



The Privatization of Child Welfare

Shared decision making
between private and
public entities is critical
for success

The message for members of the Alliance for Children and Families is this: be prepared, and be at the table. Know what to expect, understand how to influence the process, and draw lessons from other states' missteps.

Fueled by the belief that privatization is a more effective way to deliver services, the movement to privatize child welfare services continues to gain steam. At least 14 states already have some level of privatization (see map on page 9), and the movement is seemingly on the horizon for several others. (See the online edition of this article at alliance1.org/magazine for background information about privatization in child welfare and how it changes the roles and responsibilities of public and private entities.)

Successes in Illinois, Florida, and other states provide evidence that privatization can lead to better outcomes for children and families, greater accountability, and increased efficiencies.

Yet, less successful implementations have marred public opinion. For example, in Nebraska, three of the original five private providers have declared bankruptcy or

Continued on page 8

withdrawn from their contract. Also, a lawsuit brought by the largest state employee union led to a court injunction that prohibits Washington from contracting with lead agencies.

‘Privatization can be a scary proposition for providers,’ says Mike Patrick, COO and president of operations at Alliance for Children and Families member TFI Family Services, Topeka, Kan. ‘But when done correctly, it can be a huge success. I’m a big proponent.’

“Although there were a lot of critics at first, audits and independent reviews show the same thing: Kansas and its children are now in much better shape.”

—Mike Patrick, COO and president of operations, TFI Family Services

As with any endeavor, “doing it correctly” requires realistic expectations. For example, although privatization often is touted as a cost-saving measure, most evidence doesn’t support this, at least not in the short term. Instead, efficiency and quality must be the true aspirations, says Alliance COO Polina Makievsky.

“States have to be motivated by the desire to pay for better quality and more efficient services that create meaningful change for children and families, not by a short-term fiscal benefit,” she says. “In fact, some states have had to increase their spending after privatizing, a testament to what we already knew: the system, in general, is grossly underfunded.”

Rough Transition in Kansas Evolves

When Kansas settled a 1993 lawsuit that alleged inadequate care, excessive caseloads, and poor outcomes in its child welfare system, it privatized in a hurry—the first state to do so.

The state moved to a privatized, performance-based contracting system. The state was split into five regions, with one provider selected for each. TFI Family Services was awarded the foster care and adoption contract for two of these regions. (See the online version of this article at alliance1.org/magazine for background information about performance-based contracting and how it relates to privatization.)

“The state had to invest more money in its child welfare system, but the quality of services went up exponentially, while ensuring children were safe and no longer lingering in the foster care system,” Patrick says. “Although there were a lot of critics at first, audits and independent reviews show the same thing: Kansas and its children are now in much better shape.”

So is TFI Family Services. The agency’s budget has grown from about \$7 million in 2000 to about \$75 million today. The reintegration, foster care, and adoption contract represent about 60 percent of the agency’s total budget.

The first few years were rough, Patrick admits. Agencies received no state funding for start-up costs, which were significant. Contracting agencies had to develop sophisticated internal management tools, such as comprehensive information technology systems, to quickly capture and measure outcomes. This was one of TFI’s largest investments, but has proven to be one of the largest factors in the organization’s success under the privatized system.

Moreover, the move to around-the-clock, community-based services and performance-based contracting was both a system and a culture change for the agency. It experienced

high staff turnover during the first year. TFI invested in intensive training to ensure staff understood the direct line between their work, how the agency is judged, and long-term improvement for children. Today, internal surveying has revealed that staff have a greater sense of empowerment and increased job satisfaction.

True Partnership in Illinois

In Illinois, privatization happened more organically, says Erwin McEwen, director of Illinois Department of Children and Families (DCF).

Since the early 1900s, private providers have carried out the state’s child welfare work. It was at their urging that the state created DCF during the 1950s. The standalone, cabinet-level department reports directly to the governor. A state-mandated Child Welfare Advisory Committee unites public officials and leaders of private agencies in a true partnership of joint decision making and accountability.

Several chief executives of Alliance member organizations are members of the advisory committee: Margaret Berglund,



president and CEO of Child Care Association of Illinois, Springfield; Bill Gillis, president and CEO of One Hope United, Chicago; Mary Hollie, CEO of Lawrence Hall Youth Services, Chicago; and Clete Winkelmann, president and CEO of Children's Home Association of Illinois, Peoria.

Despite the large role for private providers, until 1995, public sector caseworkers had overall authority for the approximately 80 percent of DCF adoption and foster care cases managed in the private sector. A lawsuit and consent decree compelled DCF to turn full case management authority over to private providers.

The state also shifted from a per diem foster care rate to a case rate, which was based on a caseload of 25 cases to every one caseworker. Today the state bases its case rate on a 15 to one caseload.

Performance-based contracting in adoption and foster care has been so successful that it was expanded to include other child welfare services in Illinois.

"I don't think people understand that it's far more expensive to operate a poorly run child welfare system," McEwen says. "Performance-based contracting incentivizes real outcomes, not just activities. We achieved cost-savings by reducing the number of children in foster care."

Inclusive Process Improves Outcomes in Missouri

In 2005, Missouri also privatized foster care management and implemented performance-based contracting. Alliance member Cornerstones of Care, Kansas City, Mo., was ready.

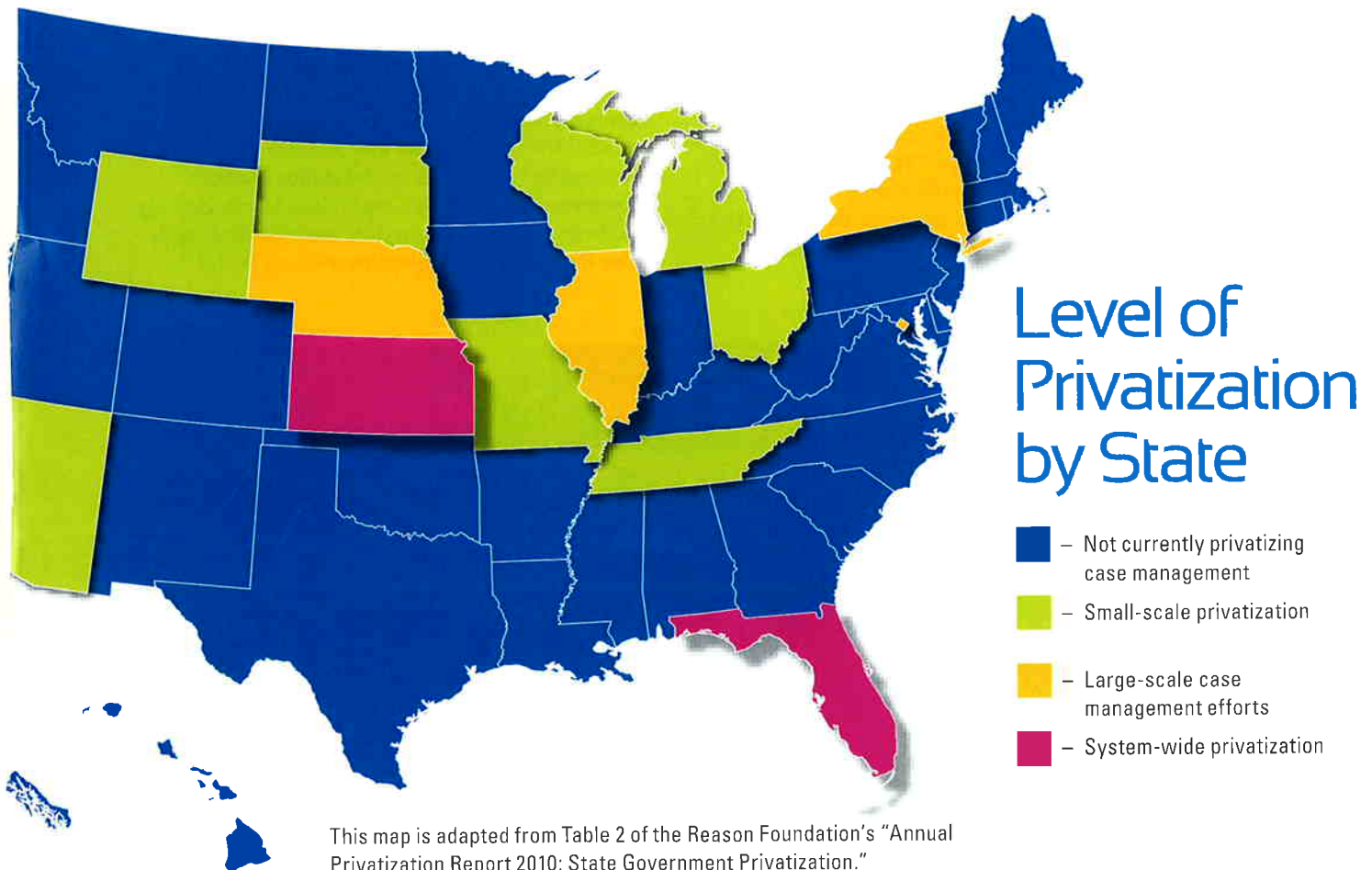
The organization had been created during the late 1990s as an alliance of five independent child and family service agencies. One of the primary goals of the creation of Cornerstones of Care was to position the organization for privatization.

Denise Cross, president and CEO of Cornerstones, was on the other side of the table when Missouri first explored privatizing foster care case management; she held responsibility for child welfare for the state.

"The process was very inclusive from the beginning, with private providers and state officials working collaboratively in the best interests of children," Cross says. "Providers helped plan what the system would look like and made sure we were identifying the right measures."

Under privatization, lead agencies receive a flat monthly case rate based on an average caseload. They can subcontract with other providers as needed, and performance goals are tied to financial incentives.

Continued on page 10



Cornerstones is a lead agency in four western Missouri counties, and Cross says that the case rate gives the organization flexibility in meeting its performance goals.

"It's a good partnership for Cornerstones, and we have seen real improvements in quality and outcomes for Missouri kids," she adds. "We were very thoughtful going into this and have been able to manage the fluctuations in costs."

Private Providers Should Take a Seat at the Table

The biggest lesson for private providers, no matter where their state is with privatization discussions, is to be at the table.

Often private providers identify trends, emerging needs, and gaps in service, all of which may inform the public sector, Cross says. She urges Alliance members to begin conversations early with appointed and elected officials at the state, county, and local levels. Providers can play a critical role in shaping service delivery and performance outcomes. Ultimately, this helps to influence state law and public policy.

"Services may not look the way they've looked in the past," Cross adds. "It's important for providers to be very forward looking in advocating for children and families. It's too late by the time the RFP comes out."

The Alliance helps ensure its members have a voice in the privatization discussion at the national level through its seat on the advisory board of the National Quality Improvement Center on the Privatization of Child Welfare Services. Makievsky represents the Alliance on the advisory board for this five-year initiative, which has gained profound insight from research and pilot studies.

"This isn't the time to sit back and see what happens," Makievsky says. "The Alliance and its members must take an early, authoritative seat at the table. We bring our knowledge base, expertise, and sophisticated data. We understand the

Elements of Success

The states that have been the most successful in implementing privatization and performance-based contracting have incorporated these crucial elements of success:

- Private providers are involved early and continue to be engaged.
- A data-driven system quantifies the approaches that have the highest success.
- The state gives private providers full case management authority.
- Performance-based contracts include financial incentives and penalties.
- The state maintains adequate monitoring of private providers and performance outcomes.
- The system provides flexibility in achieving performance, which fosters innovation.
- The system is adequately funded, and providers are reimbursed enough to cover service delivery, infrastructure, and capacity building.
- Money saved is reinvested in the system.

challenges, and we are the keepers of the solutions states urgently need." ■

Learn more about the National Quality Improvement Center on the Privatization of Child Welfare Services at uky.edu/SocialWork/qicpcw. For more information about the members in this article, visit their websites: cca-il.site-ym.com for Child Care Association of Illinois, chail.org for Children's Home Association of Illinois, cornerstonesofcare.org for Cornerstones, lawrencehall.org for Lawrence Hall Youth Services, onehopeunited.org for One Hope United, and tfifamilyservices.org for TFI.

Delve Deeper into Child Welfare Privatization

Alliance providing resources at 2011 National Conference and through the Severson Center

The Alliance provides several opportunities to learn more about privatization.

First, members are encouraged to attend a workshop on the subject during the 2011 Alliance and UNCA National Conference, Oct. 17-19 in Washington, D.C.

The workshop, "Privatization and System Reform: Choosing Whether to Lead or to Follow," will review three models for system reform. It also will share variables

that impact decisions concerning case management and risk mitigation. Presenters will focus on questions that individual organizations must address in order to decide whether to lead or follow in their state's reform efforts.

The second resource is the Alliance Severson Center. The Severson Center's DocuShare database provides access to various reports and articles about to privatization.

Additionally, members may contact the Severson Center directly with specific research requests related to privatization.

Learn more about the 2011 National Conference at alliance1.org/mc11. Visit alliance1.org/severson/docushare for information about DocuShare, and go to alliance1.org/severson/request to request customized research.