Recommendations for How to Pay

In the current system, each level of service (basic, moderate, specialized or intense) in combination with each placement type (child placing agency, general residential operation or residential treatment center) determines the reimbursement rate for a day of service. This model offers no financial incentive to providers for improved outcomes. Providers who offer quality services that result in decreased service levels and permanent successful exits from foster care lose money for their successes.

Proposed changes to fiscal model in the redesign foster care system:

- The PPP recommends the reimbursement rate in the redesigned system be determined by combining a blended rate with a case rate to create a *single blended case rate* for each catchment area.
- A blended rate is similar to an average per diem payment rate for all children in paid foster care regardless of service level or placement type.

- A case rate reflects the total number of days a child remains in paid foster care.
- The single blended case rate is calculated by multiplying the blended rate by the days of service represented in the case rate.
- If approved by the Legislature, an SSCC can leverage a percentage of general revenue dollars if the average number of days children spend in paid foster care is less than the number established by the case rate.
- If approved by the Legislature, an SSCC would return the general revenue portion of payment for the average number of days children's placements exceed the number of days established by the case rate.

Recommendations for Implementing the Redesign Foster Care System

To minimize risk and maximize opportunities for success, the PPP recommended phase-in of the redesigned system. This proposal includes a staged roll-out of the redesigned foster care system across the state and a staged implementation within individual catchment areas. The roll-out of the redesigned system should initially occur in one or two catchment areas before expanding to other areas of the state. There should be three stages of implementation within a catchment area.

Stage I: Focuses on improved well-being and permanency outcomes by reducing the number of moves children experience, while establishing foster care services where they are needed and enhancing overall quality of services.

- Implement performance based Single Source Continuum Contracts in specific geographic catchment areas.
- Pay SSCC the blended rate for each child in paid foster care and require a minimum pass-through of the blended rate to the foster parent.

Stage II: Builds on the benefits of Stage I and expands focus to include improved coordination and delivery of services for families of children in foster care.

- Allocate funds to the SSCC to coordinate and provide services to families of the children in its care.

Stage III: Builds on the benefits of Stages I and II and expands focus to include improved outcomes around timeliness to achievement of permanency by adding incentives for providers who safely reduce the length of time children remain in foster care.

- Pay SSCC the single blended case rate for each child in paid foster care.
- "Hold harmless" the SSCC for financial remedies during first year of Stage III.
- Allocate leveraged funds for performance to further improve outcomes.

Improved Outcomes

Serving children closer to home increases the likelihood that they will remain connected to their siblings, families, peers and schools. Close proximity also allows biological parents, CPS caseworkers, Court Appointed Special Advocates and attorney ad-litem the opportunity to visit children more frequently and, at the same time, reduce travel costs.

By streamlining the approach to coordinate and deliver services, children will move less frequently and spend less time in foster care. Providers will have increased flexibility to develop services designed to meet the individual needs of children and will receive incentives to continue to improve these services.

The body of the Foster Care Redesign Report provides an overview of the processes used to develop recommendations for the redesigned foster care system and more detailed information on each component of the proposed model.

Introduction

Over the past several years, the Department of Family and Protective Services (DFPS) has worked to improve the foster care system and has since concluded that the methods of contracting and paying for services must change in order to improve quality of care and foster care outcomes. This foster care redesign project was, and remains, an initiative to collaboratively develop and implement a broadly supported plan for a foster care system that will:

- Promote positive outcomes for children, youth and families.
- Improve the service delivery process and quality of care.
- Align financial incentives with process and quality objectives.
- Require the development of services in locations where services are needed.

Redesign Objectives and Parameters

The project objectives that guided the development of the proposed foster care model included:

- Determine where and what kinds of services are needed.
- Determine how to contract for quality services, including recommended outcomes, performance measures and procurement processes.
- Determine how to pay for services so that payment methodologies align incentives with process and quality objectives.

When DFPS initiated the foster care redesign project, it had no preconceived notions of what the model components or implementation strategies should be. To encourage innovation and change of the extremely complex foster care system, DFPS leadership identified only two parameters within which the redesigned system must remain. Those parameters are:

- Legal oversight and case responsibility (i.e., case management) will remain the role of DFPS.
- The redesigned foster care system will neither preclude nor require additional funding, with the exception of funding for normal entitlement caseload growth.

National Perspective

As consensus was reached on elements for a redesigned Texas foster care system, the project team identified other states that incorporated similar elements in their foster care systems. The states identified were Tennessee, Missouri, Illinois, Florida, Kansas, and Washington. Communications between the project team, members of the PPP and staff from other states afforded opportunities to discuss in detail the lessons learned by other states, especially by Tennessee and Missouri. In addition, the barriers, challenges and issues identified and addressed by other states were discussed. The information and insight gathered from these discussions significantly helped Texas develop a model for a redesigned foster care system and a plan to implement the system.

Quality Indicators

An initial objective for the redesign project was to identify quality indicators that support the achievement of improved outcomes for children, youth and families in the foster care system. The indicators serve as the foundation for the development of the redesigned foster care system. As such, the system must support the achievement of the quality indicators. In February 2010, the initial five quality indicators were identified and endorsed by the DFPS Public Private Partnership (PPP). These include:

- Children and youth are placed in their home communities.
- Children and youth are appropriately served in the least restrictive environment that supports minimal moves.
- Connections to family and others important to the child/youth are maintained.
- Children and youth are placed with their siblings.
- Services respect the child/youth's culture.

In June 2010, members of the redesign project team met with the Statewide Youth Leadership Council to present information on the redesign initiative and to

gather input from both foster care alumni and youth who were currently residing in foster care. As a result, additional quality indicators were recommended by youth and subsequently endorsed by the PPP in July 2010. These include:

- To be fully prepared for successful adulthood, children and youth are provided opportunities, experiences and activities similar to those experienced by their peers not in foster care.
- Children and youth are provided opportunities to participate in decisions that impact their lives.

Four months later, the PPP endorsed a quality indicator related to safety. While safety is an assumed requirement for the redesigned system, stakeholders felt it was important to explicitly state that safety is the primary quality indicator. In November 2010, the PPP endorsed the following:

- First and foremost, all children and youth are safe from abuse and neglect in their placement.

Stakeholder Summary

Stakeholder involvement is paramount to the development and success of a redesigned foster care system in Texas. The project team has ensured comprehensive and extensive stakeholder involvement throughout the initiative. Stakeholder involvement means informing stakeholders of all aspects of the redesign initiative and actively seeking, considering, and incorporating the broad range of input and ideas from stakeholders. This has occurred throughout the initiative in a variety of ways. To that end, the recommended design and staged implementation reflect strong collaboration and partnership between DFPS and stakeholders.

Stakeholder involvement sometimes led to differing viewpoints that were vetted through a long and thoughtful process. This process served to create a stronger redesign initiative that, as a result, has the support of many stakeholders.

Public Private Partnership

The PPP is a group of stakeholders representing various disciplines and geographic areas, was named the guiding body for the project by the DFPS Commissioner. The PPP was charged with developing recommendations to improve outcomes for children and youth in foster care. The PPP was asked specifically to make recommendations that help to ensure children are placed close to home in the least restrictive settings with siblings, and experience a minimum number of moves.

While the PPP was in existence prior to the beginning of the project, the redesign initiative was its focus during 2010. The 26 member PPP includes a varied group of stakeholders that represent youth alumni, the judiciary, child advocates, providers, members of foster care association, foster care advocates, and DFPS leadership staff. This group began redesign work in January 2010 and except for February and October, met every month during the year.

In addition to monthly meetings, numerous workgroups which included non-PPP stakeholders met to address specific topics and issues raised by the PPP. The PPP considered input from many groups and individuals and some PPP members made presentations to, and solicited input from, stakeholders or constituent groups with whom they were affiliated. Members often spoke about the redesign process and indicated that while they might not personally share a particular viewpoint, they wanted to ensure the PPP heard differing views in order to endorse a product that Texas stakeholders universally could support.

During PPP meetings members reviewed data, researched the redesign efforts of other states, and were able to discuss and explore issues that negatively impact children and youth in foster care. The PPP also considered other stakeholder input that was collected from various presentations, meetings, surveys, public forums, a Request for Information (RFI), and the DFPS public website mailbox.

Common themes emerged, resulting in consensus around design and implementation recommendations that were endorsed by all members of the PPP. Those recommendations were memorialized in a letter from the PPP to the DFPS Commissioner on December 13, 2010. A copy of that letter is provided in Appendix A.

Meetings, Presentations, Focus Groups and Workgroups

While the PPP served as the guiding body for the redesign initiative, many other individuals, groups and organizations had input into the development of the proposed model and implementation plan. In the past 11 months, more than 3,100 stakeholders have participated in approximately 150 presentations, meetings, focus groups and workgroups dedicated to the Foster Care Redesign. A list of many of the individuals who have provided input can be found in Appendix B.

In an effort to ensure that all stakeholders had the opportunity to provide input and remain engaged in the project, additional avenues for communication were developed. In April 2010, a webpage and mailbox dedicated to the redesign went live on the DFPS public website. Information on the status of the redesign was added to the webpage throughout the duration of the initiative. Since launched, there have been well over 5,800 visits to the foster care redesign

webpage. The mailbox was created to allow all stakeholders to submit questions, comments and input.

On June 14, 2010, DFPS hosted a statewide foster care redesign Stakeholder Forum in Austin. Regional presentations on foster care redesign were also made to providers and DFPS staff. These meetings occurred on the following dates, in the following locations:

- April 28, 2010 - Corpus Christi (Region 11)
- May 14, 2010 - San Antonio (Region 8)
- July 15, 2010 - Houston (Region 6)
- July 23, 2010 - Abilene (Regions 2 and 9)
- August 11, 2010 - Dallas (Region 3)
- August 27, 2010 - El Paso (Region 10)
- September 1, 2010 - Nacogdoches (Regions 4 and 5)
- September 9, 2010 - Austin (Region 7)
- October 6, 2010 - Amarillo (Region 1)

Several workgroups comprised of both internal and external stakeholders were established to explore the implications of a redesigned foster care system and provide recommendations to the PPP and DFPS Commissioner. Workgroups focused on the following areas:

- Fiscal matters
- Service delivery and coordination of services
- Needs assessment
- Collaborative casework
- Judicial accountability
- Performance measures.

As the proposed model and strategies for implementation developed, implication meetings occurred with subject matter experts representing the following areas:

- Budget and Finance
- Procurement
- Residential Child Care Contracts
- Information Technology (IT)
- Purchased Services Contracts
- Utilization Review
- Legal
- CPS Program
- Contract Oversight and Support
- HHSC Rate Analysis
- DFPS Contract Performance

Stakeholder Survey and a Request for Information (RFI)

In May 2010, a stakeholder survey designed to assist in the identification of barriers within the current foster care system was conducted. Notice and an invitation to take the survey was sent to all DFPS licensed residential child care and regional purchase of service providers on behalf of the Assistant Commissioner for CPS. A link to the survey was also posted on the redesign webpage and an article announcing the survey was published in the *DFPS Delivers* intranet newsletter. Six hundred twenty-two stakeholders from 94 Texas counties, responded to the survey. Respondents represented various individuals and disciplines within the child welfare community.

From July 21, 2010, through August 19, 2010, a Request for Information (RFI) was posted on the *Electronic State Business Daily*. The purpose of the RFI was to gather input for a redesigned foster care system and implementation strategies. A link to the RFI was posted on the redesign webpage and notice of the RFI was sent to all DFPS licensed residential child care and regional purchase of service providers. A total of 22 responses were made to the RFI.

Stakeholder Identified Barriers and Areas Requiring Focus

Overall, stakeholders represented numerous constituencies. Even so, the input and feedback received from stakeholders was remarkably similar across constituencies. By far the most commonly identified barrier to achieving successful outcomes was the current Texas service level system. Stakeholders expressed concern that the current service level system creates a disincentive for providers to improve the well-being of children in paid foster care. Under the current system a provider has a perverse financial incentive to maintain a high authorized service level for a child because the authorized service level is directly linked to the billing service level. A higher billing service level means a higher reimbursement rate.

Input from youth in foster care similarly reflects a perverse incentive to maintain their level of functioning due to the link between service level and placement type. Youth were able to describe in great detail the shortcomings of the current service level system, including "loop holes" used to manipulate outcomes in an effort to avoid changes in placement and perceived "labels" associated with each service level type.

The second most common barrier identified was the method by which DFPS contracts for residential services. Overall stakeholder input revealed that using the current open provider enrollment (PEN) process for procuring residential services creates an imbalance in geographic distribution of services and providers. When children enter foster care from an area of the state that does not have sufficient resources to meet their needs, they must move to an area of the state where the needed services are available. Over time, children

originating from an area of the state where resources are available end up moving to another part of the state because the services in their community are being used by children from other areas. Additionally, the input gathered suggested that by contracting for specific placement types, verified to serve specific service levels, providers are limited in their ability to provide continuity for the child. If the child is placed with a provider who does not offer a continuum of care, a change in service level too often results in a change of placement and adjustment to a new family, provider, school, friends, therapists, doctors, etc.

Residential child care providers expressed the desire to work more closely with the families of the children they serve. This stakeholder group reported concern that in the current system, services are offered to the child and parent in separate silos, thus limiting or preventing work with the family as a whole.

Other common themes identified through the analysis of input:

- Maintain the progress DFPS has made with Disproportionality and continuing to move forward with that initiative.
- Improve the assessment process.
- Increase family, child and youth involvement in the decisions that impact their lives.
- Continue efforts to improve collaboration and coordination between DFPS and providers.

Even though the input and feedback from most stakeholders was similar, the responses from a few stakeholders are contrary to the proposed foster care model. Some of the concerns and issues raised by those stakeholders can be found in Appendix C.

Proposed Foster Care Model

Procurement and Contracting Methods

DFPS currently uses an open provider enrollment (PEN) process to procure residential child care services for specific placement types (residential treatment centers, general residential operations or child placing agencies). Under the proposed redesigned system, DFPS would competitively procure a Single Source Continuum Contract (SSCC) for a specific catchment area using a request for proposal (RFP) process. The SSCC will be a licensed child placing agency responsible for providing a full continuum of residential services to all children who enter paid foster care in the catchment area. The SSCC can provide the continuum of services or form a collaborative or network of providers to establish the required continuum. The SSCC can be a for-profit or not-for-profit in-state or out-of state entity. Preference will be given to providers with experience delivering services in Texas.

The current residential child care contract is not performance-based. Under the proposed system, the SSCC would enter into a performance-based contract and be held either contractually or financially accountable for outcomes (with the exception of a first year hold harmless clause). Outcomes to be tied directly to incentives and remedies will focus on length of stay in paid foster care (permanency) and child functioning as indicated by a decrease in intensity of service need while in care (well-being). Additionally the eight quality indicators identified earlier will be used to guide the development of the performance measures in the SSCC contract.

Currently, DFPS enters into numerous regional and purchase of service contracts with multiple providers who specialize in different services such as parent training, evaluation and treatment, homemaker, supervised visitation, concrete services, preparation for adult living, adoption, home studies, psychological evaluations and psychiatric evaluations. Under the redesigned system, funds dedicated to these services would be provided to the SSCC in a separate allocation to provide services to the families of children in the provider's care. The SSCC would have flexibility within federal guidelines to authorize services designed to support individuality and innovation and ultimately improve outcomes for children, youth and families.

Based on the proposed model, the SSCC would assume some administrative functions that are currently the responsibility of DFPS staff. Transferring those functions to the SSCC will eventually reduce the number of residential and purchase of service contracts the department manages in a catchment area. The SSCC would assume responsibility for the functions associated with the establishment and management of subcontracts to fulfill the continuum of services requirement. As a result, a transfer of administrative resources from DFPS to the SSCC will occur.

Similarly, some placement resources within DFPS will shift to the SSCC. Currently, when a child requires placement, a CPS caseworker makes a referral to either the CPS Centralized Placement Unit (CPU) or the Residential Treatment Placement Coordinator (RTPC). The CPU or RTPC work with the caseworker to identify the most appropriate and best placement for the child. Under the proposed redesigned system, the SSCC will identify the most appropriate and best initial and subsequent placement opportunities within its continuum. DFPS will maintain the authority to override the SSCC placement decisions.

Stakeholders have also recommended that DFPS foster and adoptive homes be absorbed into the continuum when the model rolls out in each catchment area. Eventually, DFPS would no longer develop and maintain those foster and adoptive homes. Instead that function, along with resources to provide that function, would shift to the SSCC.

Reimbursement Methodology

Under the current 24-Hour Residential Child Care reimbursement methodology, the Health and Human Services Commission (HHSC) determines distinct payment rates for each level of service (i.e., basic, moderate, specialized or intensive) in each placement type (Child Placement Agency, Emergency Shelter, other General Residential Operation or Residential Treatment Center). In addition, HHSC determines unique rates for Emergency Shelters and the Intensive Psychiatric Transition Program and pass-through rates for foster families. The provider's reimbursement rate for a day of service under this methodology is then dependent upon the child's service level and placement type.

The redesigned reimbursement methodology would replace the current system of multiple rates with a single blended case rate for each catchment area. The move to a blended case rate would occur in a staged fashion.

Initially, HHSC would determine a single **blended rate** for each day of service provided to a child in paid foster care regardless of service level or placement type. The blended rate would be equal to the average rate paid across all placement types and would be adjusted for the mix of service levels of the children cared for by the Single Source Continuum Contractor (SSCC).

Eventually, as the redesigned methodology is fully implemented, the SSCC would move to a **blended case rate**. Under a blended case rate, the SSCC would be paid the blended rate for each day of service provided to each child, but rewards and remedies would be applied based on the average length of stay for children served by the SSCC.

Length of stay baselines would be established based on DFPS historical data for each SSCC. If the SSCC moved children to permanency in less time, on average, than predicted by its baseline, it would receive a percentage of the general revenue the state would have spent had the children remained in paid foster care for the length of time predicted by the baseline. If the SSCC took more time, on average, to move children to permanency than predicted by the historical baseline for the catchment area, DFPS would recoup a portion of the funds associated with the days in excess. This settle up would occur on an annual basis once the case rate was implemented.

The blended case rate would include children who are currently served under child specific contracts, in emergency shelters and under the Intensive Psychiatric Transition Program. Children with severe primary medical needs, dual diagnoses and children with very high level needs that are unlikely to change over time would be carved out from the blended case rate and reimbursed in a different, as yet undetermined manner. These children would, however, still be served by the SSCC.

Under the redesigned methodology, HHSC would continue to determine and, DFPS would continue to require, a minimum pass-through amount for foster families; however, to support flexibility and innovation, no required minimum pass-through to other subcontractors would be required.

Finally, the initial payment to each SSCC would be bifurcated in the first month of operation under the redesigned foster care system to allow for the administrative portion of the rate to be paid prospectively. The SSCC would then bill at the end of the month. DFPS would claim the federal funding portion based on the child's eligibility (as done now) and there would be a process for "settling up" on the advanced portion between the SSCC and DFPS. This "upfront" funding of administrative costs would allow the SSCC's to build needed infrastructure to serve all children originating in the SSCC's catchment area.

Catchment Areas

Texas data set was developed utilizing DFPS data from IMPACT and the Child Placement Vacancy database. The information in this system is being utilized to develop a gap analysis which will be one of the tools used to identify geographic catchment areas for roll out of the redesigned foster care system.

While specific catchment areas have yet to be determined, inclusion of the following criteria must be considered: minimum number of children entering care within a catchment area (500 new entries per year based on the analysis); considerations of existing relationships with courts, providers and education systems; and resource considerations for DFPS and providers. Stakeholders have recommended including both a metro and non-metro area in the initial round of roll-out catchment areas.

Staged Implementation

Staged implementation of the proposed model will not only involve gradual, geographic, site by site implementation, it will also involve gradual implementation of elements of the model.

Stage I involves building infrastructure, eliminating disincentives inherent in the current link between the Billing Service Level and Authorized Service Level, and restructuring contracting processes, including competitively procuring and contracting for the foster care continuum. Although there would be performance expectations related to quality, no financial incentives or remedies would be tied to Stage I. Implementing these elements of the redesign provides opportunities for improvement in the foster care system before expanding responsibilities to family work. A blended rate provides the opportunity for incentives for improvements in a child's well-being and avoids possible conflicts related to

length of stay and debates regarding loss of Title IV-E funding and "reinvestment" of general revenue in a time of fiscal uncertainty. In addition, having the continuum structure in place and fully functioning before implementing length of stay provisions would provide the opportunity to establish provider-specific baselines for case rate purposes.

Building on successful implementation of Stage I, the second element (Stage II) will add currently contracted services and purchase of service dollars to the single source continuum contract through an allocation separate from the blended rate. This element adds some complexity related to DFPS/provider roles and also adds some risk due to anticipated reduction in the number of providers impacted. Implementing this element after the foster care infrastructure is firmly established allows the SSCC to establish community relationships that could mitigate risk.

Stage III, or full implementation of the model, will involve adding length of stay expectations and expanded services to families and will require reinvestment of general revenue foster care funds. Shared casework and decision-making and shared (financial) risk are added in this stage.

Contingency Plan

To ensure there is no disruption in the care or services provided to children, youth and families receiving services through the proposed model, implementation should occur in contiguous geographic areas. Under this recommendation, if a SSCC failed in a specific catchment area, the SSCC in the neighboring catchment area would be well positioned to step in and provide services in the neighboring catchment area until a contract with a new SSCC could be procured.

Comparison of Foster Care Systems (Chart)

	Current System	Stage I	Stage II	Stage III
Children Served	All paid foster care Placements	No Change	No Change	No Change
Total Funding for Paid Foster Care	No Change	No Change-Does allow for caseload growth	No Change- Does allow for caseload growth	No Change-Does allow for caseload growth
Contracting Method	Open Enrollment	One Competitive Procurement for All Three Stages	Same as Stage I	Same as Stage I
Payment Method/ Incentive	Tie between authorized and billing service level keeps children at higher level of service. Children remain in care longer	Blended Rate De-links Billing and Authorized Service Levels Provides incentive for children to move toward lower service level	No Change from Previous Stage Regional/ Purchase of Service Funds/Resources are added	No Change from Previous Stage Reduce Length of Stay (Blended Case Rate)
Care Approach	Multiple paid foster care providers responsible for individual child's care. Children and family served by multiple /different entities	Single Source Continuum Contractor Responsible for All Service Levels No Change	No Change from Previous Stage Providers Deliver purchase of service array to Families	No Change from Previous Stage Providers Add Other Services to Families with Leverage Dollars

82nd Texas Legislature

In order to implement the redesigned foster care system, in accordance with the recommendations contained in this report, DFPS will require approval of the Texas Legislature to utilize both foster care and purchase of service dollars in a flexible manner.

Time Line

DFPS anticipates having the initial continuum contract in place by winter 2012, to avail the opportunity for sufficient evaluation information prior to the 83rd Texas Legislative Session.

Glossary

Authorized Service Level (ASL): A Basic, Moderate, Specialized, or Intense service level determined by the third party contractor or, a Basic service level determined by the CPS caseworker and supervisor. The authorized service level is based on information regarding the child's service needs.

Billing Service Level (BSL): Determined by the third party contractor or DFPS; establishes the reimbursement rate to a child care facility.

Continuum of Care: An array of least restrictive placement services that meet the needs of all children in the care of a contractor.

Provider Enrollment (PEN): A formal, advertised method of procurement (purchase of service) used by DFPS to solicit applications for contracts from vendors and suppliers who meet qualifications or criteria for participation in the provision of the services sought through the procurement, as specified in the PEN. Contracting opportunities under a PEN are open to any potential provider who establishes through acceptable means (such as licensure or certification) that it meets all provider service standards and agrees to all terms and conditions set forth in a DFPS-prescribed contract, including the established payment rates.

Outcome: A measure that reflects or reveals change or impact.

Performance-Based Contract: A contract that ties payment, financial incentives and financial remedies to performance. Additional performance measures may be included and used to make decisions to renew or terminate the contract.

Purchase of Service (POS) Contract: For purposes of the redesign these contracts pertain to the services purchased by DFPS and offered to families and children under the Department's conservatorship to support the achievement of permanency.

Request for Information (RFI): A formal method of soliciting information, suggestions, and responses from interested persons or organizations to questions relating to a planned procurement posed in the RFI. Responses received to an RFI are reviewed, considered, and help inform the Department's decisions regarding the planned procurement.

Request for Proposal (RFP): A formal, advertised, competitive method of procurement (purchase of service) used by DFPS to solicit proposals from interested entities for the provision of services sought through the procurement, as specified in the RFP. An RFP includes statement of the criteria and factors that DFPS will consider in evaluating and determining best value to the state and

the relative importance of the criteria and factors. Contract awards under an RFP are determined following the formal evaluation of proposals received, and after conducting any appropriate negotiations with one or more of the respondents to the RFP.

Single Source Continuum Contract/Contractor (SSCC): Entity with whom DFPS contracts for the full continuum of care in a catchment area.

Appendices

Appendix A

Public Private Partnership Letter of Recommendations for Foster Care Redesign

December 13, 2010

Commissioner Anne Heiligenstein
Texas Department of Family and Protective Services
701 West 51st Street
Austin, Texas 78751

Dear Commissioner Heiligenstein,

Thank you for the opportunity to provide you with our recommendations for redesign of the Texas foster care system.

In January, 2010, the Public-Private Partnership (PPP) was given the opportunity to develop recommendations for changing the Texas foster care system to improve outcomes for children, youth and families. Specifically, we were asked to make recommendations that would ensure that children in foster care were appropriately placed with siblings and served in their home communities. In addition, we were asked to consider ways to provide incentives for reaching desired outcomes. These recommendations were to be made within two parameters: the redesigned system could not require nor preclude additional funding and the redesigned system could not include transfer of case management responsibilities. Specifically, we were to address the following objectives:

- How to contract
- How to pay
- Where and what kind of services were needed

During the past year over 3,000 stakeholders participated in foster care redesign presentations, meetings and public forums. Many of those stakeholders contributed comments invaluable to our process.

Keeping as our primary focus the best interest of the children, youth, and families we serve, the PPP considered stakeholder input, including responses to the RFI and stakeholder survey, studied foster care models from other states, reviewed Texas-specific data and assessed numerous options for applicability in a Texas-specific system. After eleven months of dedicated work, the PPP has reached the following consensus recommendations.

These recommendations outline a system we believe will result in increased accountability, quality, coordinated services and ultimately, better outcomes for children and youth.

Note: These recommendations are made contingent upon

- **Transfer of DFPS resources commensurate with transferred tasks**
- **Staged implementation and an evaluation of early implementation sites showing positive results prior to expanding roll-out**
- **Increased provider authority/participation in making placements within the continuum**
- **Increased collaboration and cooperation between DFPS and stakeholders**
- **Provider authority/ability to impact outcomes for which they are held accountable**
- **Maintaining, at a minimum, current foster funding levels**

We understand that the amount of administrative resources to be transferred may be unknown until catchment areas are designated and also understand that, in order to ensure the integrity of possible future procurements, selection of catchment areas and other detail regarding other issues may not be known to us until the public release of a draft RFP.

Quality Indicators

The PPP adopted quality indicators to provide the foundation for our work; i.e. any recommended system would have to facilitate accomplishment of these indicators. These quality indicators are recommended with the understanding that the individual needs of a child are paramount - not all indicators will be appropriate for every child. However, collectively, the indicators are viewed as optimal. We expanded on DFPS' initial goals for the project and as a result of input from many stakeholders, including youth, recommend the following:

- First and foremost, children are safe in their placements.
- Children are placed in their home communities.
- Children are appropriately served in the least restrictive environment that supports minimal moves for the child.
- Connections to family and others important to the child are maintained.
- Children are placed with siblings.
- Services respect the child's culture.
- To be fully prepared for successful adulthood, children and youth are provided opportunities, experiences and activities similar to those experienced by their non-foster care peers.
- Children and youth are provided opportunities to participate in decisions that impact their lives.

We also recommend that performance measures for continuum contracts are based on these indicators.

How to Contract

There are approximately 340 paid foster care providers currently under contract with the state. However, because the State has an "open enrollment" process, providers may not be located where services are needed or provide the types of services required. Providers have little predictability regarding the number of children they will be asked to serve or the types of services they may be expected to deliver, making it difficult to plan or modify services according to demand.

Although current residential contracts do include some performance expectations, expected outcomes are not included, nor are incentives for producing good results. As a result, providers who deliver quality services and successfully serve children are not distinguished from providers who do not.

Finally, because services are fragmented and placements are specialized according to the Service Level System, many children must move multiple times to get the services they need, frequently have to move from their home communities to be served and are placed apart from their siblings. In the current system there is no established process for coordinating these moves among providers and little coordination or planning between DFPS and providers to facilitate transition for children. As a result valuable information may not be conveyed and progress a child has made may be lost.

To help remedy these issues the PPP recommends the following:

- Contract for outcomes (performance-based contracting)
- Competitive procurement
 - Open to profit and not-for-profit sector
 - Open to Texas and non-Texas agencies, but preference given to providers who have experience in Texas
- Contract for the full continuum of services (all levels)
- Contract in a specified catchment area for the continuum

How to Pay

The current model does not reward good outcomes and in fact provides financial disincentive as children improve and service levels decrease or permanency goals are accomplished. As previously noted, a child may be moved unnecessarily, and as caretakers and therapists change, progress the child has made may be lost. Providers don't have flexibility regarding meeting a child's specific needs in lesser restrictive

settings without incurring a lowered rate or using the rate to purchase unique services tailored to a child's specific needs.

To better align incentives and desired outcomes, provide flexibility for developing child-specific services and increase opportunities to serve families the PPP recommends:

- Elimination of Billing Service Level link to Authorized Service Level

- Blended Case Rate (phased in via staged implementation, beginning with blended rate)
- Incentives based on achievement of timely permanency (reduction in length of stay) and improvement in a child's well-being
- Reinvestment of incentives to further improve outcomes

Implementation

The PPP recommends the model initially be implemented in a limited number of catchment areas. This initial group of catchment areas (set up as “innovation zones” or “test” sites) would include metro and non-metro catchment areas and would be of sufficient size to be fiscally viable. To minimize risk and maximize opportunities for success, the PPP also recommends phasing in the redesigned system as follows:

- Stage I:
 - Implement performance based contract for continuum in specific geographic catchment areas
 - Blend rates across all service levels and eliminate tie between billing and authorized levels of care
- Stage II
 - Increase providers' role with families of children in their care
 - Provide allocation for services to families of children in care
- Stage III
 - Implement case rate to include length of stay incentives
 - "Hold harmless" in regard to financial remedies during first year
 - Implement reinvestment of incentives to further improve outcomes for children in foster care

In addition, the PPP proposed evaluation of catchment areas and modification of the model, if needed, prior to expanding implementation to new geographic areas.

The recommendations of the group were reached through consensus. We endorse and support the recommended changes.

Michael Redden, Co-Chair, PPP
Executive Director
New Horizons Ranch and Center

Audrey Deckinga, Co Chair, PPP
Assistant Commissioner
Child Protective Services

Dan Adams, President and CEO
Cal Farley's

Tina Amberboy, Executive Director
Supreme Court Judicial Commission
for Children, Youth, & Families

Lisa Black, Regional Director
Child Protective Services

Roy Block, Executive Director
Texas Foster Family Association

Caroline Bogues, Alumni
Foster Youth Representative

Tim Brown, President and CEO
Methodist Children's Home

Robert Ellis, CEO
Pegasus Schools, Inc.

Judge Paul Gallego
4th and 5th Administrative Judicial Regions
Cluster Court, Webb County

Stephanie Gray, President
Texas Association of
Child Placing Agencies

Betsy Guthrie, President and COO
Lutheran Social Services

Lynn Harms, President
Children's Home of Lubbock

Nancy Holman, Executive Director
Texas Alliance of
Child and Family Services

Linda Kokemor, Executive Director
Settlement Home for Children

Michael Langford, Executive Director
ResCare/Texas Hill Country School

Scott Lundy, President and COO
Arrow Child and Family Ministries

Judge William Mazur
304th District Court, Dallas County

Judge F. Scott McCown
State District Court Judge (retired)

Curtis Mooney, President and CEO
DePelchin Children's Center

Sasha Rasco, Assistant Commissioner
DFPS Child Care Licensing

Judge Peter Sakai
225th District Court, Bexar County

Asennet Segura, Executive Director
Baptist Child and Family Services

Andrea Sparks, Director
Public Policy and Outreach
Texas Court Appointed Special Advocates

Theresa Tod, Executive Director
Texas Network of Youth Services

Appendix B

Stakeholder Participants

Listed below are some of the stakeholders who participated in meetings, presentations, and/or focus groups over the past year (in no particular order):

- CPS Statewide Youth Leadership Council
- CPS Statewide Parent Collaboration Group
- Various CPS Parent Liaisons
- Various Attorney Ad-litem statewide
- Various Attorneys Representing Parents statewide
- HHSC Rate Analysis Department
- Adoption Review Committee
- Parent Guidance Center
- STAR Health
- Superior
- Texas Network of Youth Services
- Texas Alliance of Child and Family Services
- Texas Court Appointed Special Advocates
- Texas Council on Child Welfare Boards
- Supreme Court of Texas Permanent Judicial Commission for Children, Youth and Families
- Youth for Tomorrow
- Texas Association for the Protection of Children
- Texas Coalition of Homes for Children
- Texas Foster Family Association
- Texans Care for Children
- Harris County Protective Services Board
- Interagency Foster Care Committee
- Advisory Committee for the Promotion of Minority Adoptions
- Voices for Children Abuse and Neglect Task Force- Bexar County
- Texas Pediatric Society
- Travis County Office of Parental Representation
- Texas Association of Child Placing Agencies
- Family Court Judges
- DFPS Disproportionality Advisory Committee
- Numerous Residential Child Care Providers statewide
- DFPS Staff representing the following areas/divisions:
 - DFPS Budget and Finance
 - DFPS Procurement
 - DFPS IT
 - DFPS Contract Oversight and Support
 - DFPS Legal
 - DFPS Child Care Licensing
 - CPS Regional Directors
 - CPS Field Staff
 - CPS Regional Contracts
 - CPS Residential Child Care Contracts

- CPS Parent Program Specialist
- CPS Contract Performance
- CPS Fostering Connections
- CPS Disproportionality
- CPS Medical Services
- CPS Placement

Appendix C

Stakeholder Concerns

Listed below are concerns stakeholders raised with the proposed foster care model.

- Loss of business for residential treatment centers that currently service children from across the state and reduction in demand for highly specialized and/or residential treatment services
- Reduction in number of DFPS contracts
- Diversion of foster care funds from services to the administrative costs associated with managing the continuum
- "Favoritism" in sub-contracting and/or SSCC becoming a monopoly eliminating smaller providers
- Established contingency plan if an SSCC cannot be sustained
- Role of emergency shelters and assessment centers in the redesigned system
- Increased liability for providers when their work expands to serving families of children for whom they provide placements
- Ensuring accountability
- Duplication of effort and potential for role confusion
- Cultural change for providers and DFPS staff
- Implication of case rate for providers who provide long-term basic congregate care
- Role of "no-pay" providers in new system
- Safety issues related to permanency incentives

Most of these issues were explored and discussed by the PPP and either mitigating strategies were devised or it was determined that the benefits of the new model, outweighed some of the concerns or risks indicated above. For example, while it is understood that the demand for specialized or residential treatment facilities may decrease as new ways of serving children are developed locally, the benefits to children living closer to home, maintaining important connections, and having more normalized experiences outweigh concerns expressed regarding the perception of diminished demand for and potential loss of providers.