



STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

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INTERIM DIRECTOR

January 20, 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, Article X, Section 503(7). This section requires that DHS submit a quarterly report on the status of the implementation of a performance-based contracting model that establishes performance-based funding for public and private child welfare services providers.

DHS continues to ensure stakeholder involvement in the development of the model by supporting and participating in the Child Welfare Partnership Council which convenes monthly with representatives from Michigan's DHS, Department of Community Health, Department of Education, private child welfare agencies, county and court administrations, and Native American tribal representatives involved in the model development through contact with the DHS Native American Affairs director.

DHS awarded a contract to Public Consulting Group for independent actuary services as required by PA 252 of 2014, Article X, Section 503(1). The actuary, in collaboration with DHS Financial Services and Children's Services administrations, Child Welfare Partnership Council, Kent County public and private agency leaders, and Chapin Hall at the University of Chicago, continue to work toward identifying the unit cost for out-of-home child welfare services which will be critical in the development of a prospective rate payment system. DHS is currently on target for the completion of a full cost analysis of the performance-based funding model by September 30, 2015. The DHS bidding process for an independent project manager closes January 23, 2015. The Joint Evaluation Committee will convene February 5, 2015, to evaluate bid submissions. The procurement process for the required third-party evaluator will commence after the project manager contract is awarded.

DHS and the aforementioned stakeholders are also working to establish a set of outcomes and metrics that will be used to measure performance in the new model, create a proposal that specifically addresses the administrative and direct care 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.

Please find the attached November 2014 update on the collaborative efforts of this workgroup. If you have any questions, please contact Steve Yager, Children's Services Administration director, at (517) 241-9859.

Sincerely,



Susan Kangas  
Chief Financial Officer

Attachment: Performance Based Child Welfare System Development November 2014 Update  
cc: Senate and House Appropriations Subcommittees on DHS  
Senate and House Fiscal Agencies  
Senate and House Policy Offices  
Senate and House Standing Committees on Families and Human Services

## Performance Based Child Welfare System Development November 2014 Update

1. The Department of Human Services is the title IV-E state agency responsible for the child welfare system in Michigan. In that role, DHS is responsible for the oversight and administrative management of children's protective services, foster care and adoption policies; child welfare procedures; child welfare contracts; and funding. While each local office and private agency will be accountable to manage their cases and reach defined goals and metrics related to overall child welfare performance, DHS will always maintain some level of oversight and administrative management.

DHS will require that all public and private agencies adhere to the State case practice model, MiTEAM, and participate in its statewide continuous quality improvement plan.

2. DHS has made a commitment to the legislature and child welfare stakeholders, including private agencies, courts, counties, and tribes, to ensure the development of performance metrics and related financial models are done with their consultation. The primary stakeholder body identified to provide direct consultation to the State is called the Child Welfare Partnership Council (CWPC). The CWPC currently operates as the oversight body, made of representatives from our stakeholder groups; it manages several different workgroups of more representative stakeholders that focus on specific aspects of design, development and implementation planning needed to support the first pilot model being built in Kent County.
3. The pending legislation for the development of a performance based model is restricted to Kent County so that the State's contracting and financial model may be tested before contemplating if or how a performance based child welfare system might be developed in other areas of the state.
4. The attached timeline is planned to be iterative; it will be modified as decisions are made or the variables cause substantive changes.
5. The performance based child welfare system model includes the following primary assumptions at this time:
  - a. Regardless of the status of payment structure changes to private agency contracts under a model, all public and private agencies will be expected to measure their child welfare success against a small set of defined child welfare outcomes and indicators.
  - b. The outcomes and indicators will be validated by staff in public and private agencies before agreed upon; those outcomes and indicators will regularly be published for all child welfare stakeholders to see.
  - c. Data and information used to measure outcomes and indicators will be quantitative and qualitative.
  - d. DHS will contract with an independent third-party evaluator to assess the efficacy of the model in reaching positive outcomes for children and families in the child welfare system.
  - e. The fundamental components needed to build the funding model connected to performance based in Kent will be used to make decisions about if, how, or when similar models may be developed for other areas of the state; there is no expectation that the exact model designed in Kent will be used in any other area of the state.

FY 2014: Planning	FY 2015: Development	FY 2016: Implementation and Evaluation	FY 2017-2018: Potential Expansion
<p>1. Kent County agrees to pilot Performance Based Funding principles as identified in the Task Force Report, and establishes a cross-sector workgroup between DHS, Court, network180 (CMH), County and private agencies to begin planning activities.</p> <p>2. Child Welfare Partnership Council will initially focus on items prioritized in the 2014 Performance Based Funding Task Force Report.</p> <p>3. Complete MISACWIS implementation.</p> <p>4. Begin to secure statutory and appropriation changes to provide a fully integrated funding model that allows the department to braid state, local and federal funds into a cohesive funding source in Kent.</p> <p>5. Continue evaluation of how the Child Care Fund can support child welfare and dual ordered children in an integrated funding model.</p> <p>6. Begin calculating unit costs of delivering child welfare services in Kent County in consultation with Chapin Hall at the University of Chicago.</p>	<p><u>Statewide:</u></p> <ol style="list-style-type: none"> <li>DHS will procure a Project Management Director and Team.</li> <li>Secure both a 5-year independent actuary and independent third-party evaluator.</li> <li>Create a plan for the validation of the defined set of outcomes and indicators.</li> <li>DHS will create a plan to implement use of measurable performance outcomes and indicators statewide.</li> <li>Create a plan for the transparent and routine publication of statewide outcomes and indicators.</li> <li>Continue to evaluate the state, local and federal funding models in Kent, and variances necessary for the model to be applicable in other areas of the state.</li> <li>The State will identify the next geographic areas to implement Enhanced MITEAM and Expanded CQI.</li> <li>Continue evaluation of how the Child Care Fund can support child welfare and dual ordered children in an integrated funding model.</li> <li>Identify statutory and appropriation options to provide the opportunity to fully integrated funding model that allows the department to braid state, local and federal funds into a cohesive funding source.</li> </ol> <p><u>Kent County:</u></p> <ol style="list-style-type: none"> <li>Develop a defined set of measurable outcomes and indicators for private and public agencies in Kent County and the rest of the state.</li> <li>DHS will begin development and implementation of expanded CQI statewide and integrate a Performance Evaluation Management (PEM) Unit for use in oversight of Kent County.</li> <li>In cooperation with the Partnership Council, DHS will develop a performance-based contract in Kent County.</li> <li>Continue pilot work with Chapin Hall at the University of Chicago to develop a case rate in Kent County.</li> <li>Complete a full cost analysis of the model in partnership with the actuarial rate setting process.</li> <li>Finalize the actuarial developed case rate.</li> </ol>	<ol style="list-style-type: none"> <li>Continue to evaluate the need to support the funding models in Kent, and variances necessary for the model to be applicable in other areas of the state. This may include further evaluation of the use of state, local and federal funds.</li> <li>Validate reports on performance outcomes for private and public agencies statewide and provide transparent access.</li> <li>Conduct an analysis of the pilot experience in Kent County to inform further planning for further expansion in other areas of the state.</li> </ol>	<ol style="list-style-type: none"> <li>Finalize recommendations for further expansion of a performance based child welfare system in other areas of the state.</li> <li>Finalize recommendation for funding models that support achievement of the performance outcomes.</li> </ol>

Timeline to be updated at least annually.