



# House Bill 1 Study Group: Performance-Based Contracting Recommendations

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*Prepared by Chapin Hall at the University of Chicago*

This report is respectfully submitted to the Kentucky Governor, the Interim Joint Committees on Appropriations and Revenue and Health and Welfare and Family Services, and the Child Welfare Oversight and Advisory Committee pursuant to Kentucky Revised Statute (KRS) 199.665.

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# Summary of Recommendations

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Performance-based contracting is intended to improve child and family outcomes by integrating performance standards into contracts with private providers, and aligning financial incentives or disincentives with providers' performance on identified targets. It represents a promising fiscal strategy within Kentucky's child welfare transformation to increase the safety, permanency, and well-being of the Commonwealth's most vulnerable children and families.

Below is a summary of the recommendations developed by the House Bill 1 (HB 1) Study Group for the design and implementation of performance-based contracting in Kentucky's child welfare system. Information about each of the recommendations along with associated considerations are available within the full report.

## **Performance-Based Contracting Model**

1. Develop and implement a hybrid performance-based contracting model that includes both financial incentives for positive performance and disincentives for negative performance.
2. Apply a developmental approach to implementing performance-based contracting, including a hold harmless period for providers for at least the first year.
3. Apply performance-based contracting across the full continuum of child welfare services.
4. Develop a strategic implementation plan for performance-based contracting that includes clear timelines and an intentional communications plan.

## **Performance Monitoring and Continuous Quality Improvement**

5. Establishing performance measures and targets should be a transparent, collaborative process including public and private agency partners in the development process.
6. Performance standards and targets should take related outcomes into consideration.
7. Allow for flexibility and variation in the development of performance standards and targets.
8. Ensure risk adjustment models are communicated in plain language so that the intended audience can understand the steps taken to develop the models and their intended purpose.
9. Ensure that comprehensive data collection and good data quality are the foundation of all performance monitoring and continuous quality improvement (CQI) efforts.

10. Integrate contract performance monitoring within CHFS' overall CQI processes.
11. The provision of capacity-building and technical assistance services should be a fundamental component of the performance monitoring and improvement process.
12. Include a clear appeals process for providers concerned with the assessment of their performance and application of potential penalties.

### **Resources and Infrastructure**

13. Enhance administrative data system capacity and data sharing capability between CHFS and the provider community.
14. Provide resources to support the capacity building and technical assistance needed to design and implement performance-based contracting within CHFS and the provider community.
15. Create a performance-based contracting project manager position within CHFS for child welfare.
16. Ensure there are a sufficient number of staff within CHFS with the right sets of competencies to effectively design, procure, manage, and monitor contract performance and support performance improvement.
17. Revise and re-issue the 2015 Performance-Based Contracting Readiness Assessment with the provider community.
18. Develop system-wide training opportunities on performance-based contracting for public and private agency partners.

### **Public-Private Partnerships**

19. Establish a collaborative, third party, child welfare advisory committee charged with overseeing of the design and implementation of performance-based contracting in Kentucky child welfare services.
20. Pursue the development and implementation of a collaborative child welfare practice model.

# Introduction

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In recent years, Kentucky has experienced a substantial increase in the number of children experiencing child maltreatment and corresponding increase in the number of children entering out-of-home care (Child Welfare League of America, 2017). Currently there are more than 9,900 children and youth living in foster care in Kentucky, and the number continues to rise.

In 2018, the Kentucky legislature passed House Bill 1 (HB 1) in an effort to improve Kentucky's child welfare system and the outcomes for the Commonwealth's most vulnerable children and families. Key components of this landmark legislation include the establishment of a statewide Child Welfare Oversight & Advisory Committee, increased attention to child welfare caseloads, improved quality and access to family preservation services for vulnerable families, increased supports for kin caregivers, and streamlined processes for prospective foster and adoptive parents (Moody, 2018).

In addition, HB 1 established the requirement that the Cabinet for Health and Family Services (CHFS) begin performance-based contracting with licensed child-placing agencies and child-caring facilities that contract with the Department of Community Based Services (DCBS) by July 1, 2019. Performance-based contracting represents a promising fiscal intervention designed to improve child and family outcomes by integrating performance standards into contracts with providers and linking financial incentives or disincentives with providers' performance on identified targets (U.S. Department of Human Services, Office of the Assistant Secretary for Planning and Evaluation, 2008; Wulczyn, Alpert, Orlebeke & Haight, 2014).

Specific outcomes of interest to the legislature include the increased likelihood and timeliness of achieving permanency through reunification, adoption, or guardianship; improved placement stability for children and foster care; and reduced re-entry into foster care. Relatedly, the CHFS' child welfare transformation efforts are focused on achieving three interconnected outcomes including safely reduced entries into foster care, improved timeliness to appropriate permanency, and reduced caseloads for the child welfare workforce.

To inform the Commonwealth's implementation of performance-based contracting in child welfare, HB 1 mandated that the Secretary of CHFS create a Study Group charged with making recommendations about the creation and implementation of performance-

based contracting and submitting these recommendations to the legislature by December 1, 2018.

Comprised of key public and private child welfare leaders, stakeholders and advocates, the HB 1 Study Group and its contributing participants met five times between September-November 2018 to review, discuss, and deliberate key components of performance-based contracting and their applicability within the context of the Kentucky child welfare system<sup>1</sup>. Facilitated by representatives from Chapin Hall at the University of Chicago, the Study Group reviewed Kentucky's performance on key child welfare outcomes, studied literature on performance-based contracting, and learned from peer jurisdictions' efforts to implement performance-based contracting within their child welfare systems.

As part of these efforts, the Study Group also reviewed the findings and recommendations of the Kentucky Child Welfare Performance and Accountability Partnership (CWPAP). CWPAP represented the Commonwealth's previous efforts to research and move towards performance-based contracting in its child welfare system. Operating between 2014 and 2017, CWPAP involved the contributions of a wide range of public and private child welfare stakeholders. While CWPAP was unable to realize its goals as intended, the Study Group was committed to ensuring that all of CWPAP's efforts and progress were carefully considered in the development of its recommendations.

HB 1 also included a provision requiring the same HB 1 Study Group to consider the feasibility and implementation of privatization of all foster care services in the Commonwealth and submit a report with its corresponding recommendations to the legislature by July 1, 2019. While Kentucky has already privatized a substantial proportion of its child welfare services, HB 1 presents an opportunity to critically evaluate the continuum of care and identify where there are additional opportunities to strategically deepen the privatization of services needed by the community. The Commonwealth's decisions related to privatization of child welfare services and performance-based contracting are substantially interconnected. Determining the roles and responsibilities of public and private child welfare agencies is integral to the development of performance-based contracts and the selection of performance measures. As such, the Study Group was limited in its ability to recommend specific

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<sup>1</sup> See *Acknowledgements for a full list of HB 1 Study Group Members and contributing participants.*



performance measures, incentives, or disincentives, pending its planned research and deliberations around privatization of child welfare services in early 2019.

This report represents a summary of the Study Group's recommendations regarding the design and execution of performance-based contracting in the Commonwealth of Kentucky. These recommendations are not mutually exclusive and are intentionally interrelated and interdependent. The report is designed to be reviewed and considered as a whole. Furthermore, these recommendations are designed to inform the foundation of performance-based contracting implementation within Kentucky's child welfare system. The Study Group intends to further this work and deepen its performance-based contracting recommendations in the context of its research and deliberations around privatization of child welfare services in early 2019.

# Recommendations

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The Study Group organized its recommendations for the design and implementation of performance-based contracting for licensed child-caring facilities and child-placing agencies in the Commonwealth within four overall categories. These include a focus on the *performance-based contracting model* and fiscal design; *performance monitoring and continuous quality improvement* of contracted providers; *resources and infrastructure* needed for success and sustainability of performance-based contracting; and the essential collaboration and working relationships needed between public and private partners (*public-private partnership*).

This same Study Group will be researching and developing a set of recommendations related to privatization of child welfare services in Kentucky in 2019. The deliberations and final recommendations related to privatization of child welfare services are directly related to the specific elements of developing performance-based contracts. As a result, the Study Group was limited in its ability to include specific recommendations related to performance measures, incentives, and disincentives pending the group's future work in the immediate months ahead. The Study Group anticipates that its continued focus on privatization will present the opportunity to build upon and introduce greater specificity into this initial set of recommendations.

The following recommendations and associated considerations take into account the historical context of contracting and privatization efforts in Kentucky, other state experiences and outcomes related to performance-based contracting, and the current landscape and transformation of child welfare in the Commonwealth. The recommendations are purposefully interrelated and, therefore, are not mutually exclusive. They are designed to be reviewed and considered as a whole.

## Performance-Based Contracting Model

The recommendations in this section relate to the fiscal design of the contracting model, along with some key considerations related to scope, planning, and implementation of performance-based contracting.

- 1. Develop and implement a hybrid performance-based contracting model that includes both financial incentives for positive performance and disincentives for negative performance.**

The Study Group recommends that CHFS implement a hybrid performance-based contracting model. Essentially, this means that the model would include the availability and application of both financial incentives (i.e. “carrots”) for meeting or exceeding identified performance targets, as well as disincentives (i.e. “sticks”) associated with prolonged negative performance incongruent with expected standards.

The incentive/disincentive structure should be created in partnership with representatives from the provider community, clearly articulated, and easily understood by all audiences. The incentives/disincentives should be tied to safety, permanency, and well-being outcomes, aligned with the CHFS’ strategic direction, and separate from agreed-upon cost reimbursement for services.

Options for incentives include providing “bonus” payments for each case that meets an identified goal, a lump sum payment equivalent to a contract percentage, or an enhanced case rate. Another possibility is for high-performers to be awarded larger contracts in a future performance period.

Options for disincentives include reducing the manner or volume in which cases are referred to providers. For example, CHFS could maintain a preferred list of providers and lower-performers would be dropped to the bottom of that list. Alternatively, the size of contracts could be reduced in future performance periods. Another option includes the application of financial penalties if performance targets are not met over time, and providers would be expected to pay a portion of that money back to the State.

In addition to not meeting performance targets on identified outcome measures, disincentives should also be applied for sustained negative performance on key process measures associated with the quality of practice.

*Considerations:*

*To facilitate the Cabinet’s capacity to provide incentive payments, both a methodology and resources would be needed for developing and sustaining this funding pool. One option is that incentive payments would be provided from the pool of savings generated by providers achieving intended child welfare outcomes (e.g. reduced number of days of foster care, reduced days in higher, more costly levels of care). Another option is a separate investment of resources designated for incentive payments, or a combination of the two approaches.*

*With regards to contracts with residential care providers, there is a reported 20% gap between the cost of providing services to youth in care and the amount at which providers are reimbursed (Willoughby, 2016). This resource deficit should be considered when establishing performance targets for these providers, the development of a funding pool for incentive payments, and creation of disincentives for failure to achieve performance standards.*

**2. Apply a developmental approach to implementing performance-based contracting, including a hold harmless period for providers for at least the first year.**

The implementation of performance-based contracting represents a transformational shift in the manner in which CHFS has historically contracted for and monitored services with Kentucky's provider community. As such, capacities need to be built within both public and provider agencies for performance-based contracting to be successful. At a minimum, the Study Group recommends a hold-harmless period for at least the first year for contracted providers during which the possibility of financial disincentives would not apply.

*Consideration: There are multiple ways the hold-harmless period could be approached. The first is a defined period during which neither incentives nor disincentives would apply. Alternatively, providers could be incentivized for positive performance during the hold harmless period even though disincentives would not yet apply. Allowing for incentives but not disincentives during a hold-harmless is one strategy for promoting buy-in to the performance-based contracting model during its initial implementation.*

The Study Group suggests several additional mechanisms by which a developmental approach could be applied. First, priority outcomes should be identified for all new contracts beginning July 1, 2019. From here, CHFS and providers can begin working together to develop appropriate methodologies to measure and monitor performance and determine baselines and targets. This would also represent a positive first step toward creating a collective environment oriented towards outcomes monitoring and improvement.

In addition, the Study Group recommends that this developmental approach be applied in the use of any disincentives for the provider community. For example, if a provider is initially found not to be meeting expected performance standards, the first step in the process should be the provision of some level of targeted technical assistance by CHFS or another entity, designed to assess and implement steps to correct the problem. If the negative performance is sustained through the next

performance period, a second step should be to place the provider on a formal corrective action plan. If after the first two steps the provider is still unsuccessful in its efforts to begin meeting performance targets, a disincentive may be applied. This progressive approach would promote a more collaborative environment focused on improving service delivery and safety, permanency, and well-being outcomes.

*Consideration: The demand within Kentucky's child welfare system currently exceeds providers' capacity to serve the children who are in foster care or at risk of entering foster care. As the Commonwealth moves towards performance-based contracting, it is imperative that CHFS leadership pay attention to the dynamics of supply and demand. CHFS will want to be mindful that initial implementation efforts do not diminish the Commonwealth's current ability to serve its most vulnerable children and families. However, performance-based contracting is intended to influence demand, specifically, to lower the need for foster care providers. This contracting model presents an opportunity to 'right-size' the child welfare system so that Kentucky has the quality and quantity of services where they are needed across the child welfare continuum to optimize the achievement of positive outcomes for children and families.*

### **3. Apply performance-based contracting across the full continuum of child welfare services.**

Ultimately, the Study Group recommends that CHFS move toward performance-based contracting across the continuum of Kentucky's child welfare services, including family preservation, child placement and foster care, residential care, and post-permanency support and services. However, a phased approach should apply to allow for a meaningful and high-quality implementation.

Key provisions in both HB 1 and the federal Family First Preservation Services Act well-position Kentucky to invest more heavily in evidence-based prevention and family preservation services. Correspondingly, contracts for family preservation services should include performance standards and targets related to safely reducing the number of children entering care in the same way that contracts with child-placing agencies and child-caring facilities should have corollary expectations for increasing placement stability and reducing time to permanency.

The developmental approach referenced in Recommendation #2 should apply to this phased approach of implementation as well. Specifically, CHFS should first begin applying a performance-based model in contracts with greater readiness to successfully transition to this approach, for example with foster care or residential care providers. As the Commonwealth grows its capacity to successfully implement a

broader array of evidence-based family preservation services, it should similarly apply a performance-based contracting model designed to promote increased safety and well-being outcomes for families served.

#### **4. Develop a strategic implementation plan for performance-based contracting that includes clear timelines and an intentional communications plan.**

The Study Group recommends that CHFS invest the time and effort needed to develop a strategic and sound implementation plan for performance-based contracting. This implementation plan should include the time, activities, and resources needed to build capacity within both public and private agencies to be successful with this contracting model to the benefit of Kentucky's children and families. Development efforts should include a rigorous review of other jurisdictions' performance-based contracting models to understand what has been successful and unsuccessful, and incorporate the best of 'what works' into the design and implementation of Kentucky's model.

In addition, the plan should outline the approach and timeframes for implementing performance-based contracting across the continuum of care. It is the collaborative will of the Study Group that performance-based contracting be fully implemented within foster care and residential services within three years, with the intention to expand its application to family preservation services as soon as possible thereafter.

The implementation plan should also take into consideration other major reform efforts (e.g. Medicaid decoupling, federal Family First Preservation Services Act, federal Comprehensive Child Welfare Information System development efforts) so that timelines are feasible and appropriately aligned. The development of this implementation plan should be a collaborative endeavor with both public and private agency partners and other key child welfare stakeholders.

Lastly, the implementation plan should include the development and execution of an intentional and robust communications plan. All internal and external staff and stakeholders will need to understand the elements of Kentucky's performance-based contracting model and its intended outcomes. Comprehensive and sustained communication will be essential to promoting buy-in, allaying fears, and ensuring shared understanding among the public and private child welfare community.

## Performance Monitoring and Continuous Quality Improvement

This section addresses recommendations for performance monitoring and continuous quality improvement (CQI). This includes the development of performance measures, including baselines and targets. It also includes the competencies and processes needed for effective performance monitoring and CQI.

### **5. Establishing performance measures and targets should be a transparent, collaborative process including public and private agency partners in the development process.**

The Study Group recommends that the establishment of performance standards, including the development of baselines and targets, be a joint process inclusive of public and private agency partners. A transparent approach will promote greater buy-in among all partners, and promote a common language and agreed-upon definitions for outcomes, measures, and performance targets. Furthermore, the public and private child welfare community in Kentucky has a long history of working well together (e.g., CWPAP), and a number of lessons learned that could be integrated into making performance-based contracting successful.

The outcome measures selected for each contract should be aligned with CHFS priorities, the goals for the overall Kentucky child welfare transformation, and the federal Children and Family Services Review measures. Outcome measures in performance-based contracts should be aligned with the desired outcomes of related sectors (e.g. behavior health) and not be at cross-purposes. For example, the time needed to effectively complete substance abuse treatment should be considered alongside goals related to timeliness of permanency achievement.

### **6. Performance standards and targets should take related outcomes into consideration.**

Many child welfare outcomes are interconnected. A jurisdiction that experiences a significant decrease in its time to permanency may also experience an accompanying increase in children and youth re-entering care. Similarly, a jurisdiction that significantly reduces the number of children entering care may experience a concurrent increase in the time to permanency for children in out-of-home placement. The Study Group recommends that the CHFS take these related outcomes into consideration when developing performance standards and associated incentives/disincentives.

## **7. Allow for flexibility and variation in the development of performance standards and targets.**

The Study Group recommends that CHFS allow for some flexibility and variation in the establishment of performance standards and targets to the extent feasible and appropriate. In some instances, the Study Group recognizes that there is a need for universal performance standards and expectations for all providers (e.g. prevention of maltreatment while in out-of-home care or other safety indicators). However, it is likely feasible and appropriate for other performance targets to be established using providers' baselines of past performance.

The Study Group suggests that CHFS further investigate and consider models that have been successful in other jurisdictions. For example, the performance-based contracting approach in Tennessee evaluates providers on two dimensions. First, provider outcomes during a contract period are assessed relative to their own past performance, as represented in provider specific baselines. Then, overall performance is adjusted based on the performance band to which a provider has been assigned. Those bands (high-performing, average, and low-performing) are determined based on how provider performance on the same outcomes compares across the network.

CHFS should develop a committee of public and private agency stakeholders to develop a banding structure appropriate for Kentucky. Performance targets should be developed and applied in fair alignment with the developmental state of providers without incentivizing poor performance or tolerating it for a sustained period of time.

## **8. Ensure risk adjustment models are communicated in plain language so that the intended audience can understand the steps taken to develop the models and their intended purpose.**

The Study Group recommends the information about risk adjustment models is communicated in plain language so that the models are understood by the intended audiences. This includes being clear about the models' intended purpose and the steps taken in their development.

Developing methodologically sound risk adjustment approaches is a critical part of performance-based contracting. Risk adjustment as a technique helps differentiate between organizational determinants of child and family outcomes from client-level determinants of the same outcomes (Raghavan, 2010). Risk adjustment helps to recognize and account for whether observed differences in provider performance are



due to organizational characteristics or client characteristics like age or substance use history. These approaches consider case mix, and have the capacity to level the playing field for providers working with very different types of children and families.

*Consideration: At the time when providers' final performance over a contract period is assessed, CHFS should be attentive to the impact that unique populations may have had on their performance. Depending on the methodology applied to both risk adjustment and the establishment of baselines and targets, it may be necessary to afford some special consideration to unique populations to avoid any unintended consequences of providers electing not to serve certain types of children and families.*

## **9. Ensure that comprehensive data collection and good data quality are the foundation of all performance monitoring and CQI efforts.**

The Study Group recognizes that effective performance monitoring and CQI processes are dependent on the availability of quality data. Therefore, the Study Group recommends that providers be held accountable for timely and accurate data entry into the data systems that feed into The Worker Information System (TWIST), the state's automated child welfare information system.

Data validation is the initial step in performance monitoring and CQI efforts, necessary to ensure that agency performance is being assessed using accurate data. Data validation strategies may include some element of onsite data validation activities using a pre-determined sample of cases (e.g. 10%). Validation can also be accomplished through a review of the raw data that is used in estimating baseline performance. At this junction, providers can review their own data and make necessary corrections to their processes while also alerting CHFS to data quality issues they may be experiencing within their agencies

Repeated observations of provider agencies engaging in untimely or inaccurate data entry should be considered in the development of disincentives.

## **10. Integrate contract performance monitoring within CHFS' overall CQI processes.**

The Study Group recommends that contract performance monitoring and improvement efforts be integrated into the public child welfare agency's broader CQI system. Public and private agency partners together are charged with achieving positive safety, permanency, and well-being outcomes for the families served by Kentucky's child welfare system. Therefore, efforts to monitor and improve provider agency performance should be seamlessly integrated into the Commonwealth's

approach to CQI and performance improvement. This is especially true as efforts to expand privatization of child welfare services in Kentucky are considered.

These integrated CQI processes should include the involvement and contributions of both public and private agency staff, and be anchored within a culture of teaming to promote outcomes improvement. Expectations for how provider agencies are responsible for helping Kentucky achieve statewide goals should be clearly communicated. It is equally important to communicate how public agency staff should support private agencies in their efforts to achieve statewide goals. Furthermore, identifying and implementing ways to integrate youth and family voice must be a priority within these integrated CQI processes.

**11. The provision of capacity-building and technical assistance services should be a fundamental component of the performance monitoring and improvement process.**

Consistent with previously stated recommendations for a developmental approach when implementing performance-based contracting, the Study Group recommends that capacity building support and technical assistance services comprise a key element of the CQI process. Despite many providers' steadfast commitment to effectively serving Kentucky's most vulnerable children and families, CHFS can anticipate that the need for practice change and outcomes improvement will likely be observed at every phase of the child welfare continuum.

Therefore, the Study Group recommends that capacity building and technical assistance related to making needed practice improvements be part of this transformation strategy. Moreover, the provision of technical assistance and the opportunity to improve performance should be afforded to every provider agency before a financial disincentive is applied.

**12. Include a clear appeals process for providers concerned with the assessment of their performance and application of potential penalties.**

The Study Group recommends that the implementation of performance-based contracting include the establishment of a clear appeals process for providers who would like to challenge CHFS' assessment of their performance, along with any resulting contractual penalties or withholding of possible incentive payments. The ability to appeal CHFS' decisions can provide an important 'safety valve' for providers who wish to obtain a third party's assessment of their performance. Creating this appeals process will be important for gaining providers' buy-in and commitment to the shift toward performance-based contracting.

## Resources and Infrastructure

Successfully executing performance-based contracting in Kentucky will require a considerable investment of resources and the creation of a sound infrastructure within both public and private child welfare agencies to be successful and sustainable. It is important to acknowledge that performance-based contracting is unlikely to be a cost-saving mechanism for the Commonwealth. Instead, this approach represents a way for Kentucky to ensure that resources are allocated most effectively to promote outcome improvements. Additional resources beyond the Commonwealth's current investments in child welfare are necessary for performance-based contracting to achieve its intended results.

### **13. Enhance administrative data system capacity and data sharing capability between CHFS and the provider community.**

Access to comprehensive and accurate data is the cornerstone of effective performance monitoring. To be effective partners, provider agencies also need access to their own data and associated reports. Accordingly, the Study Group recommends that resources be made available to CHFS to enhance the capacity of its administrative data system and its data sharing capabilities so that contracted providers can interface effectively with TWIST and access data relevant to their work and the children and families they are serving. One key strategy is to integrate these enhancements into Kentucky's efforts to build an administrative data system that aligns with the federal Comprehensive Child Welfare Information System (CCWIS).

Currently, providers enter data into their own administrative data systems. Then, providers must enter key data indicators into another data portal that interfaces with TWIST. This double data entry requirement creates an environment that often leads to inaccurate or incomplete data within TWIST. The Study Group recommends that opportunities and resources needed to enhance TWIST and/or eliminate redundancies in data entry be explored to promote data integrity and appropriate data access for the provider community.

### **14. Provide resources to support the capacity building and technical assistance needed to design and implement performance-based contracting within CHFS and the provider community.**

Both the Cabinet and the provider community will need guidance in the development and implementation of a performance-based contracting model that will be effective within Kentucky's child welfare system. The Study Group recommends that the Commonwealth invest in the capacity building and technical

assistance resources required to design the contracting model(s); identify appropriate indicators across different dimensions of the child welfare continuum; establish performance baselines and targets; and create effective mechanisms for ongoing performance monitoring and improvement strategies.

Similarly, technical assistance is needed to integrate performance monitoring into CHFS' ongoing CQI activities. Support and capacity building resources are also needed for provider agencies to create or enhance their internal CQI activities to accommodate integration of performance monitoring activities that align with their new contracts.

*Consideration: To promote the greatest likelihood of success, CHFS should consider identifying national, state, or local experts in performance-based contracting and CQI and partnering with them and other key stakeholders to design and implement this strategy in Kentucky.*

**15. Create a performance-based contracting project manager position within CHFS for child welfare.**

Implementing performance-based contracting in Kentucky's child welfare system will require strong and focused leadership. It is unlikely that these duties can effectively be absorbed within an existing position, or effectively spread across a number of positions. Therefore, the Study Group recommends creating a specific position within CHFS, DCBS to lead and oversee the implementation of performance-based contracting.

*Consideration: Consider locating the project manager position in the CHFS, DCBS Commissioner's office to promote communication and coordination across all administrative functions including policy, practice, fiscal, contract monitoring, and CQI.*

**16. Ensure there are a sufficient number of staff within CHFS with the right sets of competencies to effectively design, procure, manage, and monitor contract performance and support performance improvement.**

The Study Group recommends that CHFS establish a team of sufficient size with the right sets of competencies to effectively design and implement performance-based contracting and support practice improvement within the provider community. This team needs to skill sets and competencies to design, procure, manage, and monitor contract performance and support performance improvement. One strategy is to evaluate the need to reorganize CHFS, DCBS to build capacity and resources for performance-based contracting.

Currently, child welfare contract monitoring capacity within CHFS is limited only to billing and ensuring compliance with contract requirements. Effective monitoring within a performance-based contracting environment requires skills related to data and evidence use, the identification and implementation of effective performance improvement strategies, and other CQI competencies. Accomplishing this will require hiring new staff that possess, or can be trained, on these competencies or a significant internal restructuring to include substantial training and coaching for staff assigned to these new roles.

Previous recommendations have addressed the capacity building and support which provider agencies will need to improve practice in areas in which they are underperforming. CHFS will need additional skilled staff to provide this necessary technical assistance to the contracted providers.

### **17. Revise and re-issue the 2015 Performance-Based Contracting Readiness Assessment with the provider community.**

In 2015, CWPAP issued a readiness assessment to the Kentucky provider community for performance-based contracting. That readiness assessment tool should be reviewed, refined, and re-issued to understand the extent to which the current provider community across the child welfare continuum of care is prepared to successfully participate within a performance-based contracting model. This would likely expand beyond the original pool of respondents, providing CHFS with current and comprehensive information about provider readiness for performance-based contracting and other elements related to Kentucky's larger child welfare system transformation.

### **18. Develop system-wide training opportunities on performance-based contracting for public and private agency partners.**

Significant training opportunities will be needed to support the shift towards performance-based contracting. The Study Group recommends that training opportunities be integrated to allow public and private agency child welfare staff and stakeholders to learn about performance-based contracting in a shared environment. This delivery approach would allow participants to process new information together, ask questions of one another, and promote the collaborative partnership intended by the model.

*Consideration: These shared training opportunities could be regionally-based, involving both DCBS leadership and local providers as instructors. These learning opportunities could be ongoing and employ a train-the-trainer model to support sustainability.*

## Public-Private Partnerships

A collaborative public-private partnership in the Commonwealth will be essential to the successful implementation of performance-based contracting in Kentucky. The importance of a high level of trust, transparency, and open communication between the public and private agencies cannot be overstated. The following recommendations address elements necessary to create and sustain a strong public-private partnership.

### **19. Establish a collaborative, third party child welfare advisory committee charged with overseeing the design and implementation of performance-based contracting in Kentucky child welfare services.**

The Study Group recommends that Kentucky follow the example of some peer jurisdictions (e.g., Illinois) by developing a third-party entity with the responsibility of providing guidance and oversight to implementation of performance-based contracting in child welfare. This oversight body should be comprised of public and private agency leadership, child welfare advocates, and other important stakeholders. In addition to being an important partner within Kentucky's overarching CQI process, this third-party entity, or a subset of its members, could also serve as the appeals board responsible for the review and mitigations of concerns and challenges presented by the provider community with the application of financial incentive and penalties.

*Consideration: CHFS should consider employing term limits for this oversight body, to ensure diverse representation across the Commonwealth's child welfare community and the opportunity for other public and private agency leaders and stakeholders to contribute over time.*

### **20. Pursue the development and implementation of a collaborative child welfare practice model.**

Given the movement toward deepening the privatization of child welfare services in Kentucky as well as the implementation of performance-based contracting, the Study Group recommends that CHFS partner with the provider community and other stakeholders to develop and implement a collaborative practice model for Kentucky child welfare. Often comprised of core values, principles, and strategies, practice models create a framework to govern child welfare practice and create shared expectations between public and private agencies about ways of working together and desired outcomes.

The Study Group recommends that core values for a collaborative practice model include trust, respect, collaboration, safety, accountability, and excellence. Consistent with CHFS' larger child welfare transformation efforts, creating a culture of safety within Kentucky child welfare should be a core tenet of the collaborative practice model as well. In addition to focusing on the achievement of positive safety outcomes for child welfare-involved children and youth, this also includes creating an environment of psychological safety for the public and private agency workforce and a culture of learning. This approach is consistent with the developmental approach suggested for performance-based contracting and performance improvement, in which provider agencies have the opportunity to learn from negative performance and receive technical assistance to implement course-corrections.

The Study Group recommends that an expectation for trauma-informed and trauma-responsive practice be clearly reflected in the practice model. In addition to high level concepts of what trauma-informed practice includes, the Study Group recommends that trauma-responsive behaviors be clearly operationalized, measurable, and incorporated into performance-based contracts and CQI processes. This is consistent with the federal Family First Preservation Services Act legislation, which contains new federal requirements for strengthened trauma-informed practice.

*Consideration: While the Study Group overall supports the development and implementation of a collaborative practice model, participants caution CHFS from becoming overly prescriptive in their practice expectations for the provider community. Performance-based contracting is intended to promote flexibility for providers in their efforts to meet performance targets and achieve intended outcomes. The Study Group acknowledges that creating shared expectations for collaboration and quality of practice represent a positive step forward. At the same time, the Study Group is committed to creating an environment in which our collective focus on outcomes achievement is enhanced, and providers retain their autonomy and ability to make needed adaptations to their service delivery approaches to ensure their success.*

# Conclusion

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The Study Group appreciates the review and consideration of these performance-based contracting recommendations by the Kentucky Governor, the Interim Joint Committees on Appropriations and Revenue and Health and Welfare and Family Services, and the Child Welfare Oversight and Advisory Committee.

Implementing performance-based contracting is a promising fiscal strategy with the capacity to contribute to the success of the Kentucky child welfare transformation and the achievement of the Cabinet's priority outcomes: safely reduced entries into foster care, improved timeliness to appropriate permanency, and reduced caseloads for the child welfare workforce. Performance-based contracting also aligns well with concurrent federal efforts through the Family First Preservation Services Act to right size the child welfare system by investing more in family preservation services, and ensuring that children and youth entering care are placed with families in the least restrictive settings possible. The Kentucky provider community represents strategic partners in these efforts, and a strong collaboration will be essential for deepening public and private agency commitment to outcomes improvement and the advancement of service delivery for the Commonwealth's most vulnerable children and families.

The Study Group looks forward to continuing its work in 2019 to develop a set of recommendations for the expansion of privatization within Kentucky's child welfare system. The interrelatedness of privatization and performance-based contracting will allow the Study Group to build upon and enhance the recommendations contained in this report.



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