

EXECUTIVE SUMMARY

Introduction

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

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

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

Key Findings

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

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

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

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

A strong public-private partnership was found to be essential to the successful privatization of child welfare agencies. Across the interviews, the importance of a high level of trust and open communication between the public and private agencies was strongly emphasized. In addition,

privatization requires redefining the roles of the agencies, so the planning team needs to clearly delineate the responsibilities of both public and private agency staff. Participants in the interviews stressed that there needs to be open dialogue between all the staff involved in order to maximize clarity of roles and to facilitate exchange of knowledge. It was also suggested that public agencies reach out to private providers early in the process to better understand and address their concerns.

➤ **Engage all stakeholders**

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

➤ **Don't expect cost savings**

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

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

➤ **Commitment to change is essential**

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

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

Appendix A Key Privatization Design Elements

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