

Michigan Child Welfare Performance Based Funding

Final Report

Prepared by:

Alliance for Children and Families Engagement Team for the

Michigan Department of Human Services

and

Child Welfare Performance Based Funding Task Force

February 24, 2014

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Acknowledgments

This report would not have been possible without the time, talent and resources of many individuals dedicated to improving practices, policy, funding and service delivery in Michigan's child welfare system on behalf of the children and families it serves. Without the input of these dedicated individuals, the recommendations in this report would not have been possible. The Alliance for Children and Families Engagement Team would like to sincerely thank DHS Director Maura Corrigan and Task Force and Workgroup members for their leadership, collaboration and time in support of our work to determine feasibility and develop a pathway for Michigan to implement Child Welfare Performance Based funding across the public and private sectors. A special thank you is also extended to Casey Family Programs, Chapin Hall and Senior Research Fellow at Chapin Hall Fred Wulczyn for their contributions in support of the work of the Task Force.

About the Alliance for Children and Families

The Alliance for Children and Families is a national organization dedicated to achieving a vision of a healthy society and strong communities for all children, adults, and families. The Alliance works for transformational change by representing and supporting its network of hundreds of nonprofit human serving organizations across North America as they translate knowledge into best practices that improve their communities. Working with and through its member network to develop their capacities for highest performance, the Alliance strives to achieve high impact through its network to reduce the number of people living in poverty; increase the number of people with opportunities to live healthy and safe lives; and increase the number of people on pathways to educational and employment success. Visit alliance1.org for more information.

Alliance for Children and Families Engagement Team

Susan N. Dreyfus is president and CEO of the Alliance for Children and Families. Prior to joining the Alliance in 2012, Dreyfus's career has spanned across the public and nonprofit sectors. She was Secretary for the Washington State Department of Social and Health Services from May 2009-January 2012. She was appointed by Gov. Chris Gregoire and served as a member of the Governor's Executive Cabinet. She had responsibility for Medicaid, aging and long-term care, child welfare, behavioral health care, juvenile justice, economic assistance, and other human services. In 1996 she was appointed by the Gov. Tommy G. Thompson Administration in Wisconsin to be the first administrator of the Division of Children and Family Services. Her responsibilities included child welfare, child care quality and licensing, youth development and an array of emergency assistance and other community programs. She served the State of Wisconsin through 2002. Dreyfus is a board member of several national boards including the American Public Human Services Association and is a member of The Federal Commission to End Child Abuse and Neglect Fatalities.



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William R. Fiss retired from the Wisconsin Department of Health and Family Services after 36 years as a manager and supervisor of child welfare, behavioral health, economic assistance and child support programs. In a variety of positions, he was responsible for budget development, financial and contract management and supervision of program staff. He served as the Deputy Administrator, Division of Children and Family Services, for 10 years with responsibility for child welfare, adoption and a wide array of children and family services' programs. For two years he was the Acting Division Administrator, Division of Children and Family Services, pending the appointment of a permanent Administrator by the Governor.



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Task Force Motion for Approval

The members of the State of Michigan Child Welfare Performance Based Funding Task Force present this report and recommendation pursuant to the legislative mandate contained in 2013 PA59 Section 503. The Task Force concludes that a performance based funding system for Michigan is feasible and should proceed. This report describes the pathway necessary for development and implementation of a performance based system that incorporates balanced and equitable participation by the public and private sectors. We believe that this approach has the potential to further strengthen the partnership that is necessary between sectors for highest performance of the child welfare system.

The Task Force report and recommendations are contingent on the acceptance of this report in its entirety. The recommendations in our report, which include significant barriers to implementation that must be addressed, are not to be acted upon in isolation. The recommendations intersect with one another and premature action on one without action on others will create further system disruption and could jeopardize improved outcomes for children.

At the conclusion of the Task Force, 14 members voted to accept approval of this final report as noted above. Two Task Force members offered comments along with their vote of approval. Honorable Kenneth Tacoma, on behalf of the Michigan Probate Judges Association, commented, "MPJA supports the report and recommendations of the CWPBF task force, provided that the counties are held harmless in regards to the financial implications of the report, that any waiver of Title IV-E monies will be shared with the locals to finance the continuum of care, that judicial discretion is not diminished, and that MPJA will continue to be at the table during any discussions and implementation of the system, and that the recommendations will not be implemented piecemeal." Michael Williams also commented, "Orchard's Children's Services would like to emphasize that an identified Project Manager is critical to the success of Performance Based Funding in Michigan. Additionally, legislative support for sufficient funding is necessary for public and private agencies to achieve positive outcomes for children and families under the proposed model."

Task Force members Dana Gill and Representative Peter MacGregor chose to abstain from voting for approval of this final report. Ms. Gill, on behalf of the Michigan Association of Counties (MAC), submitted the following comments along with her abstention, "A feasibility report cannot provide the details necessary to understand the impact and implementation of a performance based funding model in individual counties throughout the state. More specificity is necessary to ensure the availability and quality of services to the children in our counties. For that reason, the Michigan Association of Counties abstains from a vote to approve the recommendations and final report. The MAC does have considerable concerns regarding the implementation of a performance based funding system in all counties. We look forward to participating in the further conversations regarding this model and possible implementation. We strongly recommend the inclusion of additional county and court representatives as well as the Department's local offices and Child Care Fund Monitoring Unit. Moving forward, MAC is specifically interested in ensuring several issues are addressed: third-party oversight of both public and private agency performance; county-by-county feasibility, especially in rural and northern regions; county share in costs and savings; and a myriad of funding questions, especially regarding any changes to the county child care fund system." Representative Peter MacGregor also provided comments: "Today I chose to abstain from voting for or against the Performance Based Funding Task Force Report. Although there are parts of the report that I feel are pointing us in the right direction, as the House DHS Appropriations Subcommittee Chair, I'm concerned about the undetermined appropriations implications related to this new process. I also have additional concerns regarding SACWIS performance and adequate communication and cooperation between the private agencies and the local department office, among other things."

Prior to the conclusion of the work of the Task Force, Terri Gilbert left employment with the Department of Human Services and therefore did not provide a vote on the approval of the final report. There were no votes opposing the approval of this final report.

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In order to further improve outcomes for children and provide them with greater quality and consistency, the following overarching goals were agreed upon by the Task Force to guide our process.	
A. Integrating previous and current system initiatives	
B. Providing the pathway for statewide implementation of a balanced and equitable system that includes public and private sector accountability for outcomes	
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¹ As the work of the Task Force and workgroups evolved, so did the names, focus and membership of the workgroups. Similarly, the names of other workgroups were altered as the focus, priorities and decision points emerged through various meetings, discussions and report writing. The Pilot and Implementation Road Map workgroup never took place as the Task Force identified a phased implementation approach vs. pilot very early on in their process. The work of the Pilot and Implementation Roadmap workgroup will be assumed by the Child Welfare Partnership Council, which is described in the final report.

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I. EXECUTIVE SUMMARY

The Michigan Department of Human Services (DHS), with support from the State's Legislature and public and private stakeholders, has sought to develop and implement innovative social and fiscal policies to support its ongoing efforts to improve the quality of life for vulnerable children and families in Michigan. As a means to accomplish its goals, the State has taken steps to develop a performance based framework that aligns effective social policy with fiscal responsibility to deliver child welfare services.

Most recently, Michigan's Legislature codified this work through Public Act 59 of 2013, Section 503, which requires "The Department, in conjunction with members from both the House of Representatives and Senate, shall carry out a workgroup to review the feasibility of establishing performance-based funding for all public and private child welfare services providers. By March 1, 2014, the Department shall provide a report on the findings of the workgroup to the Senate and House appropriations subcommittees on the Department budget, the Senate and House standing committees on families and human services, and the Senate and House fiscal agencies and policy offices." (Note: Subsequent to this Act, the term "workgroup" has been replaced by "Task Force". Workgroups are smaller groups of individuals that will work on specific systems issues identified by the Child Welfare Performance Based Funding Task Force (CWPF) Task Force and Alliance Engagement Team)

This Public Act is unique in that both public and private child welfare providers are included in the new performance based funding model. As such, the CWPF Task Force was charged at its first meeting by DHS Director, Maura Corrigan, to determine feasibility of performance based funding, develop recommendations and provide a pathway for implementation of an approach that could work in the State of Michigan building upon the large number of past and current efforts to further improve outcomes for Michigan's children and other successful efforts across the country

The Alliance for Children and Families Engagement Team was retained to work with the CWPF Task Force and other key stakeholders to develop this implementation pathway that would integrate the best of current and prior initiatives, including but not limited to Michigan's Title IV-E Waiver Project: Protect MiFamily; Wayne County Permanency Pilot; Enhanced MiTEAM and Expanded Continuous Quality Improvement (CQI) plan strategies; the MiSACWIS implementation; County Child Care Fund (CCF) Task Force; and the Kent County 100% Purchase of Services Project Plan. (Appendix I) The goal of the CWPF Task Force was to address many of the already identified issues that have consistently created barriers to development of a performance based funded system, identify new barriers and construct a framework for a balanced and equitable system for public and private child welfare agencies that would lead to improved outcomes and the most efficient and effective allocation of resources.

Throughout the work of the CWPF Task Force it became clear that the promise of a performance funded child welfare system does not include cost reduction but rather the opportunity to allocate and maximize resources most effectively. It is likely that new dollars will be needed in various aspects of the system to fully implement the pathway developed by the CWPF Task Force that improves the safety, permanency and well-being of the children served in the child welfare system.

The CWPF Task Force recognized that because of the inherent differences between public and private agencies, it came to support a "balanced and equitable" approach that does not mean "balanced and equal." The term, "balanced and equitable," applies throughout the recommended Process of Care (Appendix A). "Balanced and equitable" advances the principle that public and private agencies will continue to provide child welfare services. In addition, they will be held accountable to the same outcomes, transparency of reporting and case management responsibility. The Task Force identified the following areas where a "balanced and equitable" approach can be created for both public and private agencies:

- Accountability for the same outcomes

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- Regular and transparent reporting of performance
- Equitable and fair access to necessary and sufficient resources to be successful
- Shared definition of full case management by Department of Human Services' (DHS) office and private agencies with expectation for quality services and practice

This report supports the CWPBF Task Force's conclusion that based on the successful experience in States including Florida, Tennessee, Kansas and Illinois, combined with the number of performance funding initiatives the State of Michigan has experience with, that establishing a performance based funding model is indeed feasible. However, the successful implementation of performance based funding is feasible and should proceed if the core components identified in the Process of Care (Attachment A) and recommendations in this report are accepted in their entirety and the identified key barriers are mitigated as recommended. Michigan's experience in the Wayne County Permanency Pilot, mental health services, Protect MiFamily, adoption incentive payment program, and expansion of its continuous quality improvement (CQI) efforts are just a few examples of Michigan's competency in the core elements of a performance based funding model: pay for performance, innovative funding and performance management. The report further articulates the principles and goals underpinning the move to performance based funding, the required scope of work, necessary legislative changes needed, performance metrics, an operational and funding model and the timeline necessary to successfully guide a phased, integrated implementation of a performance based funded system.

Key Recommendations and Issues Identified and Covered in the Report

- A description and visual representation of Michigan's re-envisioned Process of Care (Appendix A) for the child welfare and dual ward populations, including guiding principles, and the five core components for successful implementation and improved outcomes. For the purpose of this report, the dual ward population is defined as children and youth who are involved with the juvenile justice and child welfare systems where the child welfare issues are the prevailing condition.
- A detailed definition of "balanced and equitable" as it is to be applied across public and private sectors and how measurement of the public and private agencies will be completed and publicly reported in order to meet the requirements of Public Act 59.
- An explanation of how the current county Child Care Fund (CCF) represents the most significant fiscal barrier to the successful implementation of a performance based funding system. In particular, this bifurcation of funding impedes the ability of the State to develop a flexible, comprehensive case rate model. Many key stakeholders interviewed by the engagement team and discussions with the CWPBF Task Force indicated that in some counties, a child's Title IV-E eligibility is used to determine whether the DHS or a private agency will manage his/her case. If this is accurate, it is not consistent with Michigan's guiding principles or best practice. The report will also offer strategies for the CCF Task Force and Legislature to consider in remediating this barrier for those children with child welfare and dual child welfare and juvenile justice court orders.
- A recommendation for statutory and appropriations language giving the Department authority to fund and manage Child Welfare Performance Based Funding (CWPBF) implementation. The goal is to provide financial, policy, and administrative flexibility in the design of the model and the phased implementation of one or more approaches in select locations throughout the state. The Department's financial, policy and administrative decisions will be unique to the entities participating in the initial phased implementation. For example, the Department will need to create flexible and integrated funding and resource allocation strategies from existing categorical fund sources (Title XX, Title IV-E, Title IV-B, TANF, State of Michigan General Fund, county Child Care Fund, and the State Ward Board and Care) that support child welfare services into a single, cohesive funding source to support a rate based approach.

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- A recommendation that legislative language be advanced that provides authority to the courts to hold private sector agencies fully accountable for their case management of child welfare cases assigned to them, as is currently the law with the public sector.
- A recommendation that a Child Welfare Partnership Council (CWPC) be legislatively created and convened by DHS. The success of CWPBF will be dependent on the fullest engagement and transparency across invested stakeholders on the CWPC, with emphasis on DHS, the provider community, the courts, the counties and the Legislature. This will be key to the continued analysis, planning and final decisions called for in this report, to help ensure the success of the phased implementation plan and the need for engagement and transparency in continuous monitoring and quality improvement throughout the implementation processes and ongoing in the system thereafter.
- A commitment to the Department's expanded CQI plan and the full and complete integration of the enhanced MiTEAM case practice model with CWPBF phased implementation. The Task Force endorses expanded CQI and enhanced MiTEAM as key variables necessary for success. Expanded CQI will ensure that the performance and outcomes of public and private agencies are tracked, transparently reported, and integrated with other current and emerging CQI efforts across the state. Fidelity to the enhanced MiTEAM case practice model will ensure that public and private child welfare agencies are using a shared best practice model that promotes safety, permanency, and well-being for children and youth.
- A recommendation to develop a continuum of care/network model. Under this model, one or more providers and/or community based agencies would form a consortium, establish an organizational structure that accepts and comprehensively assesses referred youth, assigns cases to members of its continuum or leverages services from other entities that may offer services not funded in the rate, and makes appropriate case management decisions during the duration of a case. The organization would hold the contract with DHS and would be fully accountable for all case outcomes, charged with coordinating care, and continuously building capacity and competency throughout their organizations and their provider network. The organization would also assume associated risks for care management and case outcomes. Network services would be funded through an inclusive actuarially-sound rate or rates that should be structured to cover the full costs of the assessment, case management, cost of out of home care, organizational capacities and the supports and services required by the DHS in the final contracts. In addition there is a recommendation for establishing an initial hold-harmless period during which providers are not liable for financial risk. During this period, cost, assessment, and performance data will be gathered and analyzed in order to refine operational elements of the performance based funding model.
- A recommendation for a full cost prospective rate system necessary for quality case management and outcomes, which includes Michigan's successful application of adoption incentive payments.
- A description of how cases will be distributed, transferred, and assessed including a recommendation for how children and youth with acute and/or intractable needs will be assigned, managed and funded.
- A recommendation regarding the critical importance of securing experienced actuarial services to support the state's desire to establish an equitable and periodically reviewed case rate or rates. This rate should be structured to include the elements identified in the Process of Care diagram (Appendix A) that include case load ratios, case managers and supervisors salaries at mid-point of the market, market basket indicators, distribution of cases, cross-walk of state standards, costs to rate, frequency of rebasing, risk sharing, MiTEAM practice model, comprehensive clinical assessment, full case management, MiSACWIS, diagnostic needs of children, incorporation of adoption incentive funds and cost of out-of-home care. The actuarial review will also consider market variation including differences based on geography, early comprehensive clinical assessments, caseload and service mix, and incentives/ penalties based on performance outcomes. (Appendix A, core components #2)

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- A recommendation that the DHS consider applying the range of cost factors used by the actuaries in their development of the case rate, to the DHS per diem rate setting process including adding performance based funding approaches to future per diem rates.
- A recommendation for maximizing all federal revenue with an emphasis on expanding Medicaid to enhance and increase medically necessary and integrated physical and behavioral health services to children and youth.
- A timeline for Michigan's phased implementation of performance based funding with an outline of specific action steps that need to occur in FY 2014, 2015 and 2016. Additionally, this section will describe the statutory and legislative changes necessary to fund and manage CWPBF. There is an immediate need to identify a CWPBF Project Director and begin the Child Welfare Partnership Council (CWPC) to guide the on-going planning and procurement processes and system CQI throughout and after the implementation of CWPBF. The CWPC should be closely aligned and integrated with the current DHS Child Welfare State Implementation Team (SIT) structure that is guiding the current child welfare system improvement efforts.
- A recommendation that, as part of the CQI process, providers anticipate that contracts will evolve as more children safely stay home with services and supports, and more children leave the out-of-home care system with permanency. This section will define an anticipated "tipping point" which will occur and will require the State to anticipate and address this change in a variety of ways including, but not limited to, contract consolidation, rate/contract amendments, and the likely need to assign some in-home cases to out-of-home care providers to ensure that public and private agencies have a sufficient number of cases, a diverse case mix to control their financial risk, and funding to adequately support the children and families in their care.
- A recommendation that the CWPC and DHS should provide an annual report to the Legislature to describe the progress towards phased implementation and any issues that may need legislative assistance or resources for the performance of public and private agencies and the courts in accomplishing system goals and measurable outcomes.
- A recommendation that an independent third-party evaluator be engaged for a minimum period of 5 years to conduct an ongoing analysis of CWPBF implementation. This should not be a point in time evaluation. Rather, the analysis should be a continuing study, coordinated with the state's expanded CQI efforts, that regularly reviews CWPBF model development and implementation as well as program data and metrics. Information periodically provided by the evaluation will support ongoing CQI efforts and permit continuous system improvements. The independent evaluator will validate findings and data with involved parties before making this information public. The independent third party evaluator will be selected through a competitive process that involves representatives from public and private agencies. Additionally, the RFP will require that the selected vendor meets the highest standards of its profession.
- A recommendation that the Department seek authorization to achieve and reinvest unspent dollars to cover the necessary start-up costs for phased implementation, an ongoing risk management pool, and an ongoing pool of incentive funds. The Department may prefer to request flexibility to fund any of these from other line items as well. The dollars to reinvest would be realized through efficiencies in both the number and duration of placements in out-of-home care or efficiencies and effectiveness achieved through in-home services programs that further and safely reduce the number of children in out of home care. Any unspent dollars or savings would be accounted for separately by either the public or private agency within the limits on total dollars that could be retained in any one contract or budget period. The timeframe for utilizing the funds or having them returned to the State General Fund would be specified. Agencies would be able to invest the dollars under an approved plan for capacity building, innovation, quality improvement or other allowable costs that will further improve system outcomes for children and families.

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- A recommendation to establish sound program metrics that adhere to principles of best practices for performance measurement. The report will specify metrics for the core outcomes of safety, permanency and well-being. It will also specify performance indicators that relate to the achievement of these core outcomes as well as system indicators that support continuous improvement. The report will recommend that metrics be developed to control for differences by age group and by geography, and to permit entities to compare performance to both statewide averages as well as to entity specific performance over time.
- A recommendation that there be a defined mechanism for identifying and funding expenses associated with high-cost and extremely complex cases that will either be “carved-out” of the proposed case rate, or funded through a specified risk pool.

The report documents critical elements of the pathway needed to create phased implementation of CWPBF in Michigan. However, there are still significant decisions and analytical work that must take place in order to successfully pursue this effort. Of immediate importance is the broad statutory authority needed by DHS to manage and fund CWPBF implementation including the ability to create flexible and integrated funding and resource allocation strategies from existing categorical fund sources that currently support the Department’s child welfare programming. A cohesive funding source will be necessary to support a rate-based approach. Further statutory and appropriations changes will also be necessary to advance the goal of providing financial, policy and administrative flexibility in the design of the model as well as phased implementation of CWPBF beginning in select locations throughout the state.

The CWPBF Task Force support and the concurrence with the consultant engagement team is contingent upon the assumption that the CWPBF recommendations are not to be acted upon in isolation. The CWPBF Task Force recommendations intersect with one another and premature action on one without action on others will create further system disruption and could jeopardize improved outcomes for children. CWPBF Task Force member support is also contingent upon the understanding that this report is an implementation pathway for a performance funded system and was built with the spirit and experience of inclusivity, engagement, collaboration and transparency. It will be critical that the CWPC as described in the CWPBF Task Force recommendations be created as soon as possible to provide continuity to the CWPBF Task Force’s work before further feasibility analysis, detailed planning and implementation begin. While all stakeholders are important to the success of the Michigan’s child welfare system, it is critical that DHS, Private agency providers, the Courts and the Counties all be at the table and actively engaged in the CWPC.

While all of the issues and necessary actions identified above are very important to success, there are five that the Task Force believes are critically important. If these issues along with the ones identified above aren’t adequately addressed, phased implementation will not only be difficult, it will very likely be unsuccessful. These five critical issues are:

- The complete, timely, and robust implementation of MiSACWIS in FY 2014 is necessary to ensure that public and private agency members have the information they need to safely and successfully manage children and youth in care.
- The state’s budgetary process must allow for adequate funding of CWPBF implementation, including continued implementation of the integrated enhanced MiTEAM and expanded CQI strategies, start-up funding, requested project management and CWPC implementation.
- Development and implementation of a modification to the county child care fund (CCF) to remove the noted fiscal barriers it currently presents. It is recommended that consideration be given by the CCCF Task Force and the Legislature to extract the allocated funding for the child welfare and dual ward populations from the fund and that the alternative funding mechanism hold counties harmless from any increase in contributions for this population. These dollars would be allocated to the DHS along with all future fiscal

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responsibility for these populations so that the DHS can integrate categorical fund sources to develop a comprehensive and flexible case rate and ensure that regardless of title IV-E eligibility, all children are served equally. This will also make accountability for performance clearer and easier to manage.

- Formation of the legislatively created CWPC, to take responsibility for moving this CWPBF forward following the conclusion of the task force. It is recommended that the Council be co-chaired by one high ranking official from DHS and one representative from the private child placing agency sector. The Council will include representatives from the public and private child welfare agencies, the courts, counties, the legislature and others with a vested interest in improving the outcomes of the system and advancing the performance based funding system in Michigan. The Council will be responsible for providing support and oversight to the development and phased implementation of CWPBF as outlined in this report. The Council's initial priority will be to ensure a thoughtful approach and execution of the recommended actions for the remainder of the State's fiscal year. Further, the Council must establish an operational infrastructure that will align with the Department's existing Child Welfare SIT structure. The SIT was established as a part of the Michigan's expanding CQI plan and serves as a structure for addressing priority issues and initiatives within the child welfare system. The Council will benefit from specific interface with two of the sub-teams within the SIT: Resource Development and MiTEAM/CQI. The purpose of the Resource Development sub-group is to "address the development and implementation of the performance based funding model expected to affect outcomes and indicators in a variety of areas; identifying and developing the resources needed to implement MiTEAM effectively." The purpose of the MiTEAM/CQI sub-team is to "monitor the implementation of plans related to expanding the MiTEAM practice model and the ongoing implementation of the model statewide" as well as "monitor the implementation of the statewide CQI plan and ensure coordination between MiTEAM and CQI."
- The naming of a Project Director with dedicated project team to ensure the success of this plan, staff the CWPC and serve as a member of the current DHS Resource Development sub-team. As phased implementation of the performance based funding occurs, the Department, by and through its statewide CQI plan and SIT structure, will facilitate the collection of performance metrics specific to CWPBF implementation that will help inform and guide DHS and the CWPC on the progress of CWPBF.

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Phased Implementation Timeline

The recommended phased implementation necessary to support CWPBF in Michigan follows. The initial timeline will continue to shift as more detailed analysis and decision-making occurs, and it will need to be implemented flexibly.

FY 2014 (October 2013-September 2014)

1. Complete the planning process for the Kent County rollout and its alignment with CWPBF principles and approaches.
2. Establish the post Task Force Child Welfare Partnership Council as a permanent advisory body.
3. Complete MiSACWIS implementation.
4. Provide transparent reporting of outcomes statewide for private agencies and public agencies by State office and by county.
5. Integrate the recommended expanded Performance Evaluation Management (PEM) unit with the expanded CQI implementation.
6. Secure broad statutory authority to manage and fund performance based contracting.
7. Secure statutory and appropriations changes to provide a fully integrated funding model to support the initiative which allows the Department to integrate state, local and federal funds into a cohesive funding source.
8. Continued resolution of the Child Care Fund issue as it relates to child welfare and dual ordered children.
9. Establish DHS Project Director and Project Team to direct and manage phased implementation.
10. The Department will contract with an independent actuary to establish an actuarially sound rate based on parameters established by the Department with input from the CWPC and other stakeholders.
11. The Department will complete a full cost analysis of the model in partnership with the actuarial rate setting process.
12. In cooperation with the CWPC, the State will identify the next MiTEAM geographic areas which may be considered for later CWPBF rollout.

FY 2015 (October 2014-September 2015)

1. Implement the Purchase of Service model in Kent County which assumes the alignment of the project with CWPBF implementation, principles and approaches.
2. The Department will issue both an RFI and competitive RFP that covers the areas identified by the state to participate in phased implementation.
3. Implement the actuarially developed rate and case mix.
4. Integrate the training and implementation of the enhanced MiTEAM model and expanded CQI plan with the phased implementation of CWPBF implementation.
5. The Department will procure and begin an independent third party evaluation that runs through FY 2020.
6. Finalize selection of next areas for phased implementation.

FY 2016 (October 2015-September 2016)

1. Implement CWPBF in multi-urban or rural proximate counties that include Kalamazoo County or Kalamazoo by itself.
2. Based upon a comprehensive analysis of implementation efforts in 2014-2015, the Department will make necessary legislative, fiscal and program adaptations and final decisions for implementation of the model across the state.
3. State to finalize selection of next areas for phased implementation.

FY 2017 through FY 2020 (October 2016-September 2020)

1. Implementation of rollout across state.
2. State to finalize selection of next areas for phased implementation.

II. BACKGROUND

A. History

The Michigan child welfare system is a state-supervised and state-administered child welfare system. Child welfare practice, policy, and fiscal procedures are established at the state level and administered through local offices. Funding for placement in foster care is available from up to three sources – federal, state, and county. Both the payment mechanism and payment sources may vary for any given child depending on a mix of factors including: the legal status of the child, the entity maintaining legal jurisdiction, federal eligibility, and the placement location of the child. These complexities underlying the funding for child welfare services create a particular challenge for public and private stakeholders in the contemplation of system change.

In the current system, the state is responsible for just about 13,000 children in out of home placement at any given time. Of those children and youth, well over half are housed in either licensed foster family homes or in approved kinship settings. A smaller proportion includes children/youth housed in either independent living settings or being supervised in their own homes. Less than ten percent of youth are located in residential, shelter, or group care. The state contracts with a network of private agencies for a range of services for children in out of home care in all service settings. The private network is also responsible for all adoption services in the child welfare system. At any given time, the private network oversees about 45 percent of the children in care.

The private network is comprised of more than 125 foster care placement agencies (PAFC) and child caring institutions (CCIs). They range in size from smaller single program entities to larger multi-site multiservice organizations. A private provider may have one or more contracts with the state depending on the mix of services it offers. As of October 1, 2013, all PAFCS are paid a fixed rate of \$37 per day, while rates for CCI contracts vary depending on both the provider and the particular program. In recent years, the state has attempted to reduce the variation in residential rates for similar services by establishing median rates within service types for CCIs and upwardly adjusting rates for providers paid below the median within service type.²

In general, rate adequacy has been a persistent concern for many of the private agencies that contract with the state. This concern took on new urgency when caseload mandates and other policy and process changes required under a court settlement agreement were passed on to the private network without additional funding.³ Concerns around funding adequacy have been further exacerbated by recent changes in the dynamics that characterize the Michigan's foster care system.

Since 2008, the number of children and youth entering out of home care has declined significantly. As Table 1 shows below, the number of children/youth entering out of home care for the first time in 2008 was 6,895, and has declined by 20 percent to 5,537 in 2012.

² F. Wulczyn and J. Haight, Memorandum, May 20, 2013.

³ See discussion of the *Dwayne B. v Snyder* in Section III. Overarching Goals.

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**Table 1: Initial Entries into Out of Home Care, Calendar Year 2008-2012⁴
By Prosperity Region**

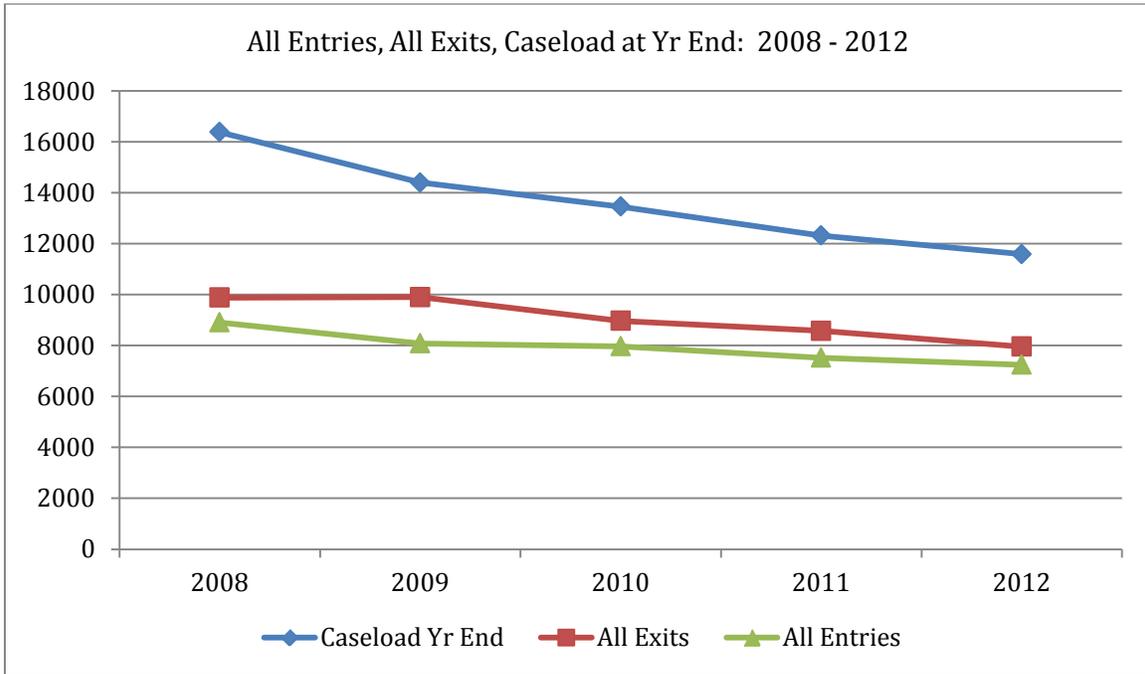
Prosperity Region	First Entries by Prosperity Region					Change from	
	2008	2009	2010	2011	2012	2008	2011
All Regions	6895	6078	6046	5616	5537	-20%	-1%
Detroit Metro	2682	2204	1861	1551	1358	-49%	-12%
East	659	604	645	558	556	-16%	0%
East Central	414	307	397	308	311	-25%	1%
North East	155	179	179	173	157	1%	-9%
North West	223	201	133	200	138	-38%	-31%
South	414	347	358	455	455	10%	0%
South Central	432	404	432	338	407	-6%	20%
South West	673	698	812	656	795	18%	21%
Upper	182	176	179	200	237	30%	19%
West	1061	958	1050	1172	1072	1%	-9%

In 2013, the Governor asked each State department to organize its services according to designated regions called prosperity regions so that customers can benefit from better coordination among departments, leverage efficiencies and enhance customer service. Recognizing that the ability to implement the new regional map for services faces different timelines and challenges, each department set forth to develop a plan for adoption of prosperity regions.

⁴ All data derived from analytic files created by Chapin Hall and based on SWSS data through June 30, 2013.

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Figure 1: Caseload Dynamics



Looking at all caseload dynamics Figure 1 shows that as entries have declined, exits continually outpace entries—both dynamics contribute to decreases in the caseload at any given time. Between 2008 and 2012, the caseload dropped by almost one-third. This chart indicates a significant shift in the system with implications for sustainability of current funding, the under and over utilization of current provider capacities and how funds will need to be allocated in the future.

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Table 2: Median Duration in Care for Initial Entrants, 2007-2011

Median Duration in Months						
Prosperity Region	Entry Year, First Entries					Diff From
	2007	2008	2009	2010	2011	2007
All Regions	15.1	14.4	13.7	13.7	14.5	-4%
Detroit Metro	16.7	15.3	15.1	13.6	15.0	-10%
East	14.9	14.3	12.3	14.3	13.2	-11%
East Central	10.5	11.0	9.6	11.8	13.5	29%
North East	14.7	14.2	12.2	12.0	11.2	-24%
North West	14.9	12.8	12.9	16.6	14.9	0%
South	14.7	15.1	15.3	16.3	14.3	-3%
South Central	16.6	14.5	13.1	11.2	12.6	-24%
South West	14.2	13.4	13.9	14.5	15.4	9%
Upper	12.9	11.4	10.0	10.8	13.2	2%
West	14.9	14.8	13.1	14.1	15.2	2%

Finally, Table 2 shows a general decreasing trend in duration for first entries, although a good deal of variation by region is also observable. In Detroit, nearly 17 months elapsed before half of the initial entrants to care in 2007 exited care. For the 2012 group, the median duration had dropped by over one month. Taken together, one effect of these dynamics is that there are fewer children in care at any given time which has led to an overall reduction in the annual utilization of out of home care days.

From a social policy perspective, these changes generally reflect system improvements associated with current practices that promote timely permanency for children. The blend of services and processes that result in more safe and timely permanency for children should ideally be maintained in order to continue to improve outcomes for children and families. However, in the current fee for service environment, as fewer days of service are purchased, the revenue to support the services for children and families diminishes as well. In fact, in the absence of increased referrals, those most effective at reducing duration are most vulnerable to decreased revenue. Recent analyses by researchers at Chapin Hall showed there to be a wide variation in permanency outcomes across the state and among providers. This research suggests that in addition to variation in outcomes across the system, there is also no direct connection between payments made for foster care services and the outcomes associated with those services.⁵

⁵ F. Wulczyn and J. Haight, Memorandum, May 20, 2013. See also Fred Wulczyn's presentation to the Task Force, October 22, 2013.

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Figure 2: Distribution of County Performance, Permanency

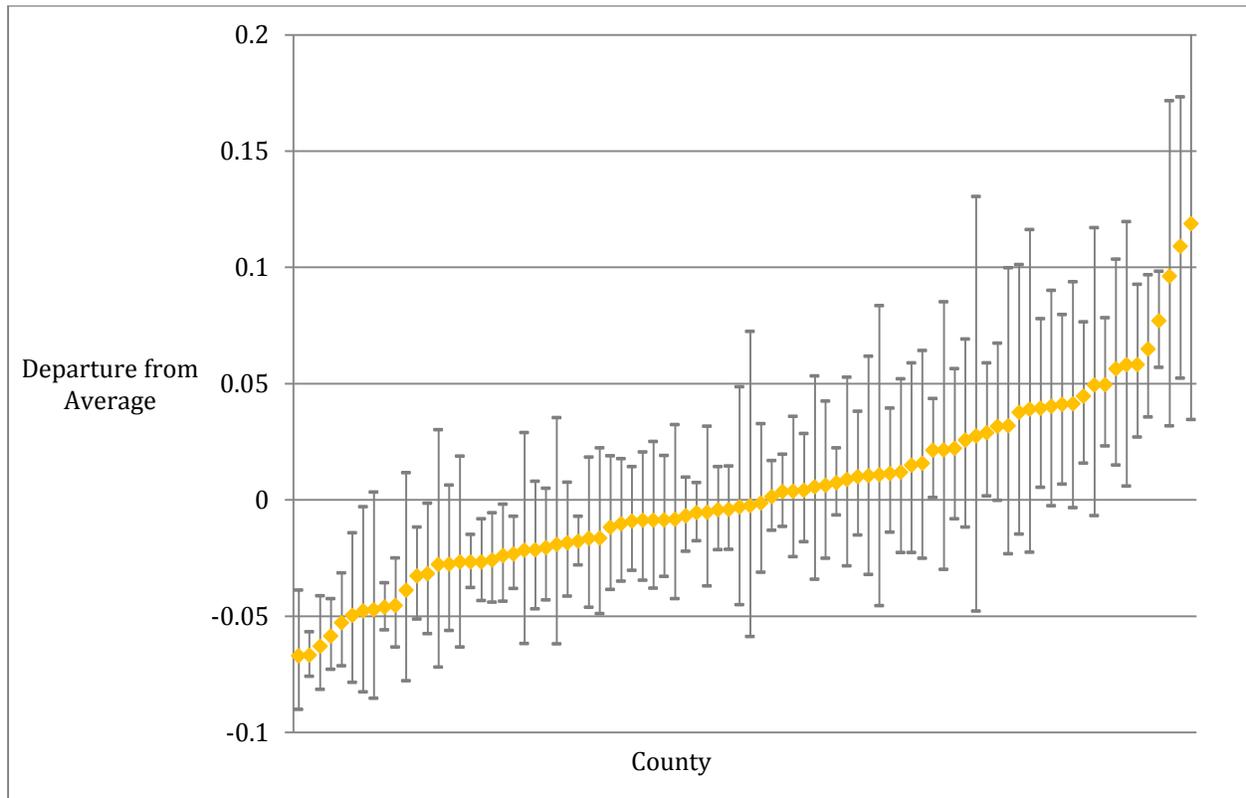


Figure 2 shows performance on permanency outcomes by county in Michigan. Each dot in the graph represents a single county. Counties to the left are those with observed permanency rates that are below the expected permanency rate relative to similar counties serving similar children. Counties to the right are those with an observed permanency rate that is greater than the expected rate.⁶ What this figure indicates is that there is substantial variation within counties for permanency outcomes for children. These data show a range in outcomes for children under court supervision and served by either the public or private sectors. The range in performance reveals that there is a real opportunity for stakeholders responsible for achieving permanency to reduce variation while continuing to improve outcomes for children and their families.

The current environment therefore is characterized by a change in out-of-home care services both in numbers and type, decreasing revenue in the system, a significant amount of variation in performance, and a private network

⁶ The y-axis is scaled to show the departure from the average. Counties that fall close to the average are clustered around zero on the y-axis scale. The vertical line that passes through each point represents the confidence interval. In cases where the vertical line passes through the y-axis at zero, the data suggest that that the agency's performance is not statistically different from the average. If the line does not intersect the y-axis at zero, then chances are the observed agency rate is indeed different from the average rate of reunification. Technically speaking, these data are based on multi-level model that accounts for the nested structure of the data (i.e., children nested within counties). The data presented are the EB estimates and the associated confidence intervals. EB estimates are the level-2 residuals and measure how much the observed rate of exit differs from the statistical average. The approach taken is one used in health care to profile the performance of health care providers.

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increasingly concerned about their economic viability under current state policies. In combination, this environment has triggered increased pressure from public and private stakeholders to introduce reforms in the system that will both mitigate the economic stress experienced by the private partners who provide critical services and supports in their communities, and will also explicitly connect performance outcomes to payment.

The state is at a critical juncture where it may be possible to reallocate revenue in the system to support the essential services and supports required to ensure safety, permanency, and well-being for children and families under the state's jurisdiction. The opportunity is especially propitious right now. There are a number of state policy initiatives that are designed to support a continued focus on promoting safe and timely permanency in a range of settings (both in home and out of home). In addition, there are private partners interested in developing programs to support the changing needs of the state, and there may be revenue in the system that can be directed to support those efforts. Finally, there is clear interest from the legislature, state leadership, local judges and county partners to craft a system that more directly and explicitly connects funding to outcomes.

B. Legislative Mandate

Michigan's Legislature enacted Public Act 59 of 2013, Section 503, which requires "The Department, in conjunction with members from both the House of Representatives and Senate, shall carry out a workgroup to review the feasibility of establishing performance-based funding for all public and private child welfare services providers. By March 1, 2014, the Department shall provide a report on the findings of the workgroup to the Senate and House appropriations subcommittees on the Department budget, the Senate and House standing committees on families and human services, and the Senate and House fiscal agencies and policy offices."

C. Charter (Appendix B)

To guide and inform the work of the Child Welfare Performance Based Funding (CWPF) Task Force, a Charter was developed and approved by the CWPF Task Force. It identifies CWPF Task Force membership, purpose, goals and priorities. The Charter states that the CWPF Task Force "be comprised of representatives from Department of Human Services (DHS), private child welfare agencies and others with a vested interest in developing a performance based funding model for delivery of child welfare services including: community and residential foster care, adoption services, licensing, and services for dually enrolled youth."

The Charter states that the development and implementation of a model for child welfare performance based funded will increase efficacy; promote an emphasis on outcomes that improve the system's response to children and families and ultimately enhance the quality of services from private and public sector organizations responsible for Michigan's child welfare services. The Charter recognizes the fact that the legislation establishing the CWPF Task Force is directed at both public and private agencies.

The Charter also guided the CWPF Task Force to develop recommendations and approaches that are balanced and equitable across the public and private sectors, who together share responsibility for the performance of Michigan's child welfare system. The primary purpose of the CWPF Task Force was to guide the process, determine key decision points and develop recommendations for:

- How to best determine feasibility and develop a performance based funding system that supports accountability for performance, efficient expenditure of resources, and permits a balanced and equitable approach across the public and private sectors
- How to address systemic barriers that provide obstacles to successful performance and effective expenditure of resources in a performance based funding model
- How to develop an operational structure that is performance based
- The data and metrics to be incorporated into the performance based funding methodology
- The key features of the request for proposal

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- The pilot and implementation roadmap

Most importantly, the Charter and Legislative Mandate ask that the CWPBF Task Force examine the feasibility of a performance based funding model in Michigan.

D. Task Force, Workgroups and Meeting Schedule (Appendix C)

Task Force

The CWPBF Task Force was established by the DHS in partnership with the Michigan Federation for Children and Families and the Association of Accredited Child and Family Agencies. Membership included representation from the counties, courts, Legislature, DHS and private agencies that support children and families in Michigan's child welfare system. Steve Yager, DHS Director of Children's Services Administration and Cameron Hosner, President/CEO, Judson Center, served as CWPBF Task Force Co-Chairs.

Workgroups

Initially, the Task Force Charter identified five workgroups.

1. Systems Barriers
2. Lead Agency/Continuum of Care-Per Diem or Capitation
3. Data Metrics
4. RFP/RFI Key Features
5. Pilot and Implementation Road Map

As the work of the CWPBF Task Force and workgroups evolved, so did the names, focus and membership of the workgroups. The Pilot and Implementation Road Map workgroup never met as the CWPBF Task Force identified a phased implementation vs. pilot approach very early on in its process. Similarly, the names of other workgroups were altered as the focus, priorities and decision points emerged through various meetings, discussions and report writing. The work of the Pilot and Implementation Roadmap group will be assumed by the CWPC which is described in this report.

Meeting Schedule

Throughout the life of the CWPBF Task Force, there were multiple meetings of the CWPBF Task Force, Workgroups, the Project Management Team and Engagement Team. In addition, there were calls with Director Corrigan, representatives from the Legislature, Judiciary and others to inform, guide and support the work and goals of the CWPBF Task Force. In total more than 100 key stakeholders were engaged in this effort. For the schedule of meetings of the task force and workgroups, see Appendix C.

III. OVERARCHING GOALS

In order to further improve outcomes for children and provide them with greater quality and consistency, the following overarching goals were agreed upon by the Task Force to guide our process.

A. Integrating Previous and Current System Initiatives

Prior to the work of the Task Force, there have been multiple initiatives that either have or are currently taking place that are focused on improving and supporting Michigan's child welfare system including:

- The Chapin Hall Study
- Michigan Modified Settlement Agreement (MSA)
- Federal Title IV-E Waiver Project: Protect MiFamily
- Wayne County Permanency Pilot
- Enhanced MiTEAM/ Expanded Continuous Quality Improvement (CQI) in selected Champion Counties
- MiSACWIS rollout
- The CCF Task Force
- Kent County 100% Purchase of Services Project Plan (Appendix I)

The Alliance for Children and Families Engagement Team was retained to develop an implementation pathway that would integrate these numerous efforts with CWPBF implementation. More specifically, the goal has been to advance this body of existing work while developing strategies that would drive improved outcomes for children and families in a performance based funding environment. The goal of the CWPBF Task Force was to address many of the previously identified issues that have consistently created barriers to the development of a performance based funded system and construct a framework for a balanced and equitable system for public and private child welfare agencies. The implementation pathway leading to the performance based funded system is not about cost reduction. Rather, it is effort to integrate Michigan's many other existing and developing initiatives into a coordinated system focused on increased accountability, maximized performance and a funding approach that recognizes the successful achievement of specific outcomes.

The DHS and representatives from private child welfare agencies, courts and counties were central to the creation of this pathway as well as the associated findings and recommendations outlined in the final report. A more detailed description of these initiatives is described below:

- **Federal IV-E Waiver Project: Protect MiFamily.** Protect MiFamily is directed at providing prevention and preservation services to families with very young children who have been identified to be at high or intensive risk for maltreatment by Children's Protective Services (CPS). Michigan DHS has redirected a portion of Title IV-E funds, otherwise restricted for foster care, to test new strategies for averting foster care entry, preserving families, and improving child safety and well-being. Protect MiFamily provides 15 months of prevention, preservation and support services to randomly assigned families with very young children who have come to the attention of Children's Protective Services. Michigan's Protect MiFamily was implemented in August 2013 and is a 5-year child welfare waiver demonstration in Macomb, Muskegon, and Kalamazoo Counties.
- **Wayne County Permanency Pilot.** (This has been adapted from Resolution, Reinvestment, and Realignment: Three Strategies for Changing Juvenile Justice: Research and Evaluation Center, John Jay College of Criminal Justice: Jeffery Butts and Douglas N. Evans.) Prior to 2000, juvenile justice services in Wayne County were managed much like in other states. Young offenders were confined to state-run facilities and juvenile court judges had few local options for handling adjudicated youth. Commitments

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were supported with state funds and, as a result, there became an excessive reliance on out-of-home placement. County officials signed an agreement with the Michigan DHS to shift the responsibility for managing adjudicated youth from the state to the county. Using a mix of local and state funds, including Michigan's Child Care Fund (CCF), Federal Title IV-E funds and Medicaid, the county implemented a completely new structure for delivering juvenile services. This new Care Management structure included an independent Juvenile Assessment Center for determining appropriate care needs and evaluating care outcomes as well as lead Care Management Organizations to provide comprehensive care within defined geographical areas (communities). Funds saved from reductions in institutional commitments were invested in local, "front loaded" prevention and/or early intervention programs.

- **Enhanced MiTEAM and Expanded CQI.** MiTEAM is Michigan's child welfare case practice model. The model guides child welfare staff in their work with children, families, stakeholders, and community partners to achieve outcomes for safety, permanency and well-being of children and their families. MiTEAM aligns with the department's child welfare vision, mission, and principles and incorporates the specific practice skills of teaming, engagement, assessment and mentoring. The department began implementation of MiTEAM in 2011 and is currently in the process of enhancing the model's content and employing a phased, integrated approach to comprehensive training and support of the enhanced model for public and private agency child welfare staff and supervisors. This approach is integrated with an expanded CQI plan for the state which reinforces fidelity to MiTEAM and addresses the requirements of Michigan's Modified Settlement Agreement. Initial implementation of the enhanced MiTEAM and expanded CQI plan is occurring in a small number of "champion counties" and will gradually expand to all counties. As lessons from this preliminary implementation are learned, the information will be used to identify systemic barriers to effective implementation in a controlled setting before statewide rollout.
- **The County CCF Task Force.** The CCF Task Force was convened to bring together a group of thoughtful leaders from across the state to identify and address services and funding for children and youth in the juvenile justice and child welfare systems covered by the county Child Care Fund (CCF). The current CCF approach was established in 1955 and has undergone minor modifications over the years. The DHS felt it was time to examine the future of juvenile justice and child welfare funding and determine if the current approach reflects what the various stakeholders want the system to look like. The CCF Task Force was charged with developing a plan of action aimed at streamlining the funding mechanism and improving how these funds are used to support care of children across the state.

In December 2013, the CWPBF Task Force identified the CCF as a major fiscal barrier to implementing a performance based funding system. As a result, the Task Force recommended that the CWPBF Task Force prioritize its work on the portion of the CCF supporting the child welfare and dual ward populations. Specifically, the CCF Task Force was asked to:

- Consider various options for separating the current funds dedicated to the child welfare/dual ward populations from juvenile justice population under the CCF, and creating a separate funding stream for the child welfare/dual ward populations.
- Consider creating a sub-committee of the CCF Task Force made up of members with a deep understanding of and experience in the child welfare system and the child welfare/dual populations to better understand the challenges associated with the fund and identifying strategies for maximizing its use.
- **SACWIS Rollout.** MiSACWIS is the automated case management tool currently in development to support child welfare case management practice. MiSACWIS is intended to hold a youth's "official case record" and provide necessary data and information needed to safely and effectively manage a child's case. In order for

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the successful implementation of CWPBF to occur, the timely rollout of a well-designed and functional MiSACWIS system is critical to ensuring the proper entry, collection and validation of data. Additionally, dedicated resources, ongoing development and maintenance of reporting capacity, are substantial components of a successful model that is capable of clearly monitoring and improving performance.

- **Kent County 100% Purchase of Service (POS) Plan.** In FY2013, the State Budget required that DHS, in collaboration with Kent County, the court, and private agencies, complete the design of a “purchase of service” (POS) model for child welfare services within Kent County. These parties, along with the Kent County Community Mental Health Authority, have worked diligently to create a replicable plan that moves Kent County from approximately 85%-90% POS to 100% POS. The new model will strive to achieve these outcomes:
 - Provide better outcomes for youth;
 - Increase the use of community support systems;
 - Embed local points of control for serving local needs without compromising the integrity of system-wide principles; and
 - Transform the focus from a process orientation to a service orientation.

In addition to the initiatives noted here, Michigan’s child welfare system has been impacted by two other actions:

- **Class Action Lawsuit, Dwayne B. v. Snyder.** In 2006, Children’s Rights, Inc. filed a class action lawsuit alleging that the state systematically violated the rights of children in state foster care. Attempts to resolve the lawsuit resulted in an initial settlement agreement in 2008, which was then renegotiated by Governor Snyder in 2011. That MSA or consent decree outlines the areas for which the state must demonstrate compliance in order to show progress on required reforms. Section XII of the 2011 Dwayne B. v. Snyder Modified Settlement Agreement specifically requires that DHS’s contracts with private Child Placing Agencies (CPA) and Child Caring Institutions (CCI) be performance based and include compliance with performance goals set forth in the MSA.

It further requires that all CCIs or private CPAs that provide placements and child welfare services to plaintiff class members report to DHS accurate data on at least a six month basis in relation to the requirements of the MSA and that DHS independently monitor and enforce contracts and maintain a set of enforcement measures in the event a contract agency fails to comply with material terms or requirements of the performance based contract.

- **Chapin Hall Study.** In response to section 503 of the 2012 Public Act 200, researchers at Chapin Hall at the University of Chicago were contracted to conduct an actuarial rate study on the cost of the provision of child welfare services in Michigan. Within a broader scope of its work in Michigan, Chapin Hall researchers were asked to do the following:
 - Assess the adequacy of the administrative per diem rates paid to private providers of out-of-home care.
 - Assess the adequacy of the mechanism used to adjust the per diem rate to reflect changes in the cost of underlying activities.
 - Assess the adequacy of mechanisms used to adjust the per diem rate to reflect in the contractually required bundle of services covered by the per diem rate.

On May 20, 2013, Chapin Hall issued a memo and report regarding the Michigan Administrative Rate Review, and recommended the “deployment of a prospective payment model that better connects public

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investments with outcomes for children. A prospective payment system, when compared to the current per diem rate mechanism, would have a positive impact on agency revenue, thereby allowing the agencies to adapt more easily to changes in the demand for out-of-home care.”⁵ In addition to demonstrating wide system variation in the attainment of permanency outcomes, the report outlines how a prospective payment system ties investment in services to outcomes, and can support/providers’ effective participation in improvements to the child welfare system.

Given the number, scope and complexity of Michigan’s various initiatives, the Task Force emphasized the importance of integrating and aligning these multiple efforts with CWPBF implementation and not creating a new and/or disconnected initiative from scratch. For this reason, the CWPBF Task Force determined that providing a Pathway for Statewide Implementation of a balanced and equitable system that includes public and private sector accountability for outcomes was the best approach for bringing together some of the state’s efforts in other areas to support, enhance, and advise the goals of CWPBF implementation.

B. Providing the Pathway for Statewide Implementation of a Balanced and Equitable System that Includes Public and Private Sector Accountability for Outcomes

The CWPBF Task Force discussed the importance of and challenges associated with constructing a balanced and equitable system for public and private child welfare agencies. Because of the inherent differences between public and private agencies, the CWPBF Task Force recognized that balanced and equitable did not mean balanced and equal. The group wanted to be equally clear on what the concept does mean and how it has been applied. The CWPBF Task Force identified those areas where parity could be created:

- Regular and transparent reporting of performance
- Public and private agency accountability for the same outcomes and access to equitable, necessary and sufficient resources to be successful
- Shared definition of full case management responsibility and shared expectations of quality services
- Accountability for performance by the public sector and private sector providing child welfare services

In addition, both public and private sector agencies will utilize the same MiTEAM practice model and participate in the expanded CQI plan which supports fidelity to the model.

C. Clearly Defining the Population of Children Served by the Child Welfare System

In addition to its child protective services responsibilities, the child welfare system is responsible for those children and youth who are served either in home or out-of-home and those that are dually enrolled. Dually enrolled is defined as a child/youth who is involved with the child welfare system and juvenile justice systems where the child welfare issues are the prevailing condition. (Dually enrolled youth are also sometimes referred to as dual wards.)

D. Clearly Defining the Process of Care with Core Components Necessary for Successful Implementation (Appendix A)

The Process of Care is a visual depiction of how children and youth will be served by the private and public sectors in Michigan’s child welfare system as well as the system’s guiding principles and five core components essential to successful implementation of CWPBF.

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The foundation of the Process of Care is a restatement of DHS's guiding principles and an articulation of the CWPBF Task Force's five core components. The guiding principles are:

- Safety is the first priority of the child welfare system.
- Families, children, youth and caregivers will be treated with dignity and respect while having a voice in decisions that affect them.
- The ideal place for children is with their families; therefore, we will ensure children remain in their home whenever safely possible.
- When placement away from the family is necessary, children will be placed in the most family-like setting and will be placed with siblings whenever possible.
- Permanency connections with siblings and caring and supportive adults will be preserved and encouraged.
- Children will be reunited with their siblings as soon as safely possible.
- Community stakeholders and tribes will be actively engaged to protect children and support families.
- Services will be tailored to families and children to meet their unique needs.
- Child Welfare professionals will be supported through ongoing development and mentoring to promote success and retention.
- Leadership will be demonstrated within all levels of the child welfare system.
- Decision making will be outcome-based, research driven and continuously evaluated for improvement.

The five core components essential for a balanced and equitable system including:

1. Full development of performance evaluation, contract management, and CQI functions
2. Balanced and equitable prospective payment system
3. Balanced and equitable accountability for public and private agencies
4. Fully maximized Federal revenue
5. Outcomes collected and publically reported will be the same for public agencies, private agencies and the courts

One of the initial decisions made by the CWPBF Task Force was to maintain the existing balance of children served in the public and private sectors. For example, if a community selected for phased implementation has 45% of its youth served by private agencies and 55% of its youth served by public agencies, that same balance would be maintained. The distribution of cases in the new model will be determined by the existing baseline distribution of out-of-home cases (public/private) at the time of phased implementation. An equitable rotation schedule will be initiated for out-of-home cases to ensure that the percentage split across sectors in each area is achieved while ensuring that referrals are fairly distributed. Over time, based on performance and the anticipated occurrence of a "tipping point" with fewer children in out-of-home care, a change in the percentage and type of cases served by the public and private sectors is expected to occur.

For children and youth where abuse/neglect are substantiated, the Process of Care shows that children who remain in-home (court involved and non-court-involved) will be served by the public sector, as is current practice, through DHS CPS case management. For children and youth where abuse/neglect is substantiated and out-of-home case is necessary for at least one of the children in a family, the Process of Care shows that all children in the family will be referred to either the public sector or private sector through the equitable rotation schedule. Private agencies and public agencies must accept and provide services to all youth referred to them. If an in-home case disrupts and one or more children need out-of-home care, the children's case management is transferred through the rotation schedule for full case management. Full case management responsibilities include assessment, case planning, placement decisions, direct services and supports and full standing in court.

IV. SYSTEM BARRIERS (Appendix D)

The purpose of the workgroup was to identify barriers in policy, budget and practice throughout the state's child welfare system that do, can or will impede the ability to achieve and exceed the outcomes identified by the CWPBF Task Force for a balanced and equitable system.

The workgroup acknowledged that there were many initiatives past and present, particularly the work of the Kent County Project 515 Report, the work of the CCF Task Force and the parameters outlined in the CWPBF Task Force charter, that provided a starting point for systems barriers identification. The workgroup identified 24 system barriers and classified each as having high, medium or low impact. These findings were presented to the CWPBF Task Force in conjunction with prioritization for addressing these system barriers and guidance for resolving or mitigating the barriers. According to the rankings, 13 barriers were ranked high, 9 were ranked medium and 2 were ranked low.

The consensus of the workgroup was that five of the identified barriers have potentially the greatest and most immediate impact and are the highest priority for follow-up and mitigation. These significant barriers include:

- The payment methodology (per diem or per capita) must be both actuarially sound and support the needs of real children and families in the child welfare system.
- The comprehensive overhaul of legal requirements, state policies and procedures of the multiple funding sources necessary to implement CWPBF, particularly the county Child Care Fund, could delay or halt the phased implementation, pending the resolution of myriad related issues.
- Performance based funding, by construct, suggests an approach that limits funding and spending to an appropriated amount. Because child welfare funding largely rests in the General Fund, another downturn in Michigan's economy could result in the Legislature limiting or reducing expenditures in child welfare programs for use in other areas.
- The statutory requirement that removal of a child from his or her home requires state action creates potential issues around the definition of full case management responsibility for the private agencies. In addition, the potential impact on IV -E funding due to the wording used in removal orders is another potential barrier to the full case management role for private agencies.
- The continuity of care for children and families served in the child welfare system is an important aspect of ensuring safety, quality of care and achieving successful outcomes. Changes in case management responsibility create disruption and uncertainty for children and families already struggling with the problems that brought them to the child welfare system. As a result, the issue of case transfer must be addressed to minimize negative impact on children and families and to ensure equitable accountability for public and private agencies.

Regardless of their impact, each of the 24 barriers were reviewed by the CWPBF Task Force and were delegated to the appropriate workgroup to ensure that the recommended follow-up and mitigation strategies were incorporated in the workgroup's deliberations and the final report of the CWPBF Task Force.

Finally, the workgroup noted that its work was the beginning of an ongoing risk management process and needed to be incorporated into the CQI process as recommended by the CWPBF Task Force.

V. OPERATIONAL AND FUNDING STRUCTURE (APPENDIX E)

The purpose of the workgroup was to specify assumptions and recommendations for key features of the operational structure through which performance based funding could be implemented in Michigan's child welfare system. Prior to meeting, workgroup members reviewed information describing potential structures through which performance based contracts could be implemented.

The workgroup considered two main operational structures—lead agency and continuum of care—and three funding mechanisms: case rates, capitation, and per diem. Research on these options was reviewed, and workgroup members contributed their professional experience with the various models. Through discussion on the advantages and drawbacks of each of these options, the workgroup reached consensus on the optimal operational structure and funding mechanism with implementation recommendations for Michigan's performance based contracting system.

The two operational structures discussed were a lead agency model and a continuum of care model. In a lead agency model, a single agency coordinates care after a case has been substantiated and retains the case until it is closed. The lead agency may provide services directly and/or subcontracts with other service providers. A continuum of care structure coordinates an array of more restrictive (e.g. residential) placement options with less restrictive placement options (e.g. family foster care). The intention is to provide the most appropriate service, based on a child's individual needs, in the least restrictive setting possible. The continuum of care is offered by a network of affiliated providers, made up of private and/or public agencies.

As the report recommendations suggest, the group ultimately recommended the continuum of care operational structure. The literature reviewed suggested some benefits associated with this approach, including encouraged case management coordination between providers (Holden et al 2007), evidence that use of evidence-based leads to improved treatment plans and reduced placement times (Fischer, Chamberlain, and Leve 2009), and some evidence that systems with integrated continuum of care also tend to step youth down to more stable, less restrictive settings before discharge (Heufner et al 2010). Additionally, lead agency models require that a single agency take on substantial volume and duration risk, while continuums allows providers to pool risk and share accountability for desired outcomes (Westat and Chapin Hall 2002). Workgroup members indicated an interest in minimizing the significant risk for a single provider (and the state) associated with the lead agency model. At the same the group indicated support for a model that would have more partners contributing to the management entity, while also assuming shared accountability for managing care and achieving the outcomes.

The workgroup considered two prospective payment mechanisms—case rates and capitation—and the possibility of continuing to use the state's current retrospective per diem payment system. For case rates, a fixed payment rate is set to cover all of an individual child's anticipated service needs. Payments are made prospectively based on projected costs for the child's level of care and treatment plan duration at intake. In a capitation rate system, the private provider is paid for a prospective period (usually monthly) for a specified number of cases to be served in that period. Payment is based on predetermined bundle of service and level of care needs. For per diem payment, the provider is paid a set rate per child per day for retrospective services provided. This rate can vary regionally and by the level of care provided.

The workgroup quickly reached consensus that the new payment system should be prospective for private agencies, since prospective payment incentivizes providers to manage expenses and avoid longer than necessary placements (Westat and Chapin Hall 2002), while encouraging providers to step children down to less restrictive (usually less costly) settings (ASPE 2007). Case rates were preferred over capitation because case rates are less vulnerable to volume shifts—as the number of referrals increases, the case rate is still paid for each new referral (ASPE 2007). Case rates would also include different levels of care based on the needs of

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different populations. This system allows for data on the level of need to be directly tied to the rate, creating transparency and allowing the state to adjust case rates as more granular data on level of need becomes available. The main drawback of prospective payment is that there is a potential financial incentive to minimize duration and service provision in order to maximize profit—this can be regulated with financial penalties for poor performance (e.g. child returned to care) and/or limiting profit margins (GAO 1998).

The Operational and Funding Workgroup Made Fourteen Key Recommendations

1. The operating model should be a continuum of care network for cases referred to the private agencies. This adopts some attributes of the lead agency model in that case referrals would go to a clearly identified and organized consortium or network of providers in clearly defined services areas. This consortium would collectively agree to manage referred cases from referral to post-permanency services, would collectively take on associated benefits and/or risks for case management, and would collectively be responsible for the case outcomes. Responsibilities assigned to the care provider would be identical to those cases assigned to the public sector. They would include:
 - a. Demonstrated programmatic and fiscal capacity to discharge all specified obligations
 - b. Full case management responsibility and decision-making authority for referred case
 - c. Care utilization management – matching needs and services for each case to those available in the network
 - d. Responsibility for siblings who may subsequently be referred to the child welfare system
 - e. A designated person to accept case management responsibility
 - f. Full family responsibility for assigned cases
 - g. Assessment
 - h. Identifying and providing appropriate services and clinical care to child and family members
2. Implement a Case Rate Model that allows for county funding currently paid through the Child Care Fund be integrated with state and federal funding in a manner that is sufficient to support the case rate. This includes:
 - a. Encouraging the redesign of the county Child Care Fund
 - b. Maximizing federal revenue with emphasis on Medicaid
 - c. Assuring that any proposed changes to the Child Care Fund be cost neutral to counties.
 - d. Assuring that current county contributions to the county child welfare fund be retained in the child welfare funding streams
3. Payments for children served by private agencies under performance based funding should flow through a case rate. Consensus was reached that the rate should be structured to cover the full costs associated with including the following elements:
 - a. Comprehensive assessments
 - b. Services to the family including those services associated with full family responsibility
 - c. Full range of services from placement through post-permanency services, within an established range
 - d. Accommodating specialty services that are needed for instance, in rural areas
 - e. Incentives associated with strong performance
 - f. Consider using the Centre for Child and Family Research (CCFR) cost calculator as means for building up to full costs of services per child
4. Require the development of inclusive, actuarially sound case rates for multiple levels of care.

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- a. Ensure that rates include administrative/overhead costs as well as costs for direct care
 - b. Ensure that rates are tied to local economic indicators
 - c. Ensure that the actuarial formula include factors specific to rural service delivery such as travel time, caseload size and transportation costs
 - d. Ensure that rates are re-assessed on a regular basis to account for changes in local economies
 - e. Use well-developed unit costs (see Recommendation 3) to identify specific levels of care, and to allow for rate flexibility as services change and cost data becomes more sophisticated
 - f. Inclusion of all factors affecting the case rate as identified in the Process of Care core components #2 (Appendix A)
5. Case Rates should be based on tiered levels of care.
- a. Initial case rates should be based on historical data, indicating the average cost of serving children at a determined number of levels; as the system develops and data on costs becomes more sophisticated, case rates and levels should be re-evaluated and adjusted as necessary
 - i. Child level of need would be based on comprehensive assessment at intake, with re-assessment of level of need as appropriate
 - b. Case rate should be based on costs associated with best practice, as determined by ongoing evaluation of program level data
6. Establish a hold harmless period during which providers are not liable for financial risk. During this period, cost, assessment and performance data will be gathered and analyzed in order to refine operational elements of the performance based funding model.
7. The model should include a risk pool, reflecting some shared risk from both the public and the private partners. This pool would include two main sub-funds: 1. a start-up fund for any necessary capital, and/or seed money; and 2. a risk management reserve fund to serve as an offset for some proportion of provider downside risk. Start-up funds should be fully supported by the state, while some portion of provider downside risk should be funded by the private network.
- a. Start-up funds:
 - i. State could consider loan guarantees and/or matching funds to financially viable private providers for start-up costs
 - ii. State could advance payments to providers to partially fund start-up costs
 - iii. State could consider innovative funding options like social investment bonds to fund start-up costs.
 - b. Risk management funds:
 - i. Consider partially funding risk pool with localized savings achieved if efficiencies are realized under the case rate.
 - ii. Stop-loss provisions for more costly cases could include having the private entity absorb the first 10% of any additional costs beyond the case rate and the state finance the rest; this shared risk corridor could replace a more cumbersome and case specific appeals process, while explicitly recognizing and allocating a portion of downside risk to both public and private sectors
 - iii. There would have to be a clear process for identifying special cases that qualify for additional funding as well as a mechanism for evaluating outcomes
 - iv. Risk management fund use would be carefully monitored and reviewed
8. Establish a mechanism for supporting costs associated with the highest risk cases. This approach could change over time as more information becomes available about attributes of the high-risk service population and costs of service.

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- b. At the outset, establish a separate funding pool or a “carve-out” for designated high-cost/high need specialty cases
 - c. The carve-out would require precise specifications for which cases qualify for additional state funding
 - d. A combination of carve-out and stop loss could also be considered
 - e. For either mechanism, there needs to be a clear process for identifying special cases that qualify for additional funding
9. Establish incentives associated with strong performance as well as consequences for under-performance. Based on analysis of core case outcomes associated with strong performance, incentives would include, but not be limited to: contract renewals or continuances, maintaining with the private entity some proportion of any savings generated through the case rate.
- b. Contract renewals or continuances
 - c. Establish provisions on how to spend generated savings
10. Establish an appeals process that acts as an avenue to revisit structural elements associated with CWPBF. This process is not intended to be a case review process, but rather to focus on overarching system performance issues that might lead to unanticipated consequences for either the private or the public sector.
11. Identify catchment areas for service delivery that should contain contiguous or proximate counties.
12. Under this continuum of care/network model, permit members of the network to provide direct care to cases referred to them. Require members of the network to operate under a no eject/no reject policy.
13. Phase in implementation in a suggested minimum of two areas. It is suggested that one area be a rural area with a more widespread catchment area, and one area be urban, with a denser service area.
14. Use the Child and Adolescent Needs and Strengths (CANS) assessment tool as part of intake and prior to referral as a guide for level of care.

Items for Further Consideration

- Clarify distinction between high cost cases eligible for the carve-out and expensive cases, which are funded through the case rate but may trigger a stop-loss mechanism. Connect the clarification of those two types of cases with the development of the case rate levels within the rate, the process for re-visiting assumptions with the case rate, and access to the risk pool.
- Consider implications and potential benefits in potentially combining high cost cases with expensive cases to be funded through the risk pool under reinsurance approach once sufficient case specific data are available for analysis.
- Consider the mechanism for establishing and accessing the risk pool. One possible approach could be a dedicated restricted fund source.
- Develop more specificity about the structure of incentives for both the public and the private partners that are associated with strong performance on identified outcomes and indicators.

VI. PERFORMANCE METRICS AND KEY PERFORMANCE INDICATORS (Appendix F)

The purpose of the workgroup was to develop data metrics and propose outcome measures and underlying core process indicators that could be used to equitably evaluate public and private entities on their delivery of child welfare services to children and families for whom they have full case management responsibility.

A secondary goal of the workgroup was to identify the critical performance and evaluation measurement principles that would guide the development of the actual and specific metrics (numerators, denominators, rates, etc.). That specific work will occur once the final structure and timelines for CWPBF are established. As the detail below indicates, these principles first and foremost must be consistent with the core outcomes and indicators identified in the MiTEAM practice model. In addition, the workgroup concurred on the recommendation to develop measures that fully reflect best practices in performance and evaluation measurement. Elements of best practices in performance and evaluation measurement are described briefly below, and were included in more detail in the materials provided to the workgroup in advance of its meetings.

Performance and Evaluation Measurement Principles

1. The outcome measures should be based on best practices in performance measurement.
2. The performance based measurement system should reflect, support and/or enhance the ongoing state CQI plan. It is understood that the key performance indicators (KPIs) and outcomes associated with the enhanced MiTEAM practice model should be measured as part of expanded CQI, both of which are necessary components of the PBF implementation.
 - a. There should be an investment (make or buy) in ensuring that the necessary expertise is available for the implementation of effective CQI practices
 - b. Further development of the expanded CQI plan (metrics, measurement approach) should be conducted in conjunction with CWPBF
3. The review process should embody the principles of CQI and be structured to drive continuous improvement.
 - a. Private and public entities should conduct regular internal performance reviews
 - b. Community partners and stakeholders, including the courts, should be regularly involved in the local CQI and performance review process
4. The recommended measures need not directly crosswalk to current required measures (MSA, CFSR), but there should be a clear understanding of where there may be overlap, consistency, and potential inconsistencies. The Task Force should be aware that proposed measures that differ from those specified in the MSA/CFSR may indicate inconsistent results.
5. Attention to quality as well as process should be a component of performance evaluation.

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- a. Best practices with respect to the quality and process of care should be identified as part of the system improvement process for the potential establishment of statewide standards and/or performance expectations
 - b. Particular attention should be paid to both above and below average performance in order to learn what practices are associated with success as well as less successful outcomes
6. Current performance and historical context at the local and agency-specific level should be understood before establishing performance expectations.
- a. Measurement recommendations that emerge from the Task Force are subject to review and amendment over time as new data are collected and evaluated
7. Geographic distinctions should be accounted for when measuring public and private entity performance. Private providers with multiple sites should have disaggregated metrics associated with each site. Furthermore, all data metrics should be disaggregated at a local/county level for both public and private agencies in order to account for geographic differences.
8. The measurement system should permit entities to measure themselves against their own performance over time. Additionally, it should be structured to permit cross-entity comparisons.
- a. Background and preliminary data metrics should include at least 3-5 years of historical data
 - b. Background and preliminary data will provide context, but since case management responsibilities are changing, historical data will not necessarily reflect agency-level performance.
9. Performance expectations will vary by age group, reflecting different patterns associated with serving children and youth of different ages. Therefore, performance data should be disaggregated by age to account for variation between age groups.

With respect to establishing historical performance – or context – in which to understand change, researchers widely acknowledge the benefits of longitudinal analysis used to observe entry cohorts over time. In addition to relying on longitudinal analyses, a second core measurement principle is the critical importance of evaluating performance improvement in an identified period (or window) of time which is distinct from the baseline period. The window is set deliberately to include all those who will be affected by the proposed innovation or system change, and to be wide enough to allow enough time to observe system change occur. In this approach measures are crafted specifically to consider experiences of children/youth already in care at the start of the improvement period (window) separate from those entering during the improvement period. (Wulczyn, et. al. 2009, Wulczyn, 2007.)

Finally, risk-adjusting the service population to reflect the developmental differences in children/youth entering care is an important element of sound measurement. Distinguishing the outcomes for children based on their age at entry controls for developmental differences in the service population that affect the type and timing of system outcomes. Making these adjustments in both the baseline data as well as the performance measures permits a much clearer understanding of shifting caseload dynamics and allows those dynamics to be observed separately from changes in outcomes. Understanding both elements of a system during a period of change is vital to characterizing performance improvements. (Scheurman, et. al., 2009, Wulczyn, et. al. 2009). Having specified these underlying assumptions, and articulating key performance and evaluation measurement principles, the group then

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moved toward identifying the core outcomes and process indicators that should be evaluated under out-of-home care. Performance metrics and indicators should be established for the core outcomes of safety, permanency, and well-being and include measures relating to maltreatment recurrence, maltreatment in foster care, time in care (duration), type of exit (permanency), placement stability, and re-entry.

Table 3: Proposed Out of Home Metrics and Indicators, General Recommendations

Domain	General Description of Metric ⁷	Indicators for Domain ⁸
Out of Home and Post Permanency Metrics and Indicators		
Safety: Maltreatment Recurrence	Of children who are subjects of a maltreatment report in a given period, what proportion is re-reported in a given period?	Caseworker visit with family Caseworker visits with child
Safety: Maltreatment in Placement	Of children in out-of-home care in a given period, what proportion is safe from maltreatment during that period?	
Permanency: Exit Type	Of children who enter out-of-home care, what proportion exits to permanent exit types?	Number of caseworkers per child Caseworker visits with family
Permanency: Duration	Of children who enter out-of-home care, how many days are they in placement before exiting?	Caseworker visits with child Caseworker visits with foster families Child visits with parent/parents
Permanency: Re-entry	Of children discharged from care and whose case has been closed, what proportion reenters placement within 12 months of case closure?	Caseworker visits to family Caseworker visits with child
Permanency: Placement Stability	Of children who entered out-of-home care, what proportion experiences two or more placements?	Step downs as a proportion of moves Timing of moves relative to placement duration
Permanency: Disrupted	Of children who enter care and are	<i>Opportunity for families to contact</i>

⁷ These represent the general approach to establishing the metrics. More detail with respect to the specific numerators and denominators will be developed in conjunction with review of the analytic data files and as part of the expanded CQI process and the development of CWPBF.

⁸ Italicized items may not be currently measurable.

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Adoptions	discharged to adoption, what proportion remain in their adoptive homes after two years?	<i>caseworker</i> <i>Post adoption follow -up</i>
Permanency: Older Youth	Of children who enter care as adolescents, what proportion experience permanent exits?	Assess education level at exit Assess employment/job training at exit Assess housing at exit
Permanency: Older Youth	Of children who enter care as adolescents, what proportion age out of foster care?	Assess transition plan at exit Assess connection with adult supports at exit <i>Assess availability of extended foster care</i>
Well-Being: Family Connections	Of children entering care with siblings, what proportion was placed with their siblings?	Child visits with parent/parents <i>Child visits with siblings</i> <i>Family functioning assessments</i>
Well-Being: Physical Health	<i>Of children entering care, what proportion maintained or improved physical/dental health?</i>	Children in out-of home care receive regular health exams. Children in out-of-home care receive regular dental exams.
Well-Being: Education	<i>Of children entering care, what educational progress is observable?</i>	Enrollment in school <i>Attendance in school</i> Grade level
Well-Being: Social/Emotional Functioning	Of children entering care, what change is observable in CANS scores? ⁹	Children in care have regular access to therapeutic services.
Systemic Factors: Quality of Care	Local area is implementing Enhanced MiTEAM practice model with fidelity	Number of counties where there are established implementation teams, implementation plans, and staff and stakeholder engagement. Number of counties where orientation

⁹ While the workgroup members agreed that CANS scores should be tracked, there was not consensus that changes in CANS scores should be directly linked to performance evaluation under PBF.

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		<p>training and coaching labs are completed.</p> <p><i>Performance on a set of measures being developed for fidelity to the MiTEAM case practice model.</i></p> <p><i>Quality services reviews</i></p>
Systemic Factor: CQI	Local area is implementing Expanded CQI ¹⁰	CQI Plan and Report is disseminated regularly to area stakeholders
Systemic Factor: Communications	Community CQI process is developed and ongoing	Community CQI process to include public, private, community groups, courts, and all stakeholders is ongoing.
In-Home Metrics and Indicators		
Safety: Maltreatment Incidence	Of children and youth in a specified area, what proportion are subjects of a maltreatment allegation in a given period?	<i>Community risk indicators</i>
Safety: Maltreatment Recurrence	Of children who are subjects of a maltreatment report in period, what proportion is re-reported in a given period?	<p>Caseworker visit with family</p> <p>Caseworker visits with specific child or children</p>
Permanency: Placement in Out-of-Home Care	Of children and youth in a specified area, what proportion is placed in out-of-home care	<p>Caseworker visits to family</p> <p>Casework visits with child or specific children</p>
Permanency: Placement in Out-of-Home Care	Of children and youth in a specified area who have cases opened in a given year, what proportion is placed within a specified time period? ¹¹	
Well-Being: Family Functioning	Family improvement on safety and risk assessments is observable ¹²	<i>Service Linkages</i>
Well-Being: Physical Health	<i>Of children in open cases what proportion</i>	Children in open cases receive regular

¹⁰ See DHS Expanded CQI Plan

¹¹ This refers to cases opened for in-home services following which, the decision to remove the child is made.

¹² This refers to cases opened for in-home services following which, the decision to remove the child is made.

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	<i>maintained or improved physical/dental health?</i>	health exams. Children in open cases receive regular dental exams.
Systemic Factors: Quality of Care	Local area is implementing Enhanced MiTEAM practice model with fidelity	Number of counties trained <i>Quality services reviews</i>
Systemic Factors: CQI	Local area is implementing Expanded CQI ¹³	CQI Plan and Report is disseminated regularly to area stakeholders Community CQI process to include public, private, community groups, courts, and all stakeholders is ongoing.

¹³ See DHS Expanded CQI Plan.¹⁴ Because the MSA specifies Federal CFSR measures for certain outcomes, the crosswalk will also indicate how proposed PBF measures compare to those Federal measures.

VII. Procurement Process for Contracting (Appendix G)

The purpose of the workgroup was to identify the necessary elements and criteria to successfully solicit proposals and procure contracts. In addition to the components of the procurement processes that have emerged from other workgroups and the CWPBF Task Force, workgroup members met to discuss additional elements of the RFI/ RFP processes that will need to be included in the implementation of CWPBF.

Recommendation for an RFI Process Prior to Issuance of an RFP

1. **RFI Process.** Prior to the issuance of the RFP, we recommend that DHS issue an RFI to assess whether a particular community is prepared and interested. This strategy will determine general interest and capacity of providers. As part of the RFI process, applicants will be asked to provide general information about their interest and capacity. Specific details regarding program model, network design, staffing patterns, etc. will be requested during the RFP process. Public and private agencies will be encouraged to respond.
2. **Integration with Enhanced CQI and Expanded MiTEAM Practice Model.** The Department's expanded CQI efforts and enhanced MiTEAM practice model need to be closely aligned with CWPBF implementation. Fidelity to the MiTEAM practice model and concurrence with expanded CQI will support public and private agencies in achieving desired outcomes identified within this model. For this reason, the workgroup recommends that the CWPBF phased implementation coincide with expanded CQI and enhanced MiTEAM practice model rollout.

The RFI/RFP will take place in communities that have been identified for the rollout of DHS's expanded CQI and enhanced MiTEAM Practice Model. The expanded CQI and enhanced MiTEAM Practice Model are currently being implemented in Champion Counties. For this reason, the initial rollout of a CWPBF initiative will be integrated with this effort. The RFP/RFI will seek competitive proposals and be consistent with Michigan's procurement policies and regulations.

3. **Compliance with Michigan's MSA.** The RFI/RFP will require full compliance with Michigan's MSA and all other required statutes, policies and procedures.
4. **Community Engagement.** The RFP will include a requirement that the applicant community has a history of and interest in working collaboratively, joint problem solving and a shared vision for supporting children and families involved in the child welfare system.
5. **Public and Private Agency Collaboration.** Applicants will be asked to describe how they will collaborate with the other agency. Specifically, how the public sector will work with its private sector counterpart during case transfers, court involvement, shared cases etc. Similarly the private sector will describe how it will work with the public sector counterpart during case transfers, court involvement, shared cases, etc.

Recommendations for Key Features and Requirements of the RFP

1. **Organizational Capacity.** The applicant will need to be a 503c 3 organization with experience in Michigan and will need to demonstrate significant organizational capacity and competencies which will include experience with managing risk based contracts, significant knowledge and experience, financial strength, technological mastery, experienced staff and leadership, governance, capacity for CQI, etc. Communities that have a history of collaborative leadership will be preferred.

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2. **Service Array.** Applicants will be asked to describe their service array and to define how the service array supports the achievement of outcomes identified in the RFP.
 - a. The Service Array description will need to specifically describe how the agency's services support and advance Michigan's enhanced MiTEAM practice model and integration with the expanded CQI.
 - b. Applicants will need to identify if they will be providing a service or contracting for it. The applicant will need to identify specific providers that it will be contracting with as well as that particular contractor's capacity, experience and staffing.
3. **Continuum of Care Network.** Applicants will need to describe a clearly identified and organized consortium or network of providers in clearly defined service areas as well as how the consortium would collectively manage referred cases from referral to post placement. Based upon the unique needs of individual counties and geographies, the RFP will solicit applications from a consortium of agencies that have formed an identified network through which a full range services, including care management, can be provided. The applicant will describe clear levels of responsibility, be well-organized and be able to articulate and demonstrate the capacity to manage risk associated with this model. The workgroup is making a recommendation that the entity be a single agency responsible for the management, administration and governance.
 - a. Applicants will need to describe how the chosen model will be configured, managed, governed and evaluated, and will need to describe how risk and responsibilities will be allocated within the network. Additionally, applicants will need to describe how they will contract with (as described above) and collaborate with other agencies to ensure an integrated system of care.
 - b. Single agencies that choose to operate the continuum of care network under a Lead Agency model may also provide services.
4. **Responsibility of Care Provider.** Applicants will need to describe:
 - a. That they have demonstrated programmatic, clinical and fiscal capacity to discharge financial obligations.
 - b. How the applicants would assume and manage full case management responsibility and decision making authority for the referred case.
 - c. How they will manage, monitor, assess and critique how care will be managed in a manner that promotes safety, permanence and well-being and is most efficient.
5. **Case Rate Model.** Applicants will need to understand and describe how they will competently manage the case rate model including case flow management and projections and financial risk modeling.
6. **No Eject/No Reject.** The RFP will require applicants to describe how they will manage children/youth within a no eject/no reject system within a time frame agreed upon during the contract negotiation process.
 - a. Applicants must describe how they will manage risk, placement disruptions, emergencies, runaways, hospitalizations and police involvement specifically.
 - b. Applicants must describe how they will manage costs associated with the *highest risk cases*.
7. **Implementation Time Frame and Plan.** The applicants will be required to describe their approach to a phased in implementation and associated time frame including hiring/training staff, expanded

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infrastructure, opening new locations, expansion of programs, new program development and aftercare.

VIII. PHASED IMPLEMENTATION AND TIMELINE (Appendix H)

Phased implementation is necessary to properly develop and support Child Welfare Performance Based Funding in Michigan. The initial timeline will require flexibility as more detailed analysis and decision-making occurs.

FY 2014 (October 2013-September 2014)

1. Complete the planning process for the Kent County rollout and its alignment with CWPBF principles and approaches.
2. Establish the post Task Force Child Welfare Partnership Council as a permanent advisory body.
3. Complete MiSACWIS implementation.
4. Provide transparent reporting of outcomes statewide for private agencies and public agencies by State office and by county.
5. Integrate the recommended expanded Performance Evaluation Management (PEM) unit with the expanded CQI implementation.
6. Secure broad statutory authority to manage and fund performance based contracting.
7. Secure statutory and appropriations changes to provide a fully integrated funding model to support the initiative which allows the Department to integrate state, local and federal funds into a cohesive funding source.
8. Continued resolution of the Child Care Fund issue as it relates to child welfare and dual ordered children.
9. Establish DHS Project Director and Project Team to direct and manage phased implementation.
10. The Department will contract with an independent actuary to establish an actuarially sound rate based on parameters established by the Department with input from the CWPC and other stakeholders.
11. The Department will complete a full cost analysis of the model in partnership with the actuarial rate setting process.
12. In cooperation with the CWPC, the State will identify the next MiTEAM geographic areas which may be considered for later CWPBF rollout.

FY 2015 (October 2014-September 2015)

1. Implement the Purchase of Service model in Kent County which assumes the alignment of the project with CWPBF implementation, principles and approaches.
2. The Department will issue both an RFI and competitive RFP that cover the areas identified by the state to participate in phased implementation.
3. Implement the actuarially developed rate and case mix.
4. Integrate the training and implementation of the enhanced MiTEAM model and expanded CQI plan with the phased implementation of CWPBF implementation.
5. The Department will procure and begin an independent third party evaluation that runs through FY 2020.
6. Finalize selection of next areas for phased implementation.

FY 2016 (October 2015-September 2016)

1. Implement CWPBF in multi-urban or rural proximate counties that includes Kalamazoo County or Kalamazoo by itself.
2. Based upon a comprehensive analysis of implementation efforts in 2014-2015, the Department will make necessary legislative, fiscal and program adaptations and final decisions for implementation of the model across the state.
3. State to finalize selection of next areas for phased implementation.

FY 2017 through FY 2020 (October 2016-September 2020)

1. Implementation of rollout across state.
2. State to finalize selection of next areas for phased implementation.

IX. CONCLUSION

The CWPBF Task Force, through its research, analysis and planning, concludes that Michigan can feasibly establish a performance based funding model for public and private child welfare services, if the barriers, issues and necessary actions described in this report are fully addressed.

The Process of Care that was developed by the Task Force describes the guiding principles, core components, and how a child's case should move through the system. It helps to clearly delineate the responsibilities of the public and private sector and helps to define how a performance based funding system should be developed, managed, monitored and evaluated. Transparent and shared reporting of outcomes for public and private sector organizations will offer opportunities for continuous quality improvement and shared learning. For private providers, contracting tied to outcomes and performance based funding is attainable, if adequately resourced and supported by strong actuarial science. This change offers an opportunity for focusing increased attention and effort toward the achievement of improved outcomes that benefit children and families in Michigan's child welfare system.

This new model as envisioned by the Task Force is not a fully privatized system. Rather, the Task Force's recommendations assume that both the public and private sectors, working in full partnership, with mutual accountability, is key to the success of Michigan's child welfare system. It is assumed that both the public and private sectors will continue to provide the case management function in a balanced and equitable way as described in this report.

The Task Force Recommendations shift the existing system from:

- A purchase of service system to a pay for performance system to achieve the best outcomes of safety, permanency and well-being for the children served in Michigan's Child Welfare System
- A number of independent initiatives to an integrated approach and shared Case Practice Model
- A number of different independent funding streams for child welfare to an integrated rate that maximizes other sources of funding for care of vulnerable children and families
- A somewhat subjective rate setting process to a rigorously established, actuarial based rate
- A system that can't/doesn't measure specific and complex outcomes and performance indicators to one that does
- A system that doesn't provide clearly articulated roles, responsibilities and outcomes for public and private agencies to one that does
- A system that doesn't fully integrate its practice model, CQI processes and performance measures to one that does

In closing, the state's existing child welfare system can only successfully transition to the new model outlined in this report if it addresses the system barriers that have been outlined.

While all recommendations in this report are important, the immediate establishment of the CWPC and identification of the project manager and project team to guide final planning necessary to begin phased implementation are vital to the feasibility of this transition.

X. REVIEW OF RECOMMENDATIONS

The findings of the workgroups and CWPBF Task Force and the recommendations below will contribute to the success of CWPBF implementation and support the goal of improving the performance of public and private child welfare providers through increased accountability, systemic and transparent CQI processes, the same metrics and outcomes, equitable and fair resources and a well-defined process of care. Of equal importance is the integration of Michigan's many other initiatives into this work and collaboration between the numerous partners who serve the State's most vulnerable children and families.

Policy

1. Michigan's Legislature should advance language that provides authority to the courts to hold private sector agencies fully accountable for case management assigned to them. Specifically, the CWPBF Task Force recommends that private sector agencies, as is the current practice with public agencies, can be held accountable for performance if circumstances warrant this action.
2. The CWPC and DHS should provide an annual report to the Legislature to describe the progress towards phased implementation and any issues that may need legislative assistance or resources for the performance of public and private agencies and the courts in accomplishing system goals and measurable outcomes. This report will offer legislators and others the ability to examine outcomes by private agency, DHS offices and courts associated with CWPBF implementation and utilize this information in their budgetary, policy and statutory decision making.
3. DHS should establish an initial hold-harmless period equally applied in PBCWF implementation areas during which providers are not liable for financial risk until there is validity and reliability in the experience data. During this time frame, individual level cost, assessment, and performance data will be gathered, aggregated and analyzed in order to refine operational elements of the performance based funding model. The purpose of the hold-harmless period is to help public and private providers:
 - Adjust and adapt to the structure required by a performance based model
 - Train staff to work within this new system
 - Develop and strengthen systems and infrastructure to track outcomes and anticipate performance
 - Develop additional services that will prevent children from entering or re-entering the system of care
 - Collect system data that can help refine, change, delete and/or add to the initial performance metrics
 - Understand which tactics and systems are working and which are not

Operations

1. **A Child Welfare Partnership Council (CWPC) should be created by the Legislature and convened by DHS as soon as possible.** The role of the CWPC is central to the successful CWPBF implementation. This council will be co-chaired by one high ranking official from DHS and one representative from the private child placing agency sector. The council will include representatives from the public and private child welfare agencies, the courts, counties and others with a vested interest in advancing the performance based funding system in Michigan. The council will be responsible for providing support and oversight to the development and phased implementation of CWPBF as described in this report. The council's initial priority will be to ensure a thoughtful approach and execution of this report's recommended actions for the remainder of the State's fiscal year. Further, the council must establish an operational infrastructure that

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will align with the Department's already established Child Welfare SIT structure. The SIT was recently established as a part of the State's expanding CQI plan and serves as structure for addressing priority issues and initiatives within the child welfare system. The Council will benefit from specific interface with two of the sub-teams within the SIT: Resource Development and MiTEAM/CQI. The purpose of the Resource Development sub-group is to "address the development and implementation of the performance based funding model expected to affect outcomes and indicators in a variety of areas; identifying and developing the resources needed to implement MiTEAM effectively." The purpose of the MiTEAM/CQI sub-team is to "monitor the implementation of plans related to expanding the MiTEAM practice model and the ongoing implementation of the model statewide" as well as "monitor the implementation of the statewide CQI plan and ensure coordination between MiTEAM and CQI". The Project Director staff position recommended by the CWPBF Task Force will staff the CWPC and serve as a member of the Resource Development sub-team. As phased implementation of the performance based funding occurs, the Department, by and through its statewide CQI plan and SIT structure, will facilitate the collection of performance metrics specific to the CWPBF proposal that will help inform the CWPC about the progress of this initiative.

- The Department should fully integrate the expanded continuous quality improvement (CQI) initiative and the enhanced MiTEAM Case Practice Model with all CWPBF implementation.** The Task Force endorses expanded CQI and enhanced MiTEAM as key success variables in this effort. Expanded CQI will ensure that the performance and outcomes of public and private agencies are tracked, transparently reported and integrated with other current and emerging CQI efforts across the state. Fidelity to the enhanced MiTEAM practice model will ensure that public and private child welfare agencies are using a shared best practice model that promotes safety, permanency and well-being for children and youth. The report strongly recommends that the CWPBF phased implementation coincide with expanded CQI and enhanced MiTEAM practice model, both of which are already in developmental and implementation phases. Further, the CWPBF Task Force recommends that budgetary needs associated with enhanced MiTEAM and expanded CQI be fully supported.
- CWPBF implementation **should continually strive for the critical alignment between public and private agencies and the courts** to share outcomes, forge a partnership with public accountability and participate in continuous quality improvement efforts. Regular communication with all judicial associations and representation of the courts on the CWPC is recommended.

An important goal of CWPBF implementation is that the system advances and improves together. Data about children in Michigan's child welfare system provided by Chapin Hall and other existing sources including counties, State Court Administrative Office, and local courts indicates disparities by geography, providers, courts and counties. As DHS performance outcomes are gathered and shared, it is important to understand what is effective, where the barriers are and what the variables are that have created these variances in the system of care.

- A continuum of care/network model** is the preferred structure to which privately managed cases would be referred. Under this model, one or more providers and/or community based agencies would form a consortium with an organizational structure through which cases are assigned and care management decisions are made. The organization would hold the contract with DHS and would be fully accountable for all case outcomes, charged with coordinating care, and building capacity and competence throughout its provider network. The organization would also assume associated risk for care management, case outcomes, and legal accountability. Network services would be funded through a fully inclusive actuarially-sound rate or rates that should be structured to cover the full costs of services including case management and care coordination from placement to post permanency as contractually required. The Operational and Funding workgroup overwhelmingly preferred this model over a lead agency because risk can be managed collectively and there is a single point of accountability.

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5. **Cases should be distributed across the public and private sectors in accordance with the identified Process of Care.** Specifically, the allocation of cases will be based upon the existing baseline distribution of out-of-home case (public/private) cases at the time of phased implementation. An equitable rotation schedule will be initiated for out-of-home cases regardless of title IV-E eligibility to ensure that the percentage split across sectors in each county is achieved while ensuring that referrals are fairly distributed.
 - Contracts can be organized by proximate counties to ensure that providers have the necessary number of cases needed for a contract to be viable and to achieve desired efficiencies
 - This approach is not a regional model that would influence local participation but rather a way of organizing contracts while maintaining the unique attributes of each county
 - Prior to the phased implementation, there will need to be an assessment of children currently in the system to understand whether the cases are fairly distributed from the perspective of case complexity e.g. child/family needs, length of time in care, age of youth etc.
 - There will need to be accommodation in both the rate and referral system for youth with significant cognitive, physical, behavioral and mental health needs. Additionally, an outside appeal process will be established for providers who are managing and funding children with these complex issues

Cases distributed consistently according to the parameters of the Process of Care ensure that the system is balanced and equitable for public and private providers.

6. **Michigan should adhere to the proposed phased implementation timeline to performance based funding with an outline of specific action steps staged to begin in FY 2014, 2015 and 2016 (see section VIII for implementation timeline).** The initial timeline will continue to shift as more detailed analysis and decision-making occurs, and it will need to be implemented flexibly.
7. **An independent third party evaluator should be engaged for a minimum period of 5 years** to conduct an ongoing analysis of CWPBF implementation. This should not be a point in time evaluation. Rather, the analysis should be an ongoing study coordinated with the state's expanded CQI efforts that regularly reviews initial CWPBF model development and implementation (system process) as well program data and metrics (outcomes). Information periodically provided by the evaluation will support ongoing CQI efforts and permit continuous system improvements. The independent evaluator will validate findings and data with involved parties before making this information public. The independent third party evaluator will be selected through a competitive process that involves representatives from public and private agencies. Additionally, the RFP will require that the selected vendor meets the highest standards of its profession.

Funding/Rate setting

1. **DHS must secure experienced actuarial services** to support the state's desire to establish an equitable and periodically reviewed case rate or rates. This rate should be structured to include the elements identified under the Process of Care that include the cost of full case management under the MiTEAM practice model, market variation including difference based on geography, early comprehensive clinical assessments, caseload and service mix, and incentives/penalties based on performance outcomes. The CWPBF Task Force also recommends that these actuarial services be secured and selected through a competitive RFP which includes the input of public and private agencies, courts, counties and others with vested interest in the child welfare system in Michigan. Candidates with specific experience with actuarial rate setting in child welfare should be preferred.

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Additionally, the CWPBF Task Force recommends that there be an actuarially developed approach for establishing the volume of cases necessary to assure adequate and equitable caseloads as well as a method of equitably distributing cases to fairly manage risk.

2. **A prospective rate payment system for private agencies** which includes funding for adoption incentive payments is the recommended funding model. A Prospective Payment System is a method of reimbursement in which payment is made based on a predetermined, fixed amount. The full cost prospective rate payment system will identify and cover contractual costs, paid through the case rate developed by an actuary.
3. There should be a **defined mechanism for identifying and funding expenses associated with high-cost cases that will either be “carved-out” of the case rate, or funded through a specified risk pool.** The report documents critical elements of the pathway needed to create phased implementation of CWPBF in Michigan. However, there are still significant decisions and analytical work that must take place in order to successfully pursue this effort. Of immediate importance is the broad statutory authority needed by DHS to manage and fund the CWPBF system including the ability to braid the funding streams currently supporting the Department’s child welfare programming into a single cohesive funding source that will support a rate based approach. Further statutory changes will also be necessary to support a fully integrated funding model with a goal of providing financial, policy and administrative flexibility in the design of the model as well as phased implementation of CWPBF.
4. That DHS works diligently to **maximize all federal revenue** with an emphasis on expanding the use of Medicaid in Child Welfare to enhance and increase medically necessary and integrated physical health and behavioral health services to children and youth.
5. **The state and providers should anticipate that contracts will evolve** as more children safely stay home with services and supports, and more children leave the out-of-home care system with permanency. The actuary’s initial work will help define the minimum number and types of cases providers will need to reasonably manage risk. In other states and jurisdictions that use performance based models, there has typically been an initial decline of children in out-of-home care as providers develop additional prevention, after care and support services, which offer additional supports to keep children safely in home. Additionally, enhanced CQI and better assessments can often move children from out-of-home care to permanency more quickly. Children who do remain in the system have greater behavioral needs, significant mental health, cognitive and physical conditions and/or no appropriate family resources. Eventually, there will be less children in the system overall, but the remaining youth will have greater acuity and be more expensive to serve. This “tipping point” should be anticipated and tracked as part of expanded CQI as it will require DHS to address this system change in a variety of ways including, but not limited to, contract consolidation, rate/contract amendments, and assigning in-home cases to out-of-home care providers to ensure that public and private agencies have a sufficient number of cases, diverse case mix and funding to adequately support the child and families in their care.
6. **DHS should seek authorization to achieve and reinvest unspent dollars in CWPBF start-up costs, an ongoing risk management pool and the ability to incentivize performance.** The dollars to reinvest would be realized through efficiencies in both the number of and duration of placements in out-of-home care or efficiencies through the in-home services program. Any unspent dollars or savings would be accounted for separately by either the public or private agency within the limits on total dollars that could be retained in any one contract or budget period. The time frame for utilizing the funds would be specified. Public and private agencies would be able to spend the dollars under an approved plan for reinvestment in capacity building, innovation, quality improvement or other allowable costs.

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This concept of reinvesting unspent dollars is to encourage the development of services and supports that prevent children/youth from entering or re-entering care, expedite permanency, strengthen the capacity of care givers and communities, and develop best practice models and increase organizational capacities to achieve better outcomes for children and families.

The CWPC needs to be intentionally engaged in final planning and decision making around this concept. This concept of reinvesting unspent dollars will also have to be included in discussions around changes to the Child Care Fund related to the child welfare population.

- 7. Sound program metrics that adhere to principles of best practices for performance measurement should be established.** Table 3 in the final report specifies metrics for the core outcomes of safety, permanency and well-being. It also articulates both performance indicators that relate to the achievement of core outcomes as well as system indicators that support continuous improvement. The report recommends that metrics be developed to control for differences by age group and by geography, and to permit entities to compare performance to both statewide averages as well as to entity specific performance over time. These findings reflect the Data Metrics Workgroup consensus based on review of research literature, information from other states, and informed discussion between and among workgroup members and the CWPBF Task Force itself.

In developing the proposed metrics and performance indicators, the data metrics workgroup was attentive to adherence with the modified settlement agreement (MSA).

GLOSSARY OF TERMS

Case Rate: A fixed payment rate or rates that is set to cover, on average, the cost of an individual child's contractually required service and placement needs. Payments are made prospectively and are based on projected costs for the child that reflect both the child's level of care as well as estimated treatment duration.

Champion Counties: In May 2013, DHS issued a Request For Proposal that sought applications from counties interested in serving as champion counties to participate in the development and implementation of enhanced MiTEAM and expanded CQI. Applicants applying for champion county status had to ensure the existence of a support infrastructure and capacity to lead change.

Child Caring Institution (CCI): Residential treatment and placement facility that serves the child welfare population.

Child Welfare Performance Based Funding Task Force (CWPF Task Force): The CWPF Task Force is comprised of representatives from DHS, private child welfare agencies and others with a vested interest in developing a performance based contracting model for delivery of child welfare services including: community and residential foster care, adoption services, licensing, and services for dually enrolled youth.

The CWPF Task Force was charged with developing recommendations and approaches that are balanced and equitable across the public and private sectors, who together share responsibility for the outcomes of Michigan's child welfare system. The primary purpose of the CWPF Task Force is to guide the process, determine key decision points and develop recommendations for:

- How to best develop performance based funding that supports accountability for performance, efficient expenditure of resources, and a balanced and equitable system across the public and private sectors
- How to address systemic barriers that provide obstacles to successful performance and effective expenditure of resources in a performance based funding model
- The recommended model of performance based funding
- The data and metrics to be incorporated into the performance based funding methodology
- The key features of the Request for Proposal
- The pilot and implementation roadmap

Child Welfare Partnership Council (CWPC): Based upon the recommendation of the CWPF Task Force, a CWPC will be formed to assume responsibility for the phased implementation of performance based funding in Michigan. The CWPC will include members from the Department of Human Services (DHS), private sector child welfare agencies, courts, counties and others with a vested interest in improving the state's child welfare organization.

Continuous Quality Improvement (CQI): CQI is a philosophy which contends that most things can be improved and new skills can be learned. Continuous quality improvement is the complete process of identifying, describing, and analyzing strengths and problems and then testing, implementing, learning from, and revising solutions. It relies on an organizational and/or system culture that is proactive and supports continuous learning. Continuous quality improvement is firmly grounded in the overall mission, vision, and values of the agency/system. Perhaps most importantly, it is dependent upon the active inclusion and participation of staff at all levels of the agency/system, children, youth, families, and stakeholders throughout the process. (National Child Welfare Resource Center for Organizational Improvement and Casey Family Programs 2005)

Cost Calculator for Children's Services (CCfCS): Developed and built by Centre for Child and Family Research (CCFR), this is purpose-built software that calculates the cost of delivering child welfare services, including

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placement services, to children in state custody. A research brief describing this software is appended to the Operations Workgroup report, and additional information is also available at this website:
<http://www.ccfs.org.uk>

County Child Care Fund (CCF): The county child care fund is a county-state fiscal program whereby the State of Michigan reimburses counties which provide care and service for children and their families. Based upon proper establishment of a county child care fund account by the county treasurer, an approved county annual plan and budget for the expenditure of foster care money and a county child care fund policy, county costs are reimbursed at a rate of 50 percent for foster family care, independent living, placement agency foster care (PAFC) supervision, residential facility, county-operated facility, in-home service, and intermittent or non-scheduled payments.

Key Performance Indicators: (KPI): Measurable child welfare case management activities that have been identified and prioritized by the Department due to their critical impact on outcomes for children served in the child welfare system.

Michigan's Expanded Continuous Quality Improvement (CQI): Michigan's existing CQI processes and systems are being expanded through the integration of and fidelity to the MiTEAM practice model. This includes the addition of training, mentoring and development and implementation of a data plan to monitor outcomes and performance indicators.

Michigan Statewide Automated Child Welfare Information System (MiSACWIS): MiSACWIS is Michigan's automated case management tool that supports social workers' foster care and adoptions assistance case management practice. MiSACWIS is a new system, scheduled to replace the current administrative data system (SWSS) in the spring of calendar year 2014. A SACWIS system is intended to hold a State's "official case record" – a complete, current, accurate and unified case management history on all children and families served by the Title IV-B/IV-E State agency.

State Implementation Team (SIT): The operational structure developed by the DHS Children's Services Administration to prioritize and focus child welfare planning and activities directly associated with improving Michigan's Federal Child Welfare Outcomes and areas of practice directly connected to those outcomes.

Michigan Teaming, Engagement, Assessment and Mentoring Practice Model (MiTEAM): MiTEAM is Michigan's Child Welfare Case Practice Model. The model guides agency staff, children, families, stakeholders, and community partners working together to achieve outcomes for safety, permanency and well-being of children and their families. MiTEAM aligns with the DHS's mission, values and principles and incorporates the practice skills: **T**eaming, **E**ngagement, **A**ssessment and **M**entoring.

Placement Agency Foster Care (PAFC): Common nomenclature for private child placing agencies contracted by the State of Michigan for child welfare case management services.

Prosperity Region: More than 80 different service regions were aligned through the establishment of a new statewide regional map called Prosperity Regions. This map will be the basis of service delivery for State of Michigan services, and a starting point for discussions with local and federal counterparts about how Michigan can deliver services more resourcefully. In 2013, the Governor asked each State department to organize its services according to these regions so that Michigan can benefit from better coordination among its departments, leverage efficiencies and better serve its customers.

State Ward Board and Care (SWBC): State ward board and care is the state legislative appropriation to provide payment of foster care costs for state wards who are not eligible for title IV-E or the placement is not title IV-E

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reimbursable. State ward board and care funds are available to support youth in out-of-home placements under certain conditions.

Request for Information (RFI): A RFI is similar to a Request for Proposal with two exceptions. The RFI typically seeks less specific information than an RFP and is looking for guidance and information from respondents about design, cost and capacity of bidders. Secondly, the completion of a RFI does not result in a contract being awarded to the respondent.

Request for Proposal (RFP): A RFP is a procurement tool used by a government office, business and/or other entity to competitively seek bids from interested parties who are qualified and capable of performing specific services outlined in the proposal. The RFP presents preliminary requirements for the service and typically dictates the structure and format of the applicant's response. RFP's most often ask for qualifications, specific capabilities and experiences, project design, staffing and budget. In government RFP processes, contracts for work are awarded upon the successful completion of the competitive proposal.

Title IV-E Funding: (Adapted from www.ach.hhs.gov) The Federal Foster Care Program helps to provide safe and stable out-of-home care for children until the children are safely returned home, placed permanently with adoptive families or placed in other planned arrangements for permanency. The program is authorized by title IV-E of the Social Security Act. It is an annually appropriated program with specific eligibility requirements and fixed allowable uses of funds. Funding is awarded by formula as an open-ended entitlement grant and is contingent upon an approved title IV-E plan to administer or supervise the administration of the program. The title IV-E Agency must submit yearly estimates of program expenditures as well as quarterly reports of estimated and actual program expenditures in support of the awarded funds. Funds are available for monthly maintenance payments for the daily care and supervision of eligible children; administrative costs to manage the program; training of staff and foster care providers; recruitment of foster parents and costs related to the design, implementation and operation of a state-wide data collection system.

Title IV-B Funding: (Adapted from www.ach.hhs.gov) Title IV-B funding includes several additional programs or activities for which separate funds are, or have been, authorized. These include Family Connection grants, Child Welfare Training, Research and Demonstration projects, the National Random Sample Study of Child Welfare, and the Mentoring Children of Prisoners program. Most Title IV-B programs are administered by the Children's Bureau within the Administration on Children Youth and Families (ACYF), Administration for Children and Families (ACF) at the U.S. Department of Health and Human Services (HHS).

Title XX: Title XX of the Social Security Act provides for funding for social services through the Social Services Block Grant (SSBG). States have substantial discretion in the use of SSBG funds. Each State determines what services are provided, who is eligible to receive them, and how funds are used. Title XX funds were developed to advance economic self-support, self-sufficiency, prevention of abuse and neglect of vulnerable populations and preventing or reducing institutional care.

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Appendix A

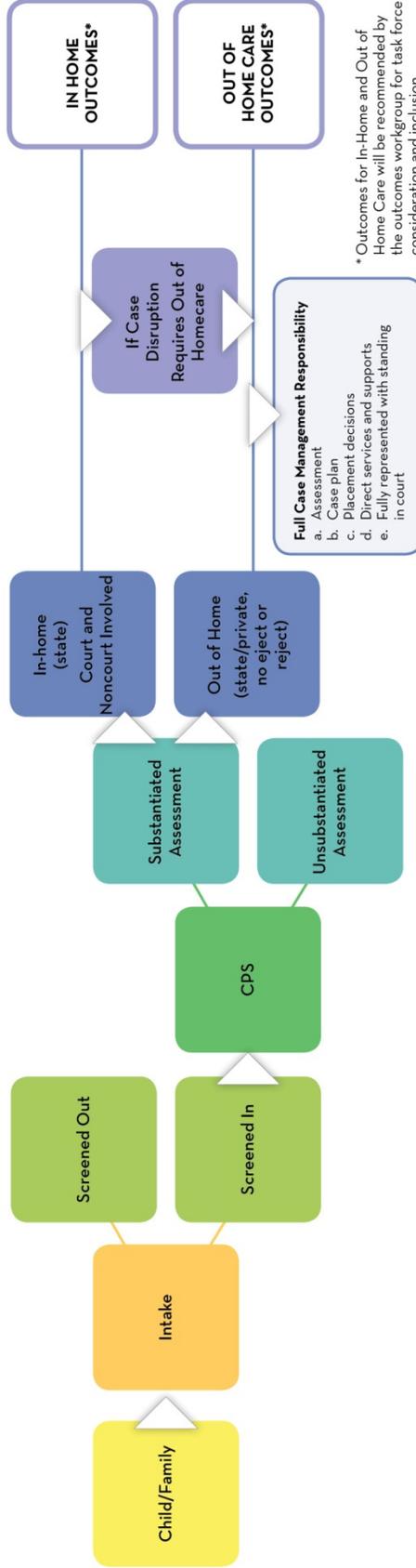
Re-envisioned Process of Care for Child Welfare and Dual (CW/JJ) Populations

State of Michigan Performance Funding Task Force Re-envisioned Process of Care for Child Welfare and Dual (CW/JJ) Populations

Guiding Principles

Safety is the first priority of the child welfare system. Families, children, youth, and caregivers will be treated with dignity and respect while having a voice in decisions that affect them. The ideal place for children is with their families; therefore, we will ensure children remain in their own homes whenever safely possible. When placement away from the family is necessary, children will be placed in the most family-like setting and be placed with siblings whenever possible.

Permanency connections with siblings and caring and supportive adults will be preserved and encouraged. Children will be reunited with their families and siblings as soon as safely possible. Community stakeholders and tribes will be actively engaged to protect children and support families. Services will be tailored to families and children to meet their unique needs. Child welfare professionals will be supported through ongoing development and mentoring to promote success and retention. Leadership will be demonstrated within all levels of the child welfare system. Decision making will be outcome-based, research-driven and continuously evaluated for improvement.



Five Core Components of a Balanced and Equitable System

- 1 Purchase of Service (POS) transitions to performance evaluation, contract management, and Continuous Quality of Improvement (CQI)**
 - Public and private performance
 - Macro
 - CQI structure and responsibility
 - Fiscal
 - Performance/data – public reporting
 - Case review, key stakeholder input
 - Interface with licensing (BCAL – child & adult licensing)
 - MSA compliance & reporting
 - Risk management
 - Aligned with expanded State CQI
- 2 Balanced and Equitable Prospective Payment System**
 - Caseload ratios
 - Mid-point market – case managers and supervisors
 - Market basket indicators
 - Distribution of cases
 - Cross-walk state standard costs to payment system (infrastructure)
 - Variable costs that influence scale, e.g. geography
 - Issue – frequency of rebasing
 - Risk sharing
 - MiTeam practice model
 - Comprehensive clinical assessment
 - Full case management
 - MISACWIS
 - Diagnostic needs of children
 - Incorporation of Adaptation Incentive Funds
 - Cost of out of home care
- 3 Balanced and Equitable Accountability Public/Private and Courts**
 - Macro – transparency of performance
 - Child case accountability
 - Quality standards – consistency
 - Progressive corrective action
 - Equitable sanctioning for non-performance
- 4 Fully Maximize Federal Revenue**
 - With emphasis on Medicaid
- 5 Outcomes Public/Private and Courts**
 - Safety
 - Time to permanency
 - Number of placements
 - Well-being indicators

Key Performance Indicators (KPI)

 - Process of care measures
 - Quality of care measures
 - Capacity measures

Appendix B
Task Force Charter



Performance Based Funding Task Force – Charter

Purpose—Why are we here?

A well-written purpose statement includes:

- **Who the team is.**
- **In specific terms, why the team exists.**
- **What organizational goals the team supports.**
- **How the team adds value to the organization and/or customers.**

The Child Welfare Performance Based Funding (CWPBF) Task Force is comprised of representatives from DHS, private child welfare agencies and others with a vested interest in developing a performance based funding model for delivery of child welfare services including: community and residential foster care, adoption services, licensing, and services for dually enrolled youth.

The development and implementation of a CWPBF model will increase efficacy; promote an emphasis on outcomes that improve the system’s response to children and families and ultimately enhance the quality of services from private and public sector organizations responsible for Michigan’s child welfare services. A key component of the CWPBF model will be a balanced and equitable approach in which the private and public sector agencies may be successful. Specifically that:

- Performance is measured in the same way.
- Performance is accounted for in the same way.
- Investments and budgetary resources are the same for public and private agencies.

The task force should be cognizant of the fact that the legislation establishing the task force is directed at both public and private agencies.

The task force will be co-led by representatives of DHS and private agencies. The co-chairs are Steve Yager, director, Children’s Services Administration, and Cameron Hosner, president and CEO, Judson Center. The task force will include no more than 18 people. Susan Dreyfus, CEO of the Alliance for Children and Families, will serve as facilitator and convener.

Suggested participants from DHS:

Director Maura Corrigan (or designee); Chief Deputy Director Duane Berger (or designee); Steve Yager, director, Children’s Services Administration (CSA); Suzanne Stiles Burke, director, CSA Bureau of Child Welfare; Terri Gilbert, director, CSA Bureau of Child Welfare Funding and Juvenile Programs; Amanda Bright McClanahan, director, Financial Services Administration (FSA); Budget Division, Susan Kangas, chief financial officer/DHS, director of Financial Services Administration.

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Suggested participants from private agencies: Rosalynn Bliss, D.A.Blodgett/St.Johns; Cameron Hosner, president and CEO, Judson Center; Beth Tarquinio, executive director, Methodist Children’s Home Society; Gary Tester, executive vice president and chief development officer, Starr Commonwealth; Michael Williams, president and chief executive officer, Orchards Children’s Services; Judy Wollack; president, AACFA, Wolverine Human Services.

Other stakeholders: Hon.Kenneth L. Tacoma, Westford County Probate; Kelly Howard, Child Welfare Director, State Court Administrative Office; Timothy McGuire, Executive Director Michigan Association of Counties

Legislators: Senator Bruce Caswell, Representative Peter MacGregor

Accountabilities—What is our team responsible for accomplishing?

Well-identified team accountabilities:

- **Provide a list of the team’s main responsibilities.**
- **Act as a job description for the team.**
- **Describe tasks, duties, or outputs required to fulfill the team’s purpose.**

Public Act 59 of 2013 Section 503 requires “The department, in conjunction with members from both the house of representatives and senate, shall carry out a workgroup to review the feasibility of establishing performance-based funding for all public and private child welfare services providers. By March 1, 2014, the department shall provide a report on the findings of the workgroup to the senate and house appropriations subcommittees on the department budget, the senate and house standing committees on families and human services, and the senate and house fiscal agencies and policy offices.” (Note: Subsequent to this act, the terms workgroup and task force have been replaced by task force. Workgroups will be smaller groups of individuals that will work on specific problems and issues.)

This public act is unique in that both public and private child welfare providers will participate in the new performance based funding model. As such, the task force will be charged to develop recommendations and approaches that are balanced and equitable across the public and private sectors who together share responsibility for the outcomes of our state’s child welfare system. The development and implementation of a CWPBF model will increase efficacy and the capacity of our communities; promote an emphasis on outcomes that improve the system’s response to children and families and ultimately enhance the quality of services from private and public sector organizations responsible for Michigan’s child welfare services.

The CWPBF Task Force will devote individual and group resources to the organized development of a CWPBF model for Michigan’s child welfare system. Under the leadership of DHS, the CWPBF Task Force and

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a contracted project management team will meet and apply relevant knowledge, expertise and resources to gain consensus about a performance based funding model that may be implemented by the beginning of state fiscal year 2015.

The task force will be charged to develop recommendations and approaches that are balanced and equitable across the public and private sectors, who together share responsibility for the outcomes of our state's child welfare system. The primary purpose of the task force is to guide the process, determine key decision points and develop recommendations for:

- How to best develop performance based funding that supports accountability for performance, efficient expenditure of resources, and a balanced and equitable system across the public and private sectors.
- How to address systemic barriers that provide obstacles to successful performance and effective expenditure of resources in a performance based funding model.
- A model of performance based funding.
- The data and metrics to be incorporated into the performance based funding methodology.
- The key features of the request for proposal.
- The pilot and implementation roadmap.

Assisting with this process are five workgroups that will assess each of these areas in greater detail. Workgroups include representatives from public and private agencies and others who can add value/expertise to the particular topic.

1. System Barriers to Success: The purpose of this workgroup is to identify all of the barriers in policy, budget and practice throughout the system that do, can or will impede the ability to achieve and exceed the outcomes as described in the logic model.

Engagement Team lead- Bill Fiss

Initial areas to address are:

- Medicaid.
- Title IV-E designation driving how cases are assigned.

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- Child Care Fund.
- Legal representation on cases assigned to private agencies.
- Clarity and consistency in case management responsibility being with either the public or private, but not confused and duplicative, as it appears to be.
- Courts. A huge issue of inconsistency that has great impact on ability to achieve contract expectations.
- The role of local state staff and what appears to be great inconsistency in interpretation and performance.
- The Modified Settlement Agreement (MSA). What settlement requirements are creating barriers?
- CQI function capacity and performance.
- MiTEAM- Are there any barriers created by MiTEAM as it is being rolled out?
- Michigan Statewide Automated Child Welfare Information System (MiSACWIS).
- Administrative/overhead definition.
- Balanced and equitable system.

2. Lead Agency/Continuum of Care- Per Diem or Capitation: This workgroup will initially focus on identifying the features and assumptions of the model that the state needs to develop the placeholder budget by 12/6/2013. Subsequent work involves crafting the basic parameters of the public and private sector pilots and associated locations.

Engagement Team lead: Jennifer Haight

Initial areas to address are:

- The level system, including assessment.
- Strategies for managing and paying for high cost, complex cases? One idea is to create a fifth level of care and funding.
- Assumes no eject/reject of referrals.
- Needs to take into account geographic difference that will influence cost and the lack of

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capacities in areas of the state.

- Can the lead agency also be a provider of services?
- Connect with the Barriers Workgroup to make correct assumptions on administrative/overhead allowances and what is and isn't included.
- Public and private agency financial management capability.

3. Performance Outcomes and Key Performance Indicators: The purpose of this workgroup will be to utilize the logic model and metrics and to identify any additional outcomes that would be required in contracts and required of the state staff and private agencies equally. This includes the incentives and disincentives tied to outcomes and performance measures.

Engagement Team lead: Jennifer Haight

Initial areas to address are:

- Utilize the logic model and determine the most important performance outcomes for the RFP.
- Identification of the initial contract outcomes for public and private agencies.
- Incentives and disincentives tied to performance.

4. RFP key features: The purpose of this workgroup is to identify the key features and sections of the proposed RFP written by the state.

Engagement Team lead: Beth Skidmore

Initial areas to address:

- Process for RFP development and procurement.
- Assessment of the capacity of private agencies (governance; leadership; financial viability; mission alignment; ability to build capacity in the community, connect and support families beyond the contract; ability to partner and generate resources and capacity in the community.

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- Preferred status of in-state agencies as well as what parameters will be used to consider out-of-state agencies.

5. Pilots and implementation roadmap: This workgroup will evolve as the result of the findings of workgroup 3 and will determine how and under what conditions the pilots will be implemented. Pilot sites will include private and public sectors operating under the same fair, balanced and equitable conditions.

Engagement Team lead: Jennifer Haight

Initial areas to address are:

- What will be piloted (lead agency, continuum, per diem, capitation)?
- How long will pilots be?
- Where?
- How will pilots include public sector, too?
- How will pilots be monitored, measured, reported on for decision making?

The charters for each workgroup are being finalized and will be discussed/approved at the first meeting. Workgroups will include six to eight people with equitable representation from the public and private sectors and additional members as needed. Each workgroup will be co-chaired by a person from the public and private agencies and meet once in person and later by phone.

Goals—What do we want to achieve?

Goal 1. Gain consensus about the identification and inclusion of the following elements of the model:

- A. Ensures accountability to a set of positive outcomes that are child and family centered.
- B. Includes a set of critical process activities that will ensure services are meeting MSA, state and federal regulations.

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C. Ensures placement decisions are assessment-driven, not financially driven.

D. Operates as one of two model types: lead agency or continuum of care.

Goal 2. Identify a model with flexible structure to:

A. Meet the unique needs of individual children and families while ensuring safety at all times.

B. Adjust for economics at regular intervals.

C. Encourage reinvestment, savings, reinvestment and innovation.

D. Allow for timely adjustments in decision making and service delivery.

E. Operate in a relatively simple and fiscally sound manner.

F. Operate on a simple pay scheme that is tied to attaining key performance measures and outcomes.

G. Incentivize the accomplishment of identified outcomes.

Goal 3. Develop a mechanism for initial and ongoing evaluation of the model. Evaluation must, at a minimum, include assessment of:

A. Capacity to meet intended outcomes for children and families (ongoing).

B. Business impact/fairness (initial, ongoing).

C. Method of implementation (initial).

D. Overall performance improvement by private and public agency providers.

Goal 4. Produce a final written report that describes the pathway for DHS to develop a request for proposal for performance-based contract in foster care and adoption. The report will include system design, payment methodology and a recommended implementation strategy (initial/ongoing).

Note: DHS will work concurrently with Chapin Hall to develop data, budget details for FY 15 implementation.

Other Goals as Determined by the Child Welfare Performance Based Funding Task Force

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Ground Rules—How will we operate as a team?

How will our team approach work? Treat one another? Make decisions? Participate in meetings?

- All communications, processes and decisions by the task force will be transparent, engaging and inclusive.
- Remind task force members that the work of the task force is data driven and focused on the big picture. The task force is not the place for the airing of individual and/or group grievances. These issues need to be addressed in a different forum

Appendix C
Task Force and Workgroup Meeting Schedule

Task Force and Workgroup Meeting Schedule

Meetings	October	November	December	January	February
Task Force Meetings	10/23/2013	11/20/2013	12/17/2013	1/7/2013	2/6/2013
Operational Structure call		11/1, 11/25			
Systems Barriers	10/17/2013	11/1/2013			
Data Metrics			12/2, 12/16		
Pilot and Implementation					
RFP Key Features			12/6, 12/18		
Engagement Team	10/2, 10/11, 10/22	11/12, 11/27	12/11, 12/23	1/3, 1/14,1/28	2/3/2013
Project Management Team	10/10, 10/22	11/8, 11/19	12/3, 12/16, 12/30	1/8,1/22	
On site Work Day	10/22/2013	11/19/2013	12/18/2013		2/5/2013
Meeting with Judicial Reps		11/18/2013	12/18/2013	1/8/2013	2/3/2013
Writing Team Mtg.			12/27/2013	1/23/2013	
Provider Meeting		11/19/2013	12/18/2013	1/6/2014	2/5/2014

Appendix D
System Barriers Workgroup Final Report

System Barriers Workgroup Final Report

Members

Hon. Dorene Allen, Midland County Court
Casey Anbender, State Court Administrative Office
Ben Bodkin, Director of Legislative Affairs, Michigan Association of Counties
Suzanne Stiles Burke, DHS Bureau of Child Welfare
Shaun Culp, County Director
Steve Daut, Finance Director, St. Louis Center
Shirley Edwards, Spectrum Human Services
Bill Fiss, Alliance for Families and Children Engagement Team
Kelly Howard, State Court Administrative Office
Judith Jove, Executive Director, Family Service and Children's Aid
Amanda Bright McClanahan, DHS Budget
Jennifer Pettibone, Manager, DHS Federal Compliance
Nancy Rostoni, Manager, DHS Foster Care
Beth Skidmore, Alliance for Families and Children Engagement Team
Hon. John Tomlinson, St. Clair County Court
Matthew VanZetten, Kent County

The Strategic Barriers Workgroup began with a list of strategic barriers identified in the Kent County Report and the Michigan Performance Based Funding Task Force Charter. The group agreed that the goal was to link past and present efforts that are related to the CWPBF initiative.

The final report reflects input and decisions from a point in time in the life of the project. The risk management process is only useful if someone is responsible for tracking each mitigation step to resolution. This process is ongoing because risks are an ever changing and evolving part of any project.

The following document summarizes risk and barriers identified by the Systems Barriers Work Group. These risks or barriers are part of a dynamic process that initiates the start of the pathway that continues through every step of the implementation of the CWPBF initiative.

Purpose of the Workgroup

The purpose of this work group was to identify barriers in policy, budget and practice throughout the system that do, can or will impede the ability to achieve and exceed the outcomes as described in the Charter document for a balanced and equitable system. A great deal of effort has been made to recognize and begin the Work Group process using the work done by the Kent County Project 515 Report, the Child Care Fund Task Force and the CWPBF Project Management Team. This work provided the System Barriers Work Group with a starting point to build a link to past and present efforts that are related to the work of the CWPWF initiative. The 24 system barriers identified in this report are the products of the System Barriers Work Group members' independent analysis and judgment.

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The goal was to have a consensus report to be presented to the Task Force with (1) an initial list of barriers; (2) a sense of priority for each system barrier; (3) guidance informing the pathway for resolving or mitigating the barriers or risks. This is the start of the ongoing risk management process because as some barriers are resolved, new ones will develop during the life of the CWPBF initiative, up to the point of implementation.

The Work Group members brought perspective to the identification of barriers which may not have been present in the Kent County and Charter efforts. For example,

- Barriers unique to state only or state/private counties
- Barriers based on county size or geography
- Barriers associated with related current initiatives; e.g. the Child Care Fund Task Force and the IV-E Waiver Project.
- Barriers unique to the CWPBF initiative.

Context, Guiding Principles and Assumptions shared with the group

The Work Group discussed guiding principles that provided the foundation for identifying system barriers for a CWPBF initiative. These include:

- Part of the larger process of the Michigan Performance Based Funding Task Force.
- Not a new process; many activities have already taken place.
- The starting point of identifying system barriers is the Kent County Report and Task Force Charter.
- Balanced and equitable for all is the goal.
- Provide the Task Force with the initial barriers, prioritization of these barriers and a pathway for mitigating them.
- There will be a phased implementation.
- Private agencies will have single and complete case management responsibility from the point of placement through post reunification or adoption.
- There may be a single contractor or consortium.
- There will be an RFP process and evaluation.
- There will be some version of a per diem or per capita rate.
- The public agency provider will be held to the same performance expectations as the private agencies.
- The population that will be included is the child welfare and dual population, where the child welfare issues are primary.
- The assumption is that the initiative will have the current state/private caseload split.

Barriers and Mitigation Steps

The following is the list of barriers and mitigation steps assessed by the Work Group. Each strategic barrier is then identified in terms of a priority (HIGH, MEDIUM, LOW)

1. Barrier: The payment methodology (per diem or per capita) must be both actuarially sound and support the needs of real children and families in the child welfare system. (HIGH)

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Mitigation step: (a) Incorporate assessment of client needs in whichever single or multiple options are tested during the phased implementation. (b) Phased implementation should not be tied to an arbitrary fixed period, e.g. one year, to allow for flexibility in identifying issues, solutions and then implementing the necessary corrective action.

2. Barrier: The lack of a common language creates misunderstanding, fear of change and would jeopardize support for the CWPBF initiative. For example, there are different perspectives on lead agency and continuum of care which is a key decision point. (HIGH)

Mitigation step: Provide a definition and examples of the two options that are clear and succinct.

3. Barrier: Due to the sheer complexity of the multiple funding sources and in particular the Child Care Fund, an approach that relied on a statewide comprehensive overhaul of legal requirements, as well as state policies and procedures could delay the phased implementation or even bring the project to a halt pending movement on an unending list of issues (HIGH).

Mitigation step: (a) Seek legislative authorization (much like the federal waiver process) in potential phased implementation or pilot areas giving the Department, county(ies), court (Judge(s) and Court Administrator(s)), private agencies and other local stakeholders authority to work as equal partners to implement a performance based approach with flexibility in managing and funding phased implementation. The community working agreements must be independently approved by the Department, county(ies), court (Judge(s) and Court Administrator(s)) and other local stakeholders to move forward to implementation. Any changes affecting court authority or county resources, including the Child Care Fund, must be carefully considered so there is no negative impact on courts and counties. This would create a singular focus on the CWPBF initiative which must be coordinated with the statewide efforts of the Child Care Fund Task Force.

(b) Require through the RFP process that successful bidders have a community working agreement which include the intention, required participants and details of the content of the agreement. In addition, the timing, negotiation and approval process of the community working agreements must be established.

4. Barrier: Lack of internal cooperation and buy-in among all stakeholders in a pilot county could derail phased implementation. (MEDIUM)

Mitigation step: The RFP should require all relevant stakeholders in the county -- private agencies, public agencies, county government and the judiciary -- to sign off and agree on a clear plan of cooperation and support.

5. Barrier: The problems of geography and density of caseload unique to smaller counties could limit or eliminate their ability to participate. (MEDIUM)

Mitigation step: Allow for multiple solutions to be tested because in a diverse state there is not a single statewide solution.

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6. Barrier: The counties participating in the phased implementation will need to access other funding sources, e.g. Medicaid (MA) through the CMH for mental health services for the children and families in their area. The differing perceptions in the community regarding the value of change in programs, services and funding will have to be reconciled. Change by itself generates varying degrees of support if the change is seen as a first step to unspecified, wholesale changes. (MEDIUM)

Mitigation Step: The community working agreements under system barrier three must address access to other funding in the community including MA through CMH for mental health services. The working agreements need to accommodate conflicting perceptions that changes in program or coordinated funding under the CWPBF initiative may not be applicable statewide.

7. Barrier: The lack of resources to support start up or to meet unexpected allowable costs or unusual caseload issues during the phased implementation would jeopardize the operation and stability of the pilot agencies. (HIGH)

Mitigation Step: Because the CWPBF must assume only the current funding level, establish a one-time start-up fund and an ongoing risk management pool through anticipated savings or reallocation of funds.

8. Barrier: The delayed rollout of MISACWIS and the uncertainty over when the system will be fully tested and functional means the internal financial and program infrastructure of the public and private agencies, as well as the ability to evaluate the phased implementation is at risk. (HIGH)

Mitigation Step: Involve the MiSACWIS staff now in the CWPBF initiative to ensure that the current testing protocols will meet the needs of the pilot private and public agencies. Ensure adequate training for public and private staff because MISACWIS can only produce data as good as what is entered into the system.

9. Barrier: Without functioning "learning communities" to ensure knowledge transfer and skill development neither public or private agency staff will be able to access and effectively use the available data. (MEDIUM)

Mitigation Step: Provide adequate training in various modalities and with sufficient time to both access the training and practice the new skills.

10. Barrier: The population served by and included in the CWPBF initiative must be clearly defined and quantified to avoid gaps, misunderstandings or conflicts within the community. (MEDIUM)

Mitigation Step: Through statutory and RFP requirements, the successful bidder must engage all community stakeholders to participate as active partners supporting the children and families served by the entire community.

11. Barrier: The impact of individual judges on funding decisions and more importantly on service and placement decisions for children may not support the pilot effort. (MEDIUM)

Mitigation Step: The judiciary plays a vital role in any community that hopes to be a pilot site and must be a full participant in the community working agreement.

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12. Barrier: To ensure a balanced and equitable approach in the pilot counties, the public agency must have the same scope of responsibility as the private agencies, e.g. adoption services. (HIGH)

Mitigation Step: The public agency must be allowed as part of the pilot effort to create its own adoption services capacity or to contract with and supervise the current private agency provider.

13. Barrier: For private agencies in particular, the fear of the unknown or perhaps a misunderstanding of the intentions of the CWPBF initiative creates a road block to their acceptance of and participation in the project. (MEDIUM)

Mitigation Step: (a) A single policy statement would address this issue generally --- neither a private agency nor county would be eliminated from consideration based solely on its geography and case density. There is a certain reality about size but counties/private agencies would be given the opportunity to change their mission, service mix, etc. to meet the new needs and expectations. (b) Clarify that multiple approaches will be tested so there will not be a single statewide approach based only on the pilots.

14. Barrier: Lack of clarity over the precedence of state licensing over national accreditation plus the applicability of either approach to a public agency could create legal and policy issues. (LOW)

Mitigation Step: Establish a policy acknowledging whether national accreditation is sufficient in some, all or no circumstances.

15. Barrier: The private provider community is too large and diverse to be adequately represented on the System Barriers work group. (LOW)

Mitigation Step: The Engagement Team will have a monthly statewide conference call the day before the Task Force meeting to brief private agencies and answer questions.

16. Barrier: The Modified Settlement Agreement (MSA) has brought attention and focus on key problems but its rigid measurement and reporting requirements do not allow for identifying and reporting on the level of individual clients or reporting on the unique circumstances of individual counties. (HIGH)

Mitigation Step: Pending any change to the MSA in the long run, the Department must provide for a flexible approach for reporting and assessing data required to support the pilot effort.

17. Barrier: The rollout of the MITEAM practice model must be timely and uniformly apply to public and private agencies. In addition, the practice model outcomes that will be the foundation of the performance funding approach must be compatible and supportive of each other. (HIGH)

Mitigation Step: The consistency between the two sets of outcomes is a project design issue for the Task Force. The rollout of the practice model must include adequate and consistent training for public and private agency staff, as well as consistent application of the model.

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18. Barrier: There is inconsistent legal representation available for both private agency and public agency staff when they take a case to court. (HIGH)

Mitigation Step: The RFP provision requiring all community stakeholders to agree to support the pilot effort must include legal representation for either the private agency or public agency staff person.

19. Barrier: In some cases, judges do not have access to the best information on placement resources available to them. (MEDIUM)

Mitigation Step: This can be managed through specific provisions in the project design.

20. Barrier: The System Barriers workgroup started the risk management process at a point in time. To be effective, the risk management process must be ongoing because risks or barriers change and evolve throughout the life of a project. (MEDIUM)

Mitigation Step: The Task Force should continue to identify and resolve risks until its work is done. At the point of phased implementation, the risk management function should be a basic responsibility of the entity assigned to manage the phased implementation process.

21. Barrier: Performance based funding by its nature, suggests a structure that limits spending to an appropriated amount. Child welfare funding largely rests in the General Fund. Another downturn in Michigan's economy would allow the legislature to limit or reduce expenditures on child welfare programs for use in other areas. (HIGH)

Mitigation Step: Identification of a way to tie the legislature's hands on funding must be found and implemented. The Department needs to research possible legislative, budget or accounting, and administrative solutions to assure sufficient funding is appropriated and sustained and that any savings are, like the state's federal Title IV-E waiver, reinvested in child welfare services, instead of being re-appropriated into the General Fund.

22. Barrier: The current requirement that removal of a child from their home requires state action creates legal issues around the concept of full case management responsibility for the private agencies. In addition, the impact on IV-E funding wording in removal orders is another potential barrier to the full case management role for private agencies. (HIGH)

Mitigation Step. The Department needs to research this and related legal issues to define the problem and possible solutions.

23. Barrier: To implement a balanced and equitable system that holds public and private agencies accountable for the same outcomes and provides continuity of care for kids and families, the issue of case transfer must be addressed. For example, at the point of termination of parental rights (TPR) when the case would move from the state foster care case manager to the private agency or for those private agencies that only provide foster care services and do not have the adoption function in their agency. (HIGH)

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Mitigation Step: This is a complex system design issue that must be resolved as part of refining the "Process of Care" model.

24. Barrier: The lack of a common language means that key concepts can be both misunderstood or understood differently. This would jeopardize support for the CWPBF initiative. The "performance based contract" is a key component of this project. But no guidance is available to public or private agencies on the provisions or expected outcomes and metrics (HIGH).

Mitigation Step: Provide a definition and outline of the performance based contract provisions and the contracting process that is clear and concise.

Recommendations to the Task Force:

The workgroup ranked each of the 24 system barriers based on its impact on policy, budget and practice throughout the system. The members ranked them HIGH, MEDIUM or LOW, according to this criteria.

HIGH (13): Barriers 1, 2, 3, 7, 8, 12, 16, 17, 18, 21, 22, 23, 24

MEDIUM (9): Barriers 4, 5, 6, 9, 10, 11, 13, 19, 20

LOW (2): Barriers 14, 15

The consensus of the workgroup was that five of the barriers that it identified have potentially the greatest and most immediate impact. These barriers are the highest priority for follow-up and mitigation.

The 5 System Barriers that are highest rated are:

Barrier #1. The payment methodology (per diem or per capita) must be both actuarially sound and support the needs of real children and families in the child welfare system. (HIGH)

Barrier #3. Due to the sheer complexity of the multiple funding sources and in particular the Child Care Fund, an approach that relied on a statewide comprehensive overhaul of legal requirements, as well as state policies and procedures, could delay the phased implementation or even bring the project to a halt pending movement on an unending list of issues (HIGH).

Barrier #21. Performance based funding, by its nature, suggests a structure that limits funding spending to an appropriated amount. Child welfare funding largely rests in the General Fund. Another downturn in Michigan's economy would allow the legislature to limit or reduce expenditures on child welfare programs for use in other areas. (HIGH)

Barrier #22. The current requirement that removal of a child from his or her home requires state action creates legal issues around the concept of full case management responsibility for the private agencies. In addition, the impact on IV-E funding of wording in removal orders is another potential barrier to the full case management role for private agencies.

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Barrier #23. To implement a balanced and equitable system that holds public and private agencies accountable for the same outcomes and provides continuity of care for kids and families, the issue of case transfer must be addressed. For example, when a case requires adoption services and the state or assigned private agency does not offer that type of service.

The workgroup agreed that these System Barriers had the lowest impact:

#14 Lack of clarity over the precedence of state licensing over national accreditation plus the applicability of either approach to a public agency could create legal and policy issues.

#15. The private provider community is too large and diverse to be adequately represented on the System Barriers work group.

While these are the lowest ranked System Barriers, it is important to track all of the barriers to resolution. Any barrier left unresolved may have a negative impact on the CWPBF initiative.

Appendix E
Operational and Funding Models Workgroup Final Report

Operational and Funding Models Workgroup Final Report

January 21, 2014

Workgroup Members and Meeting Participants

Ben Bodkin, Director of Legislative Affairs, Michigan Association of Counties
Bruce Caswell, Senator, Michigan Legislature
Frances Carley, Fiscal Analyst, Senate Fiscal Agency
Kevin Koorstra, Fiscal Analyst, House Fiscal Agency
Brian DeVos, Vice President of Child and Family Services, Bethany Christian Services
Rosemary Gardiner, CEO, Family & Children Services
Dave Gehm, President & CEO, Wellspring Lutheran Services
Terri Gilbert, Director, DHS Child Welfare Funding and Juvenile Programs
Amanda Bright McClanahan, Director, DHS Budget and Grants
Hon. Gregory Pittman, Probate Judge, Muskegon County Probate Court
Christine Rehagen, Director, DHS Child Welfare Field Operations and Adoption Subsidy
Jim Scherrer, CEO, Child and Family Services of Northwestern Michigan
Matthew VanZetten, Management Analyst, Kent County
Randy Zylstra, Chief Operating Officer, Wedgwood Christian Services
Jennifer Haight, Chapin Hall, ACF Engagement Team
Emily Rhodes, Chapin Hall

This represents the final report of the Operational and Funding Model Workgroup, which was charged with specifying assumptions and recommending key features of the operational structure through which performance based funding could be implemented in Michigan's child welfare system. The workgroup's findings are highlighted in three sections below and are structured to provide an implementation pathway for the phase-in of performance based funding statewide. The workgroup met three times between October 2013 and January 2014, during which time the workgroup members reached some consensus on operating assumptions related specifically to this workgroup's charge, a set of recommendations to be used to guide further progress toward implementation, and a short list of topics to be forwarded to the Project Team charged with determining next steps. That guidance is provided in the three sections below.

Section I: Operating Assumptions

1. Assumption that high quality well-matched services options will be available to every child that comes into the system and that assignment to either the public or private side would not have a material effect on child outcomes.
2. Authorizing language should stipulate that performance based funding is intended to improve outcomes for children and families, and not explicitly intended to generate overall cost savings.
3. Private providers who achieve improved outcomes for children and families will be compensated under a prospective payment system that allows providers to benefit from their own success. An equitable model will be developed for the public side.

Section II: Recommendations to Task Force

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1. **Recommendation:** Operating model should be a continuum of care network for cases referred to the private agencies. This adopts some attributes of the lead agency model in that case referrals would go to a clearly identified and organized consortium or network of providers in clearly defined services areas. This consortium would collectively agree to manage referred cases from referral to post-placements services, would collectively take on associated benefits and/or risks for case management, and would collectively be responsible for the case outcomes. Responsibilities assigned to the care provider would be identical those cases assigned to the public sector. They would include:
 - a. Demonstrated programmatic and fiscal capacity to discharge contractual obligations
 - b. Full case management responsibility and decision-making authority for referred case
 - c. Care utilization management
 - d. Responsibility for siblings who may subsequently be referred to child welfare system
 - e. A designated person to accept case management responsibility
 - f. Full family responsibility for assigned cases
 - g. Assessment
 - h. Identifying and providing appropriate services and clinical care to child and family members
 - i. Ability to sub-contract for purchase of services not available within network when necessary
 - ii. Accountability for outcomes associated with sub-contracted or purchased services
2. **Recommendation:** Implement Case Rate Model that allows for county funding to be braided with state and federal funding in a manner that is sufficient to support the case rate. This includes:
 - a. Encouraging the redesign of the county child care fund and maximizing federal revenue
 - b. Assuring that any proposed changes to the funding streams be fully cost neutral to the counties
 - c. Assuring that county contributions to the county child welfare fund should be retained in the funding streams
 - i. Consider developing a capped contribution level based on rolling three year average
3. **Recommendation:** Payments for children served by private agencies under performance based funding should flow through a case rate. Consensus was reached that the rate should be structured to cover the full costs associated with including the following elements:
 - a. Comprehensive assessments (scaled and a range)

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- b. Services to the family including those services associated with full family responsibility
 - c. Full range of services from placement through post-reunification services, within an established range (up to carve-out, see recommendation 8)
 - d. Accommodating specialty services into the network (especially in rural areas)
 - e. Incentives associated with strong performance (built into case rate)
 - f. As new services become available, elements included in the case rate should be reviewed and adjusted as necessary
 - g. Consider using the Centre for Child and Family Research (CCfR) cost calculator as means for building up to full costs of services per child.
4. **Recommendation:** Require the development of inclusive, actuarially sound case rates for multiple levels of care.
- a. Ensure that rates include administrative/overhead costs as well as costs for direct care
 - b. Ensure that rates are tied to local economic indicators
 - c. Ensure that the actuarial formula include factors specific to rural service delivery such as travel time, caseload size and transportation costs
 - d. Ensure that rates are re-assessed on a regular basis to account for changes in local economies
 - e. Use well-developed unit costs (see Recommendation 3) to identify specific levels of care, and to allow for rate flexibility as services change and cost data becomes more sophisticated
5. **Recommendation:** Case rates should be based on tiered levels of care.
- a. Initial case rates should be based on historical data, indicating the average cost of serving children at a determined number of levels. As the system develops and data on costs becomes more sophisticated, case rates and levels should be re-evaluated and adjusted as necessary.
 - i. Child level of need would be based on comprehensive assessment at intake, with re-assessment of level of need as appropriate
 - b. Case rate should be based on costs associated with best practice, as determined by ongoing evaluation of program level data (see Recommendation 3)
6. **Recommendation:** Establish a hold harmless period during which providers are not liable for financial risk. During this period, cost, assessment, and performance data will be gathered and analyzed in order to refine operational elements of the performance based funding model.

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7. **Recommendation:** The model should include a risk pool, reflecting some shared risk from both the public and the private partners. This pool would include two main sub-funds: 1. A start-up fund for any necessary capital, and/or seed money; and 2. A risk management reserve fund to serve as an offset from some proportion of provider downside risk. Start-up funds should be fully supported by the state, while some portion of provider downside risk should be funded by the private network.
 - a. Start-up funds:
 - i. State could consider loan guarantees and/or matching funds to financially viable private providers for startup costs
 - ii. State could advance payments to providers to partially fund start-up costs
 - iii. State could consider innovative funding options like social investment bonds to fund start-up costs.
 - b. Risk management funds:
 - i. Consider partially funding risk pool with localized savings achieved if efficiencies are realized under the case rate.
 - ii. Stop-loss provisions for more costly cases could include having the private entity absorb the first 10% of any additional costs beyond the case rate and the state finances the rest. This shared risk corridor could replace a more cumbersome and case specific appeals process, while explicitly recognizing and allocating a portion of downside risk to both public and private sectors.
 - iii. There would have to be a clear process for identifying special cases that qualify for additional funding as well as a mechanism for evaluating outcomes.
 - iv. Risk management fund use would be carefully monitored and reviewed.
8. **Recommendation:** Establish a mechanism for supporting costs associated with the *highest risk* cases. This approach could change over time as more information becomes available about attributes of the high-risk service population and costs of service.
 - a. At the outset, establish a carve-out for designated high-cost/high need specialty cases
 - b. The carve-out would require precise specifications for which cases qualify for additional state funding
 - c. A combination of carve-out and stop loss could also be considered
 - d. For either mechanism, there needs to be a clear process for identifying special cases that qualify for additional funding
9. **Recommendation:** Establish incentives associated with strong performance as well as consequences for under-performance. Based on analysis of core case outcomes associated with strong performance, incentives would include, but not be limited to:
 - a. Contract renewals or continuances

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- b. Maintaining with the private entity some proportion of any savings generated through case rate
 - i. Establish provisions on how to spend generated savings
10. **Recommendation:** Establish an appeals process that acts as an avenue to revisit structural elements associated with the performance based funding initiative. This process is not intended to be a case review process, but rather to focus on overarching system performance issues that might lead to unanticipated consequences for either the private or the public sector.
11. **Recommendation:** Identify catchment areas for service delivery that should contain contiguous or proximate counties.
 - a. Consider 10 Prepaid Inpatient Health Plan (PIHP) zones rather than the 10 prosperity zones because they mirror current service networks for community health services.
12. **Recommendation:** Under this continuum of care/network model, permit members of the network to provide direct care to cases referred to them. Require members operate under a no eject/no reject policy.
13. **Recommendation:** Phase in implementation in a suggested minimum of two areas. It is suggested that one area be a rural area with a more widespread catchment areas, and one area be urban, with a denser service area.
14. **Recommendation:** Conduct CANS assessments as part of intake and prior to referral as a guide for level of care.

Section III: Items for Further Consideration by the Implementation Team

1. Clearly clarify distinction between high cost cases – eligible for the target – and expensive cases, which are funded through the case rate but which may trigger stop-loss mechanism. Connect the clarification of these two types of cases with the development of the case rates, levels within the rate, the process for re-visiting assumptions with the case rate, and access to the risk pool.
2. Consider implications and potential benefits in potentially combining high cost cases with expensive cases to be funded through the risk pool under reinsurance approach once sufficient case specific data are available for analysis.
3. Consider the mechanism for establishing and accessing the risk pool. One possible approach could be a dedicated restricted fund source.
4. Develop more specificity around the structure of incentives associated strong performance with respect to the identified outcomes and indicators.

Operational Funding Models Appendices

Cost Calculator for Children's Services

Research and development overview and summary (Dec 2013)

Centre for Child and Family Research, Loughborough University, UK

Background

In 2000 the Centre for Child and Family Research (CCFR) at Loughborough University was commissioned to undertake a research study to explore the relationship between needs, costs and outcomes of services provided to children in out of home care (Ward, Holmes and Soper, 2008). One of the key outputs from this work has been the development of a software tool: the Cost Calculator for Children's Services (CCfCS). This initial study has subsequently led to the development of a sustained research programme using both the underlying methodology and/or the CCfCS tool.

This paper provides an overview of the CCfCS and the methodology that underpins it, along with an outline of the ongoing research programme. More details about the programme can be found at: <http://www.lboro.ac.uk/research/ccfr/research/exploring/>.

The conceptual framework: estimating costs from the 'bottom up'

The CCfCS utilises a 'bottom up' approach to estimating unit costs (Beecham, 2000). The 'bottom up' approach identifies the constituent parts that form the delivery of a service and assigns a value to each of these parts. The sum of these values is linked with appropriate units of activity to provide the unit cost of a service (ibid). The approach facilitates the development of a detailed and transparent picture of unit costs and is particularly well suited to child welfare services as it can accommodate variations in costs incurred by an extensive range of interventions offered to children with very different levels of need (see Ward, Holmes and Soper, 2008).

The conceptual framework that underpins the CCfCS makes a distinction between the ongoing *case management* functions carried out by social workers, family support workers and other child welfare personnel and the *services* (such as placements) that are provided to meet specific needs. The overall unit costs that are estimated include both of these elements. Separation in this way allows for exploration of the costs of services and also assessment, case management and decision making costs. One of the advantages of breaking down and then building up the costs in this way is that it is possible to explore how changes to one area of the system impact on another. It is also possible to focus on one element of the system and carry out 'what if' analyses, for example, to explore the cost implications of introducing new practices/protocols, or the introduction of a new service for a specific group of children and/or families.

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The different support activities associated with the case management function for children in out of home care have been organised into eight social care (child welfare) processes, these are shown in Box 1 below.

Box 1	
1.	Decide child needs to be placed
2.	Care (case) planning
3.	Maintaining the placement
4.	Return the child home from care
5.	Find subsequent placement
6.	Review
7.	Legal
8.	Transition to leaving care

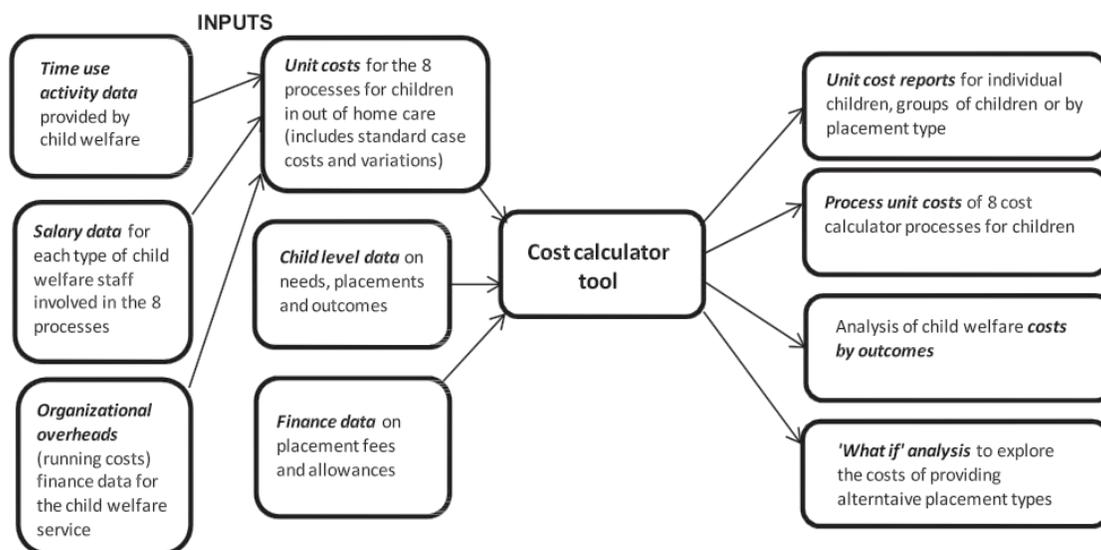
The personnel associated with each support activity or service is identified and the time spent on the activity is estimated. Time use activity data have been gathered using mixed methods: focus groups; verification questionnaires; online surveys and event records (diary recording for specific cases). These amounts of time are costed using appropriate hourly rates. The method therefore links amounts of time spent to data concerning salaries, administrative and management overheads and other expenditure.

This approach introduces greater transparency into cost estimations and facilitates comparisons between the relative value of different types of care, making it easier to estimate the potential benefits of introducing a range of alternative packages. It is also possible to undertake analyses of costs with respect to the outcomes and explore 'hidden' costs, such as the costs of administrative procedures.

The CCfCS tool

The CCfCS is a purpose designed software tool that estimates the costs of child welfare processes and placements for children in out of home care. The unit costs of the processes are brought together with data concerning placement fees and allowances, management and capital expenditure along with routinely collected data on children's needs, characteristics and placements to estimate the costs of placing children in out of home care for a given time period. Figure 1 shows a graphic representation of the data that go into the cost calculator tool (inputs) and the outputs.

Figure 1: CCfCS inputs and outputs



The estimations take into account diversity in children's needs, placement type and local authority procedures. This approach allows children to be grouped by type of placement and also according to their needs and outcomes. Different care pathways can be observed and the way in which costs accrue over time can be examined. It is possible to compare these cost patterns for children with particular characteristics or who achieve specified outcomes.

The costs of management and capital overheads are based on those included in a framework that has been developed with local authorities and Voluntary Adoption Agencies (VAAs). The overheads framework has subsequently been piloted and used by the team across a range of other studies (Holmes, McDermid and Sempik, 2010; Holmes and McDermid, 2012; Holmes, McDermid, Padley and Soper, 2012).

The ongoing research programme

The CCfCS tool currently estimates the costs of placing children in out of home care. Since 2005 the research has been extended to explore the needs, costs and outcomes for all vulnerable children and their families. Recent research has included: the estimation of costs and cost comparisons of Multi-dimensional Treatment Foster Care (Holmes, Ward and McDermid, 2012); the costs associated with the provision of services to all Children in Need (the equivalent of 'in home care' in the US) (Holmes et al., 2010) and the costs of supporting vulnerable children and families who do not meet the threshold for statutory child welfare support, but may require additional support or services as part of the 'Common Assessment Framework' (Holmes et al., 2012).

A series of studies to explore the costs and cost effectiveness of services provided to disabled children and their families have also been carried out (Holmes, McDermid and Sempik, 2010; McDermid, et al., 2011;

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McDermid and Holmes, 2013). As a result of this work, a resource pack for service providers has been produced. This resource pack enables providers to estimate the costs of their own services using the bottom up approach (McDermid, 2010). The approach has facilitated a comparison of the costs of short break (respite) services for disabled children and their families from a range of different providers (McDermid, 2012). This stream of work is continuing, research is currently being carried out to explore the use of direct payments and specifically the introduction of pooled budgets for disabled children and their families.

Other current studies include the development of a costing framework for the activities and services associated with the recruitment and retention of foster carers, this project includes work with a range of fostering providers and comparisons are being carried out between providers. Research has also recently commenced to explore the cost implications of strengthening the assessment process for children returning home following an episode of out of home care. As part of this study the longer term cost savings of successful reunification are being explored.

Making use of time use activity data

A number of studies have been carried out that have made use of the time use activity data to inform policy and practice. These studies include an exploration the 'hidden costs' of service provision such as the different referral and assessment routes through which families access short break services (Holmes, McDermid and Sempik, 2010) and the costs of the contracting and commissioning process (McDermid, 2012).

Research has also been carried out to inform national policy. For instance, the proportion of time social workers spend on direct work with families compared to administrative activities has come under considerable public and political scrutiny in England in recent years. An analysis of time use activity data gathered at two time points has facilitated an analysis of changes in how social workers spend their time (Holmes et al., 2009; Holmes and McDermid, 2013). Analysis of the impact of changes in policy and practice on workloads for front line social workers has also been carried out (Holmes, Munro and Soper, 2009)

The future

The overall objective of the research programme is to develop the CCfCS to incorporate unit costs for all services that children and families receive within specific time frames. These will include the unit costs of services provided by a range of agencies so that eventually it will be possible to estimate the costs to the public purse of providing services to children and families with a range of needs and to explore how these might be better configured to improve outcomes. The overall research programme is also designed to clarify how costs are shared between agencies and introduce transparency into the joint commissioning of services for children with complex needs (Holmes and McDermid, 2012; McDermid, 2012).

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Appendix F

Performance Metrics and Key Performance Indicators Workgroup Final Report

Performance Metrics and Key Performance Indicators Work Group Final Report

January 21, 2014

Workgroup Members and Meeting Participants:

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The Performance Metrics and Key Performance Indicators Workgroup (Metrics Workgroup) was charged with proposing outcome measures and underlying core process indicators that could be used to equitably evaluate public and private entities on their delivery of child welfare services to children and families for whom they have full case management responsibility. This is the final report for the Metrics Workgroup.

The workgroup held three meetings between October 2013 and January 2014 during which members focused first on identifying the core assumptions underlying the performance based funding (PBF) initiative. Once identified, those assumptions were then compared and in some instances connected to the on-going efforts associated with implementing enhanced MiTEAM and expanded Continuous Quality Improvement (CQI), as well as meeting the ongoing requirements of the Modified Settlement Agreement (MSA) and the Federal Child and Family Services Review (CFSR). The key goal here was to ensure a common understanding of how proposed measures for PBF would overlap, cohere to, or differ from those on-going initiatives.

A second key goal of the work group was to identify the critical measurement principles that will guide the development of the actual and specific metrics (numerators, denominators, rates, etc.). That specific work will occur once the final structure and timelines for the initiative are established. As the detail below indicates, these principles first and foremost were to be consistent with the core outcomes and indicators identified in the MiTEAM practice model. In addition, the workgroup concurred on the recommendation to develop measures that fully reflect best practices in performance measurement. Having specified these underlying assumptions, and articulating key measurement principles, the group then moved toward identifying the core outcomes and process

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indicators that should be evaluated under PBF for both the public and the private service sectors and for both in-home and out-of-home cases. Finally, in the last meeting, the group focused some discussion on measuring quality – and the challenges attached to that effort.

The process of measurement development is iterative— it requires the review of systems data, the development of analytic files, adjustments, and re-reviews. In addition, the process calls for multiple partners participating in the production, development and review of both the specific metrics and the contextual information that underlie them. This effort, which will be initiated under the state’s expanded CQI plan, is identified among the tasks to be undertaken as critical next steps on the implementation pathway.

In the four sections below, the key assumptions, measurement principles, initial recommendations, and suggested next steps identified by the Metrics Workgroup are outlined. In addition, we include tables outlining the core metrics and outcomes as well as a table noting how the proposed metrics cross-walk to the current metrics required under the MSA.¹⁴

Section I: Underlying Assumptions

- The Task Force is developing a pathway for a performance based funding system in which the current distribution of public and private case responsibility will be maintained
- In this re-envisioned system, when a case is referred to the private sector, the private entity will have full case management responsibility
- The metrics will reflect the assumption that whoever has case management responsibility will also be responsible for performance management
- Both public and private entities will be evaluated in a balanced and equitable manner
- These metrics are expected to be consistent with the Task Force draft Process of Care and DHS’s charting of Visions, Principles, and Practices

Section II: Performance Evaluation and Measurement Principles

1. The outcome measures should be based on best practices in performance measurement
2. The performance based measurement system should reflect, support and/or enhance the ongoing state CQI plan. It is understood that the key performance indicators (KPIs) and outcomes associated with the enhanced MiTEAM practice model should be measured as part of expanded CQI, both of which are necessary components of the PBF implementation.
 - a. There should be an investment (make or buy) in ensuring that the necessary expertise is present.
 - b. Further development of the expanded CQI plan (metrics, measurement approach) should be conducted in conjunction with the performance based funding initiative.

¹⁴ Because the MSA specifies Federal CFSR measures for certain outcomes, the crosswalk will also indicate how proposed PBF measures compare to those Federal measures.

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3. The review process should embody the principles of CQI and be structured to drive continuous improvement.
 - a. Private and public entities should conduct regular internal performance reviews
 - b. Community partners and stakeholders, including the courts, should be regularly involved in the local CQI and performance review process
4. The recommended measures need not directly crosswalk to current required measures (MSA, CFSR), but there should be a clear understanding of where there may be overlap, consistency, and potential inconsistencies. The Task Force should be aware that proposed measures that differ from those specified in the MSA/CFSR may indicate inconsistent results.
5. Attention to quality as well as process should be a component of performance evaluation.
 - a. Best practices with respect to the quality and process of care should be identified as part of the system improvement process for the potential establishment of statewide standards and/or performance expectations.
 - b. Particular attention should be paid to both above and below average performance in order to learn what practices are associated with success as well as less successful outcomes.
6. Current performance and historical context at the local and agency specific level should be understood before establishing performance expectations.
 - a. Measurement recommendations that emerge from the Task Force are subject to review and amendment over time as new data are collected and evaluated.
7. Geographic distinctions should be accounted for when measuring public and private entity performance. Private providers with multiple sites should have disaggregated metrics associated with each site. Furthermore, all data metrics should be disaggregated at a local/county level for both public and private agencies in order to account for geographic differences.
8. The measurement system should permit entities to measure themselves against their own performance over time. Additionally, it should be structured to permit cross-entity comparisons.
 - a. Background and preliminary data metrics should include at least 3-5 years of historical data
 - b. Background and preliminary data will provide context, but since case management responsibilities are changing, historical data will not necessarily reflect agency level performance.
9. Performance expectations will vary by age group, reflecting different patterns associated with serving children and youth of different ages. Therefore, performance data should be disaggregated by age to account for variation between age groups.

Section III: Specific Measurement Recommendations to Task Force (See table 1, attached)

1. For out-of-home care, performance metrics and indicators should be established for the core outcomes of safety, permanency, and well-being. The core outcomes include: Measures relating to maltreatment recurrence and maltreatment in foster care, time in care (duration), type of exit (permanency), placement stability, and re-entry.
 - a. Clearly define core outcomes. The variables used to develop those outcomes should match federal definitions. For example, the definition of movements, placements, and discharges should be consistent with federal definitions, although the metrics themselves may be developed differently.
 - b. With respect to successful permanency, note that success for older youth may not always be reflected in standard permanency measures. Therefore, supplementary metrics focusing on outcomes and indicators specific to the experiences of older youth should be included in the outcome measures.
 - c. With respect to placement stability, note that while multiple placements are generally undesirable, step down placements should be distinguished as beneficial. Therefore the measurement system should not only count number of moves, but distinguish in the movement measures those moves that are “positive.”
2. For out-of-home care, performance outcomes for youth who enter care as teenagers will have specific process and outcome measures, in addition to permanency metrics.
3. For out-of-home care, placement stability should be measured with consideration to the length of the performance period.
 - a. It should be noted that shifting case management responsibilities will shift placement decisions to the entity responsible for the case.
4. For out-of-home care and post permanency, adoption disruptions, to the extent that they can be tracked, should be tracked.
 - a. Consider developing incentives for successful adoptions , for example withholding full adoption payments for up to 2 years.
5. For out-of-home care and post permanency, re-entry measurements should be properly structured to allow for return home and potential subsequent re-entry.
 - a. Tracking re-entry from permanency other than reunification (e.g. guardianship, or possibly adoption) should be developed, if possible.
 - b. Clearly define re-entry, consistent with federal definitions.

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- a. Re-entry should be measured from case closure within a clearly defined time period (e.g. within 12 months)
 - c. Trial home visits where the child returns to the same foster family should not be considered re-entry.
6. For out-of-home care and post permanency cases, consider recommending the use of Child and Adolescent Needs and Strengths Assessment (CANS) both to evaluate level of care as well as a tool for tracking wellbeing over time.
 - a. Consensus that CANS scores should not be directly connected to performance evaluation.
 - b. After transition to MiSACWIS, CANS will continue to be administered at case opening and quarterly thereafter. Plans to use CANS scores for any assessment purposes should reflect this planned schedule.
7. For out-of-home care and post-permanency, clear expectations and supports for after care should be in place.
 - a. Consider measures specified in a court approved transition plan.
 - b. After care performance measures should include the number of cases per caseworker (i.e. caseload) and caseworker contacts.
8. For all open cases, well-being measures should be evidence based.
 - a. Wellbeing measures should account for time in care, after care, and in-home cases.
 - b. As an example, connections to stable adults are associated with positive outcomes.
9. Incorporate newly developed (2014) Permanency Indicator Annual Reports containing local court permanency indicators into evaluation of local outcomes once those reports are stabilized.

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Table1: Proposed Out-of-Home Metrics and Indicators, General Recommendations

Domain	General Description of Metric ¹⁵	Indicators for Domain ¹⁶
Out of Home and Post Permanency Metrics and Indicators		
Safety: Maltreatment Recurrence	Of children who are subjects of a maltreatment report in a given period, what proportion is re-reported in a given period?	Caseworker visit with family Caseworker visits with child
Safety: Maltreatment in Placement	Of children in out-of-home care in a given period, what proportion is safe from maltreatment during that period?	
Permanency: Exit Type	Of children who enter out-of-home care, what proportion exits to permanent exit types?	Number of caseworkers per child Caseworker visits with family
Permanency: Duration	Of children who enter out of home care, how many days are they in placement before exiting?	Caseworker visits with child Caseworker visits with foster families Child visits with parent/parents
Permanency: Re-entry	Of children discharged from care and whose case has been closed, what proportion reenter placement within 12 months of case closure?	Caseworker visits to family Caseworker visits with child
Permanency: Placement Stability	Of children who entered out-of-home care, what proportion experience two or more placements?	Step downs as a proportion of moves Timing of moves relative to placement duration
Permanency: Disrupted Adoptions	Of children who enter care and are discharged to adoption, what proportion remain in their adoptive homes after two	<i>Opportunity for families to contact caseworker</i> <i>Post adoption follow-up</i>

¹⁵ These represent the general approach to establishing the metrics. More detail with respect to the specific numerators and denominators will be developed in conjunction with review of the analytic data files and as part of the expanded CQI process and the development of the PBF initiative.

¹⁶ Italicized items may not be currently measurable.

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Domain	General Description of Metric ¹⁵	Indicators for Domain ¹⁶
	years?	
Permanency: Older Youth	Of children who enter care as adolescents, what proportion experience permanent exits?	Assess education level at exit Assess employment/job training at exit Assess housing at exit
Permanency: Older Youth	Of children who enter care as adolescents, what proportion age out of foster care?	Assess transition plan at exit Assess connection with adult supports at exit <i>Assess availability of extended foster care</i>
Wellbeing: Family Connections	Of children entering care with siblings, what proportion was placed with siblings?	Child visits with parent/parents <i>Child visits with siblings</i> <i>Family functioning assessments</i>
Wellbeing: Physical Health	<i>Of children entering care, what proportion maintained or improved physical/dental health?</i>	Children in out-of-home care receive regular health exams. Children in out of home care receive regular dental exams.
Wellbeing: Education	<i>Of children entering care, what educational progress is observable?</i>	Enrollment in school <i>Attendance in school</i> Grade level
Well-being: Social/Emotional Functioning	Of children entering care, what change is observable in CANS scores? ¹⁷	Children in care have regular access to therapeutic services.
Systemic Factors: Quality of Care	Local area is implementing Enhanced MiTEAM practice model with fidelity	Number of counties where there are established implementation teams, implementation plans, and staff and stakeholder engagement. Number of counties where orientation

¹⁷ While the work group members agreed that CANS scores should be tracked, there was not consensus that changes in CANS scores should be directly linked to performance evaluation under PBF.

Michigan Child Welfare Performance Based Funding

Domain	General Description of Metric ¹⁵	Indicators for Domain ¹⁶
		<p>training and coaching labs are completed.</p> <p><i>Performance on a set of measures being developed for fidelity to the MiTEAM case practice model.</i></p> <p><i>Quality services reviews</i></p>
Systemic Factor: CQI	Local area is implementing Expanded CQI ¹⁸	CQI Plan and Report is disseminated regularly to area stakeholders
Systemic Factor: Communications	Community CQI process is developed and ongoing	Community CQI process to include public, private, community groups, courts, and all stakeholders is ongoing.
In-Home Metrics and Indicators		
Safety: Maltreatment Incidence	Of children and youth in a specified area, what proportion are subjects of a maltreatment allegation in a given period?	<i>Community risk indicators</i>
Safety: Maltreatment Recurrence	Of children who are subjects of a maltreatment report in period, what proportion is re-reported in a given period?	<p>Caseworker visit with family</p> <p>Caseworker visits with specific child or children</p>
Permanency: Placement in Out of Home Care	Of children and youth in a specified area, what proportion is placed in out of home care	<p>Caseworker visits to family</p> <p>Casework visits with child or specific children</p>
Permanency: Placement in Out of Home Care	Of children and youth in a specified area, who have cases opened in a given year, what proportion is placed within a specified time period? ¹⁹	

¹⁸ See DHS Expanded CQI Plan

¹⁹ This refers to cases opened for in-home services following which, the decision to remove the child is made.

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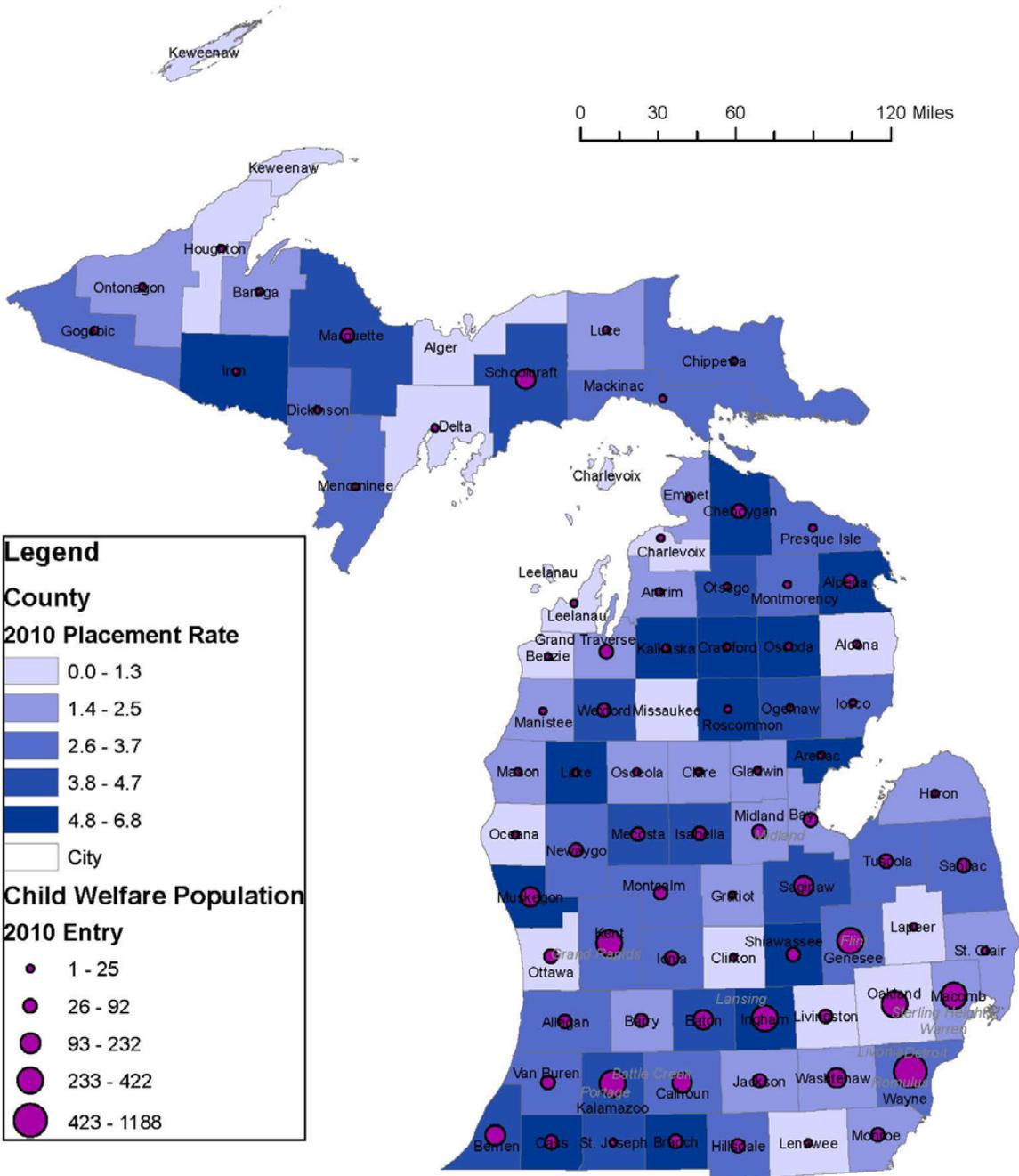
Domain	General Description of Metric ¹⁵	Indicators for Domain ¹⁶
Wellbeing: Family Functioning	Family improvement on safety and risk assessments is observable	<i>Service Linkages</i>
Well-being: Physical Health	<i>Of children in open cases what proportion maintained or improved physical/dental health?</i>	Children in open cases receive regular health exams. Children in open cases receive regular dental exams.
Systemic Factors: Quality of Care	Local area is implementing Enhanced MiTeam practice model with fidelity	Number of counties trained <i>Quality services reviews</i>
Systemic Factors: CQI	Local area is implementing Expanded CQI	CQI Plan and Report is disseminated regularly to area stakeholders Community CQI process to include public, private, community groups, courts, and all stakeholders is ongoing.

Section IV: Recommended Next Steps

1. Incorporate expanded CQI performance reports developed to support the implementation of MiTEAM with continued development of specific outcome measures and performance indicators under the developing PBF initiative. Begin process of producing and reviewing historical data.
2. Continue developing connections between performance and incentive benefits under the PBF initiative.
3. Link data metric development activities explicitly to the MiSACWIS rollout to ensure transition from current SWSS system to MiSACWIS in the development and production of underlying analytic files that support outcome indicator metrics.

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Placement Rate per 1,000 Child Population



Source for child welfare population: Michigan Department of Human Services, first spells for entry year 2010
 Source for general child population: U.S. Census 2010

Created by Chapin Hall
 1/2/2014



Appendix G
Procurement Process for Contracting

Michigan Child Welfare Performance Based Funding

Procurement Process for Contracting

Procurement Process for Contracting Work Group Membership

Mark Lambert	Executive Director	UP Kids
Bob Blumenfeld	Chief Financial Officer	The Children's Center of Wayne County
Vickie Thompson-Sandy	Vice-President	Lutheran Social Services of Michigan
Christine Sanches	Director	DHS Office of Logistics and Rate Settings
Janice Tribble	Manager	DHS Bureau of Child and Adult Licensing
Catherine Hoover	Manager	DHS Adoption Services
Hon. Terrance A. Keith	Probate Judge	Wayne County Probate Court
Mark Stutrud	President and CEO	Lutheran Social Services of Michigan
Matthew VanZetten	Management Analyst	Kent County
Dana Gill	Government Affairs Associate	Michigan Association of Counties

I. Introduction

The purpose of the Procurement Process for Contracting Work Group is to identify the necessary elements and criteria to successfully procure proposals for Child Welfare Performance Based Funding project. In addition to the proposal components that have emerged from other work groups and the Task Force, workgroup members met in December to discuss elements of the RFP that need to be considered for the CWPBF initiative.

II. General Components of the Request For Information (RFI)/Request For Proposal (RFP)

RFI:

Prior to the issuance of the RFP, we recommend that DHS issue an RFI to assess whether a particular community is prepared and interested. This strategy will determine general interest and capacity of providers. As part of the RFI process, applicants will be asked to provide general information about their interest and capacity. Specific details regarding program model, network design, staffing patterns etc. will be requested during the RFP process. Public and private agencies will be encouraged to respond.

Integration with Enhanced CQI and Expanded MiTEAM practice model:

The Department's expanded CQI efforts and enhanced MiTEAM practice model needs to be closely aligned with the CWPBF initiative. Fidelity to the MiTeam practice model and concurrence with expanded CQI will support public and private agencies in achieving desired outcomes identified within this model. For this reason, we recommend that the CWPBF phased implementation coincide with expanded CQI and enhanced MiTeam practice model roll out.

The RFI/RFP will take place in communities where that have been identified for the rollout of DHS's expanded CQI and enhanced MiTEAM Practice Model. Expanded CQI and enhanced MiTEAM Practice Model are currently being implemented in Champion Counties. For this reason, the initial rollout of a CWPBF initiative will be aligned with this effort and also be implemented in Champion Counties.

The RFP/RFI will be seek competitive proposals and be consistent with Michigan's procurement policies and regulations.

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Compliance with Michigan's Modified Settlement Agreement:

The RFI/RFP will require full compliance with Michigan's Modified Settlement Agreement (MSA) and all other required statutes, policies and procedures.

Community engagement:

The RFP will include a requirement that the applicant community has a history of and interest in working collaboratively, joint problem solving and a shared vision for supporting children and families involved in the child welfare system.

Public and Private agency collaboration:

Applicants will be asked to describe how they will collaborate with the other agency. Specifically, how the public sector will work with their private sector counterpart during case transfers, court involvement, shared cases etc. Similarly the private sector will describe how they will work with their public sector counterpart during case transfers, court involvement, shared cases etc.

III. Key Features and Requirements of the RFP

Organizational Capacity:

The applicant will need to demonstrate significant organizational capacity and competencies which will include, experience with managing risk based contracts, significant knowledge and experience, financial strength, technological mastery, experienced staff and leadership, governance, capacity for CQI, etc. Communities that have a history of collaborative leadership will be preferred.

Service Array:

Applicants will be asked to describe their service array and to define how the service array supports the achievement of outcomes identified in the RFP.

- The Service Array description will need to specifically describe how agency's services support and advance Michigan's enhanced MiTeam practice model and integration with the expanded CQI.
- Applicants will need to identify if they will be providing a service or contracting for it. The applicant will need to identify specific providers that they will be contracting with as well as that particular contractor's capacity, experience and staffing.

Continuum of Care Network:

Applicants will need to describe a clearly identified and organized consortium or network of providers in clearly defined service areas as well as how the consortium would collectively manage referred cases from referral to post placement. Based upon the unique needs of individual counties and geographies, the RFP will solicit applications from a consortium of agencies that have formed an identified network through which a full range services, including care management can be provided. The applicant will describe clear levels of responsibility, be well organized and be able to articulate and demonstrate the capacity to manage risk associated with this model. We are making a recommendation that the entity be a single agency responsible for the management, administration and governance.

- Applicants will need to describe how the chosen model will be configured, managed, governed and evaluated, and will need to describe how risk and responsibilities will be allocated within the network. Additionally, applicants will need to describe how they will contract with (as described above), and collaborate with other agencies to ensure an integrated system of care.

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- Single agencies that choose to operate the continuum of care network under a Lead Agency model may also provide services.

Responsibility of Care Provider:

Applicants will need to describe:

- a. That they have demonstrated programmatic, clinical and fiscal capacity to discharge financial obligations.
- b. How the applicant would assume and manage full case management responsibility and decision making authority for the referred case.
- c. How they will manage care utilization.

Case Rate Model:

Applicants will need to understand and describe how they will competently manage the case rate model including case flow management and projections and financial risk modeling.

No Eject/No Reject:

The RFP will require applicants to describe how they will manage children/youth within a no eject, no reject system within a time frame agreed upon during the contract negotiation process.

- Applicants must describe how they will manage risk, placement disruptions, emergencies, runaways, hospitalizations and police involvement specifically.
- Applicants must describe how they will manage costs associated with the highest risk cases.

Implementation Time Frame and Plan:

The Applicant will be required to describe their approach to a phased in implementation and associated time frame including hiring/training staff, expanded infrastructure, opening new locations, expansion of programs, new program development and aftercare.

Appendix H
Phased Implementation Timeline

State of Michigan Performance Based Funding Institute

Timeline for Implementation

FY 2014
Oct. 2013–Sept. 2014

1. Planning for Kent County roll out and it's alignment with CWPBF principles and approaches.
2. Post Task Force Partnership Council with initial focus on items prioritized in Task Force report.
3. Complete MISACWIS implementation.
4. Provide transparent reporting of outcomes statewide for private, agencies and public agencies by State office and by county.
5. Integrate the recommended expanded Performance Evaluation Management (PEM) unit with current MiTeam CQI implementation.
6. Secure broad statutory authority to manage and fund performance based contracting.
7. Secure statutory and appropriation changes to provide a fully integrated funding model to support the initiative which allows the Department to braid state, local and federal funds into a cohesive funding source.
8. Continued resolution of the Child Care Fund issue as it relates to child welfare and dual ordered children.
9. Project Director and Project Team.
10. Full cost analysis of the model in partnership with the actuarial rate setting process.
11. The Department will contract with an independent actuary to establish the parameters for rate setting with input from the Project Management Team and other stakeholders.
12. In cooperation with the Partnership Council, the State will identify the next MiTeam geographic areas which may be considered for later CWPBF rollout.

FY 2015
Oct. 2014–Sept. 2015

1. Roll out purchase of service in Kent County which assumes the alignment of the project with CWPBF principles and approaches.
2. The Department will issue both an RFI and a competitive RFP that covers the areas identified by the state to participate in phased implementation.
3. Finalization and implementation of the actuarial developed rate and case mix.
4. Integrate enhanced MiTeam rollout with performance based funded phased implementation areas.
5. Procure and begin independent third party evaluation that runs through FY 2020.
6. State to finalize selection of next areas for phased implementation.

FY 2016
Oct. 2015–Sept. 2016

1. Roll out urban or rural proximate counties that includes Kalamazoo, which could include one or more rural contiguous counties and or Kalamazoo by itself.
2. With comprehensive analysis of 2014, 2015 rollout make necessary legislative, fiscal and program adaptations and final decisions for remainder of rollout across state.

FY 2017-2020
Oct. 2016–Sept. 2020

1. Implementation of rollout across state.
2. State to finalize selection of next areas for phased implementation.

**The initial timeline will continue to shift as more detailed analysis and decision-making occurs, and it will need to be implemented flexibly.*

Appendix I

Kent County Child Welfare 100% Purchase of Services Project Plan

This report can be found in its entirety at the following URL:

[http://mediad.publicbroadcasting.net/p/michigan/files/201310/Project 515 -
Kent County Foster Care Purchase of Services Project Plan Final 9-30-13.pdf](http://mediad.publicbroadcasting.net/p/michigan/files/201310/Project_515_-_Kent_County_Foster_Care_Purchase_of_Services_Project_Plan_Final_9-30-13.pdf)

