STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
INTERIM DIRECTOR

February 25, 2015

The Honorable Peter MacGregor, Chair
Senate Appropriations Subcommittee on DHS
Michigan State Senate
Lansing, Michigan 48933

The Honorable Earl Poleski, Chair
House Appropriations Subcommittee on DHS
Michigan House of Representatives
Lansing, Michigan 48933

Dear Senator MacGregor and Representative Poleski:

This report is provided pursuant to the Department of Human Services' (DHS') Fiscal Year 2015 Appropriations Act, PA 252 of 2014, Section 515(3). This section requires that DHS submit a report that provides an update on the privatization of child welfare services in Kent County as described in DHS' FY 2014 Appropriations Act, PA 59 of 2013, Article X, Section 515 and includes all of the following:

(a) Costs or savings that resulted from the program.
(b) Gaps in funding.
(c) Program successes.
(d) Challenges and barriers to successful implementation.

The attached report provides an update on the privatization of child welfare services in Kent County. If you have any questions regarding the attached report, please contact Nancy Rostoni, Foster Care & MiTEAM manager, at (517) 388-3910.

Sincerely,

Susan Kangas
Chief Financial Officer

Attachment: 2014 Public Act 252 Section 515(3) Report

cc: Senate and House Appropriations Subcommittees on DHS
Senate and House Fiscal Agencies
Senate and House Policy Offices

2014 Public Act 252
Section 515(3)

Section 515(3) of Public Act 252 of 2014, requires the Department of Human Services (DHS) to submit a report that provides an update on the privatization of child welfare services in Kent County as described in DHS' FY 2014 Appropriations Act, PA 59 of 2013, Article X, Section 515 and includes all of the following:

(a) Costs or savings that resulted from the program.
(b) Gaps in funding.
(c) Program successes.
(d) Challenges and barriers to successful implementation.

As of October 1, 2015, 100% of Kent County foster care services are being provided by contracted private agency foster care providers. As a result of this shift and as of the writing of this report, 119 more cases are supervised by contracted private agency foster care providers at a cost of $40 per day. This additional cost equates to an increased expenditure of approximately $1,737,400 (gross) from the state foster care line appropriation. State child welfare staff previously assigned to manage those cases were transferred to neighboring counties or moved into other positions; the state reallocated approximately $916,300 (gross) from Kent County staffing to other counties.

The following successes have been achieved to date:

- Transitioned 100% of DHS foster care cases, unlicensed foster homes and licensed foster family homes to private child welfare agencies.

- Revised contract language to provide administrative daily rates for all cases managed by a private agency to allow for a single case manager regardless of placement setting.

- Revisions to the Social Welfare Act to have administrative daily rates paid by the State of Michigan rather than splitting the administrative daily rate between the County Child Care Fund and the state.

- Implemented the child placing network (comprised of DHS and private agencies in Kent County) to assign placement and case management based upon the best interest of the child.

- Continued DHS oversight and monitoring of financial, authorization and care-level activities for foster care provided by private agencies.

- Continued court oversight for foster care activities provided by the private agencies.

- Continued collaboration amongst stakeholders in Kent County to create a Care Management Entity Model to deliver child welfare services. The care management entity will focus on providing services at a capitated rate, which allows service and payment flexibility.

2014 Public Act 252
Section 515(3)

Challenges and barriers related to the successful privatization in Kent County do still exist. As was outlined in the report for Section 515 of Public Act 200 of 2012 (also known as Project 515 Kent County Foster Care 100% Purchase of Service Report, http://mediad.publicbroadcasting.net/p/michigan/files/201310/Project_515_-_Kent_County_Foster_Care_Purchase_of_Services_Project_Plan__Final_9-30-13.pdf) and the report for Section 503 of Public Act 59 of 2013 (also known as the Performance Based Funding Task Force Report, http://www.michigan.gov/documents/dhs/Sec503_Pa59of2013_448916_7.pdf?20150226121336) there are several systemic risks, interdependencies and barriers to creating a successful privatized child welfare care management model in Kent County. The department, in collaboration with many child welfare stakeholders from Kent County, continues to work toward resolving those barriers. Specifically, these stakeholders are reviewing approval processes for necessary assessments; evaluating needed services to expand specialized care settings to close gaps in the continuum of care; and evaluating recruitment efforts to increase foster care capacity in the county.

Further, these stakeholders, along with other child welfare stakeholders across the state, including representatives from other state departments, counties, courts and private child welfare agencies, are convening on a monthly basis as the Child Welfare Partnership Council to make further progress in creating an even more comprehensive, performance-based model for child welfare service delivery that will operate as a pilot in the privatized Kent County community. In this more expansive effort, there is focus on establishing a prospective case rate for out-of-home child welfare cases; establishing a set of outcomes and metrics that will be used to measure performance; and creating a proposal that specifically addresses the processes that will be used to deliver out-of-home child welfare services in Kent County and ensure integration with the state's child welfare case practice model and continuous quality improvement plan.