State of Texas
Department of Family and Protective Services

Third-Party Analysis of SSCC-Related Costs
Final Report

September 2014

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Acknowledgements

Executive Summary

The Texas Department of Family and Protective Services contracted with Public Consulting Group, Inc. in July 2014 to conduct an analysis of Single Source Continuum Contractors (SSCC) related costs focused on the resource transfer provided to the Single Source Continuum Contractors (SSCCs).

As detailed in the request for proposals (RFP), the project objective was to analyze the resource transfer with respect to the following questions:[1]

1. Were all required tasks and associated resources appropriately identified and transferred (e.g., Contract Functions, Placement Functions, Foster and Adoptive Home Recruitment, Other)?

2. What are other common tasks and associated costs required for successful SSCC operation? Are these identified tasks likely to be common in all catchment areas? Could DFPS modifications reduce or eliminate the need for these tasks?

3. What are the non-recurring start-up tasks and associated costs that will be common to all catchment areas, regardless of model or area?

4. What is the expected and reasonable level of financial participation by providers and/or the communities they represent?

5. What efficiencies, beyond transferred tasks, are being realized by DFPS? What is the cost/benefit of DFPS transferring resources or making additional payments to fund these efficiencies, if deemed worthwhile?

6. For areas of the state where the Rule of 500 might not apply, are there factors that could help offset the risks of having fewer than 500 entries while still supporting SSCC viability?

While this report focuses on the six main RFP questions, the questions from the PPP informed our project activities and the content of our interviews. During the Public Private Partnership (PPP) meeting on July 11, 2014, additional questions arose from the group to be discussed in this report including:

1. What are the current operations of the two current contractors? Both implemented different models, and there are differences between urban areas and rural areas.
2. What are the capacity-building costs not funded by DFPS?
3. Will the cost of implementation change over time as lessons are learned from early implementers?
4. How does this shift to Foster Care Redesign affect other state and local funding sources?

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[1] Except to the extent that review of the following elements was necessary to understand and address the six questions from the RFP, this review did not include an analysis of Foster Care Redesign as a whole, nor did it include a thorough analysis of start-up resources, the blended service rate, or purchase-of-service payments to the SSCCs.

In order to answer and evaluate these questions, PCG performed the following tasks:

- Interviews with leadership and program staff from DFPS and the two SSCCs, Providence Service Corporation and ACH Child and Family Services
- Presentation to and solicitation of feedback from the PPP group
- Document and fiscal review
- National review of other states' child welfare public-private partnership efforts

During interviews with both SSCCs, the variations between each agency were evident. For example, ACH has a lengthy history in the Fort Worth area with many years of experience and significant relationships with providers, donors, and other stakeholders. Our Community, Our Kids (OCOK), the entity within ACH responsible for redesign, has staff who are able to build on existing relationships and trust to enhance services to children in foster care. By contrast, Providence, although having a presence as a CPA in the Austin area, was new to the Region 2/9 catchment area and had few, if any, existing relationships to build upon. Providence also faced unique challenges related to the geographic breadth of the catchment area, which encompasses approximately a quarter of the state's land mass. While DFPS provided ongoing technical assistance during the startup and implementation phases, Providence's proposed model did not come to fruition and they were unable to control their costs.

Themes

Detailed findings from this evaluation are included in the subsequent 'Findings' section. In our discussions with DFPS, the SSCC contractors, and the PPP, we have identified the following primary themes:

1. **Resource Transfer Components:** DFPS and the SSCCs have different understandings of what costs would be covered in the ongoing resource transfers, but both parties agree that the resource transfers do not include all costs incurred by the SSCCs. The resource transfer is intended to transfer tasks and associated resources to the SSCCs, rather than to prescribe a certain number of FTEs for the SSCCs' work or cover the costs the SSCCs incur. The resource transfer does not include funding related to tasks DFPS requires the SSCCS to perform (e.g., billing, community engagement, transportation). In addition, DFPS was not able to transfer funding associated with some of the positions that were transferred to the SSCCs, (e.g., fringe expenses for transferred FTEs).

2. **Overlapping Tasks within the Redesign System:** Foster Care Redesign introduces a new entity, the SSCC, into the way services are purchased and provided. The implementation of this new entity results in some overlap of administrative and operational tasks (e.g., attendance in court, at placements, or in service planning meetings). While the entity's attendance at these events may be overlapping, the tasks performed differ which provides a greater opportunity for information sharing and coordination to enhance services to children in foster care. The resource transfer does not include costs associated with tasks performed by both DFPS and the SSCC. The

resource transfer only transfers funds associated with tasks that DFPS no longer performs. The current model requires the SSCC to fully fund these overlapping tasks.

3. **Clarity of Expectations for SSCCs:** DFPS state staff, DFPS regional staff, and the SSCCs have different understandings of the role of the SSCC within Foster Care Redesign. DFPS does not expect to buy the same system it currently provides. In redesigning the system, DFPS expects the SSCC to use the funds transferred to support an enhanced system for children served by the foster care system. It is realistic to expect to meet the goal of providing enhanced services, additional funding is needed to support this initiative. Expectations among other stakeholders (e.g., CPAs, judges, attorneys ad litem) may have been unrealistic, particularly in terms of outcome expectations during the first year.

Recommendations

Following PCG's analysis of SSCC-related costs, we synthesized our findings into 17 recommendations that are summarized thematically below. Please refer to page 32 for a detailed narrative on each recommendation.

Resource Transfer	
1	Texas should consider how to include fringe for the FTE positions contained in the resource transfer.
2	DFPS should consider calculating and transferring resources related to additional necessary and required tasks (e.g., transportation, billing, network development, and community engagement).
3	DFPS should conduct periodic cost analyses at least yearly and consider ongoing fiscal monitoring of SSCC costs.
4	DFPS should set clear expectations in the RFP about what the blended rate is intended to cover and how the resource transfer is calculated and transferred.

Overlapping Tasks	
5	Inefficiencies and overlapping activities can occur when adding a new entity to a system. DFPS and the SSCCs should collaborate to review current business processes, streamline processes and modify contract requirements to eliminate performing similar tasks in the same way, where possible.
6	Where similar tasks must be completed by DFPS and the SSCC, those costs should be identified and calculated. DFPS should be explicit with SSCCs during the RFP process about who is responsible for covering those costs, and set the expectation these tasks can be performed differently than DFPS.
7	Modifications to the IMPACT (SACWIS) system to streamline processes and avoid instances of both DFPS and SSCCs performing similar tasks.
8	DFPS should require any SSCC to use the same data fields for data collection.
9	DFPS should consider standardizing a statewide child assessment.

RFP and Contract Requirements	
10	DFPS should consider including specific examples of required documentation to be uploaded into IMPACT by the SSCC (e.g. placement information, service plan sections, and tracking children attending their original home school).
11	DFPS should consider modifying the RFP process to require the SSCCs to demonstrate how they would conduct the necessary activities differently versus replicating the current system.
12	DFPS should consider how the SSCC structure is described to stakeholders (e.g., DFPS staff, foster parents, CPAs, attorneys ad litem, judges) to manage expectations about what will happen in SSCC catchment areas, particularly during the first year.

Single Source Continuum Contracts	
13	SSCCs should establish a protocol for evaluating placement decisions on a regular basis (e.g., weekly within the first year).
14	SSCCs should continuously assess children in residential treatment, emergency shelter, and other high-end placements consistent with each child's discharge plan to manage utilization.
15	The RFPs should require a demonstration that the SSCC candidates have conducted an internal evaluation to determine what investments are available to launch the SSCC and over what period of time those investments will be available.
16	SSCC candidates should present a plan for an initial investment to support implementation, and must articulate their expectations regarding return on investment.
17	SSCCs should consider their own business model with respect to overhead costs not supported through the DFPS resource transfer.

Project Background

History of Foster Care Redesign

In 2010, DFPS began a multi-year effort to redesign its foster care system with input and recommendations from over 3,000 stakeholders including providers, members of the judiciary, families, and foster youth alumni. Stakeholders took part in presentations, focus groups, meetings, and surveys. The Foster Care Redesign effort was guided by the PPP, a group of representatives from stakeholder groups, with a commitment to improving outcomes for children and families and creating a more cost-effective, community-based system. The PPP and DFPS considered and evaluated several factors:

- Input from stakeholders and other states that have done foster care reform.
- Nationally known experts on foster care financing.
- Others with knowledge of improving foster care outcomes.[2]

The resulting redesign model is structured utilizing Single Source Continuum Contracts in catchment areas to provide a full continuum of services to children in foster care. Funding for the model includes startup funds, an optional advanced payment, a resource transfer, and a blended rate per child. These funds are to be used for SSCC operations and foster care services for children in each catchment area.

The implementation of Foster Care Redesign represents a large culture shift in how services are delivered to children in the Texas foster care system. The premise of redesign is not to insert a "middle man" into the process, but instead to enhance services by building local capacity to serve children close to their family home, to enhance child safety in foster care, and to develop robust networks with a single point of contact for each child served. This shift requires the SSCCs to do things differently than historically done by DFPS. DFPS expects the SSCCs to use the funding provided to enhance services to children in foster care. Based on our experiences and the research from other states, this shift will take time to achieve.

DFPS contracted with Providence Service Corporation (Providence) to provide foster care services for Regions 2 and 9. Providence's contract took effect February 1, 2013, and the transfer of children to Providence's care began August 26, 2013. ACH Child and Family Services was awarded the second contract for Region 3B (7 counties including Tarrant County). The ACH contract took effect January 1, 2014 and is being managed by Our Community Our Kids (OCOK), a division of ACH Child and Family Services. The transfer of legacy children to ACH, who were already served through ACH's CPA division, began on July 1, 2014. ACH will begin receiving new referrals on September 1, 2014, and continue to receive legacy transfers.

On August 1, 2014, Providence exercised its opt-out clause and voluntarily terminated its contract with the State of Texas. The termination of the contract occurred despite DFPS providing ongoing technical assistance to Providence during the startup and implementation phases of Foster Care Redesign. As of the compilation of this report, DFPS and Providence are transitioning the care of youth in Regions 2 and 9 back to DFPS. As the interviews and data analysis for this report took place before Providence's

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[2] http://www.dfps.state.tx.us/adoption_and_foster_care/about_foster_care/redesign.asp

announcement, the findings and recommendations included here will not reflect this change. For simplicity's sake, both Providence and ACH/OCOK will be referred to as current contractors.

Project Mandate

DFPS contracted with PCG in July 2014 to conduct an analysis of SSCC-related costs in order to answer the following project questions, the majority of which are focused on the resource transfer.[3]

As detailed in the procurement, the project objective is to answer the following questions:

1. Were all required tasks and associated resources appropriately identified and transferred (e.g., Contract Functions, Placement Functions, Foster and Adoptive Home Recruitment, Other)?

2. What are other common tasks and associated costs required for successful SSCC operation? Are these identified tasks likely to be common in all catchment areas? Could DFPS modifications reduce or eliminate the need for these tasks?

3. What are the non-recurring start-up tasks and associated costs that will be common to all catchment areas, regardless of model or area?

4. What is the expected and reasonable level of financial participation by providers and/or the communities they represent?

5. What efficiencies, beyond transferred tasks, are being realized by DFPS? What is the cost/benefit of DFPS transferring resources or making additional payments to fund these efficiencies, if deemed worthwhile?

6. For areas of the state where the Rule of 500 might not apply, are there factors that could help offset the risks of having fewer than 500 entries while still supporting SSCC viability?

Limitations

Due to the specific scope of the project mandate and the desire to complete the analysis within DFPS's requested time frame, the analysis of SSCC-related costs has certain limitations noted here.

- **The project mandate is focused primarily on the resource transfer. The blended rate calculation and the effectiveness of the Foster Care Redesign models do not fall within this scope.**

  The resource transfer only comprises a portion of the SSCC funding for the redesign. While this analysis will speak to the reasonableness of the resource transfer, it was not designed to be a full fiscal evaluation of Foster Care Redesign. Also, we are not yet able to assess the extent to which

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[3] While the project mandate is focused on the resource transfer, please note that PCG reviewed other components such as the blended rate insofar was necessary to understand the broader context of foster care redesign

administrative dollars in the blended rate are being used for network development and increasing the capacity of communities to care for children locally.

- **DFPS and other stakeholders desire initial findings in advance of legislative hearings in September 2014. This project timeline limits the depth and scope of the current evaluation.**

    Neither the SSCCs nor DFPS have completed a full fiscal year since the SSCCs began services to children under their contracts. Therefore, Providence, OCOK, and DFPS are unable to provide complete fiscal data for the first year of operation (i.e., the first year using the resource transfer). While this analysis will be able to name cost and task categories that should be considered for the resource transfer, it will not include quantitative recommendations about resource transfer amounts.

    Additionally, the limited performance measure/outcome data available at this early point does not allow for trend analysis or other assessments of SSCC effectiveness.

- **It is difficult to evaluate the true efficiencies gained by DFPS because the transition of legacy cases to the SSCCs is not complete.**

    The transfer of legacy cases to OCOK began on July 1, 2014 and is just in the early stages. For Providence, although over 90 percent of legacy cases have been transferred to the SSCC, providers for approximately eight percent of children in DFPS custody in Region 2/9 refused to transfer to the SSCC. Accordingly, DFPS only transferred resources proportionate to the population transferred to Providence. Consequently, identification and quantification of efficiencies gained by DFPS is difficult at this early stage.

This report is intended to provide DFPS leadership and the Legislature with a better understanding of the resource transfer and tasks necessary for the SSCCs based on early information from the SSCCs and the DFPS regional staff working with the SSCCs. Findings and recommendations focus on informing DFPS with respect to future Foster Care Redesign and SSCC procurement decisions.

Methodology

Stakeholder Engagement

To obtain insight, feedback, information and data from stakeholders, PCG conducted site visits, (Austin, Arlington, Fort Worth, Abilene), conference calls, and interviews with the DFPS Foster Care Redesign team, DFPS state and regional staff, and leaders and staff from both SSCCs.

Additionally, on July 11, 2014, PCG facilitated a session at the PPP's quarterly meeting, which allowed PCG to engage community stakeholders and solicit feedback with respect to the project questions.

Document and Fiscal Review

As part of PCG's analysis of SSCC-related costs, PCG requested and reviewed fiscal and informational documents from DFPS and the two SSCCs. These documents included:

- ACH and Providence's contracts, including their proposal submissions
- Resource transfer invoices between Providence and DFPS
- SSCC-reported costs for SSCC start-up, operation, and service provision
- Foster care rate for redesign and non-redesign regions
- Budgets, projections, and funding resources
- Personnel data

National Review

PCG's analysis of SSCC costs was informed by national research and experience related to other states that have conducted similar redesign initiatives. PCG conducted research into initiatives in Kansas and Tennessee and built on our project team's firsthand experience with child welfare administration in Indiana and public-private partnership efforts in Florida and Nebraska.

Following the stakeholder engagement and interviews and the data collection and review, we synthesized our findings into this final report, which includes a set of recommendations both for DFPS, current SSCCs and for future SSCC agencies.

Findings

The following sections detail PCG's main findings related to each of the six questions posed by DFPS. Each section includes an initial overview of findings followed by a summary of each finding. The findings are informed by input from DFPS state staff, DFPS regional staff, the SSCCs, and the PPP.

- Question 1: Resource Transfer
- Question 2: Tasks and Costs for a Successful SSCC
- Question 3: Start-up Tasks and Costs
- Question 4: Community Participation
- Question 5: Additional Efficiencies to DFPS
- Question 6: Viability in Less Populous Areas

Question 1: Resource Transfer

> ***Were all required tasks and associated resources appropriately identified and transferred (e.g., Contract Functions, Placement Functions, Foster and Adoptive Home Recruitment, Other)?***

Overview

The resource transfer from DFPS currently includes FTEs for placement and contracting staff. The resource transfer is an ongoing transfer of funds from DFPS to the SSCCs to support their operations. DFPS did not transfer any resources of FTEs associated with overhead administrative tasks like billing, finance, legal, payroll, or human resources. The DFPS staff who perform these activities are not fully allocated to support foster care in the SSCC catchment areas; as those staff would maintain their full time work within DFPS, resources associated with those tasks were not transferred to the SSCCs.

DFPS indicated the Foster and Adoptive (FAD) foster and adoptive home recruiting staff are included in the blended rate calculation. While DFPS has repurposed most of the Foster and Adoptive (FAD) recruiting staff in regions 2/9 and 3b, no FTE funding for network development was included in the resource transfer. Funding for capacity building and network development was not historically funded, therefore DFPS did not have funds available to transfer. A key to Foster Care Redesign is building a network of providers to meet the needs of children in the catchment area in contrast to how DFPS historically contracted with licensed providers.

The current resource transfer is not sufficient to cover SSCC costs without other measures by the SSCCs (e.g., reduction of service rates, utilization management to reduce high-end placements, provision of sizable private resources to fund operations).

Findings

> *DFPS and the SSCCs have different understandings of what should be included in the resource transfer*

The description of the resource transfer within ACH's SSCC contract language is as follows:[4]

> ***Section 3.01   Resource Distribution.*** *As DFPS and the SSCC move through the Stages of Implementation, some of the functions that have traditionally been the responsibility of DFPS will shift to the SSCC. These functions include child placement, contract management, and foster home development and maintenance. The DFPS budget for child placement and contract management staff resources allocated to the catchment area for FY2013 will be negotiated and transferred to*

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[4] Exhibit A, Article III, Section 3.01. Resource transfer amounts are listed as $56,424 for each of 3.7 Placement FTES and $55,317 for each of 5.5 Contract FTES. Comparable language from the Providence SSCC contract is found in Exhibit B, Article II, Section 2.02, subpart A. The resource transfer amounts in the earlier Providence contract are $55,728 for placement functions and $60,780 for contract management functions. No FTE counts are included, nor is the later language about inclusion of the resource transfer for the recruiting functions within the blended rate.

the SSCC commensurate with the transfer of the functions. Resource transfer will be renegotiated as agreed and will be based on caseload related appropriations changes.

DFPS resources for recruiting, developing and maintaining foster care placements and functions are provided to the SSCC through the blended foster care per diem rate.

The interpretation of this language differs between DFPS and the SSCCs. DFPS personnel stated that the resource transfer was intended to cover the cost of tasks required to administer the foster care system. However, DFPS staff and the SSCCs differ in their understanding of what constitutes "required tasks." In stakeholder interviews, required tasks were described in three distinct ways:

- Tasks required per the RFP/by law/by regulation (i.e., explicitly required by the state).
- Tasks required per the contract because the SSCC included it in the proposal response, which was included as an exhibit in the contract.
- Tasks required by necessity/common sense (i.e., structures that would be necessary for any SSCC to successfully implement, such as billing or supervision).

DFPS staff indicated that the resource transfer is primarily intended to include tasks in the first category (items named by DFPS in the original RFP). Beyond this, DFPS and the SSCCs differ as to what tasks are necessities that DFPS should include in the resource transfer versus "enhancements" volunteered by the SSCC and for which DFPS has no responsibility to provide funding.

> *Several tasks required of a SSCC were not funded*

Administrative Functions

DFPS did not transfer any financial resources or FTEs associated with overhead administrative tasks like billing, finance, legal, payroll, or resources. The DFPS staff who perform these activities are not fully allocated to support foster care in the SSCC catchment areas; as those staff would maintain their full time work within DFPS, resources associated with those tasks were not transferred to the SSCCs.

Supervision

While FTEs were transferred for placement and contract staff, FTEs were not transferred for supervision of these staff.

Community Engagement/Public Relations

Each SSCC was required to submit a community engagement plan as part of their proposal to DFPS. Resources were not transferred to the SSCCs to support community engagement. The staff and functions associated with community engagement and other public relations are necessary both at DFPS and the SSCCs. SSCCs must engage the community in developing a more robust network to care for children and families. DFPS continues to engage communities in order to facilitate clear communication about the SSCC role and to address any issues that arise for children and families served within the SSCC network.

As a result, there is a cost to the SSCC to perform this function, but there is not a corresponding dollar-for-dollar savings at DFPS, because DFPS also continues to perform this function.

Case management/Case Coordination

The SSCCs' contracts do not require the SSCCs to perform case management, but both SSCCs and DFPS described certain case coordination functions for which the SSCCs are responsible, such as completing the child's section of the family's service plan, attending court hearings with reports as needed, and ensuring all transportation needs are provided as mentioned above. Roles and responsibilities were not clearly understood between DFPS and SSCCs before the contract was signed, with negotiations taking place throughout the startup period and into Stage 1 implementation.

DFPS recruiting, placement, and contract FTE's transferred to the SSCCs were not responsible for the tasks listed above. These are additional task requirements of a SSCC not included in the resource transfer.

> *Some resources for required tasks were not transferred to the SSCCs, or funded by DFPS*

In some cases, DFPS identified a required task but did not transfer all of the resources associated with that task. For example, some resource categories (e.g., transportation, non-personnel overhead expenses) were rolled into the FTEs included in the transfer, but the amounts included in those categories are not commensurate with the tasks transferred. For a culture shift to occur, DFPS must also make shifts in their practices and procedures. For DFPS to continue the same practices and expect the SSCCs to deliver services differently transfers all the burdens for change to the SSCC. Any dollars associated with more efficient practices by DFPS should be considered for transfer to the SSCCs.

Network Development

DFPS transferred resources associated with the recruitment of foster and adoptive homes, a task DFPS previously performed, as part of the blended rate. Although these staff recruited individual foster and adoptive homes, they were not responsible for the development of a robust service provider network. Instead, DFPS entered into contracts with agencies who were licensed and requested a contract. The DFPS foster home recruitment staff were not responsible for the development of a network.

An expectation of the SSCCs is to develop a network of providers to enhance and improve the quality of services provided to children in foster care. The SSCC is also responsible to hold providers accountable to meeting specific outcomes for children they serve, and for developing a network that provides a greater and more integrated continuum of services available to children and families. This is a shift in how foster care services are delivered, and a fundamental component of Foster Care Redesign. Since network development was not previously performed by DFPS, tasks related to this requirement were not transferred to the SSCC. Absent this funding, the redesign runs the risk of operating similar to how DFPS

previously operated which is not the intention of DFPS or the Public Private Partnership, the guiding body of Foster Care Redesign.

Fringe Expenses

The resource transfer did not include fringe expenses, including both payroll taxes and benefits. DFPS staff estimate that this amount is approximately 26 percent of the FTE cost and note that DFPS does not have authority to transfer these resources because the funding for and management of fringe benefits falls under the purview of the comptroller's office and not DFPS. This creates an immediate and real underfunding of the system.

Transportation Expenses

The responsibility for transporting children varies between the two SSCCs, but both SSCCs have responsibilities for transportation of children to placements, attendance at placements, and ensuring transportation of children to visitation, court dates, and other appointments. DFPS and SSCC staff both acknowledge the time and expense associated with child transportation (at the extreme, a child from Midland who is placed at an RTC in Houston must travel almost 500 miles one way for placement) and note that DFPS is achieving an efficiency while the SSCCs assume this task and expense.

The transportation costs associated with the SSCCs functions – particularly placement – exceed the travel-associated resources transferred to the SSCCs. While the "cost pers" (cost per FTE) for each transferred FTE include a travel component, this component was defined based on the functions performed by placement and contract staff within DFPS.

For example, within DFPS, placement and contracts staff are not directly responsible for transportation of children. For placements, child transportation was carried out by case managers, transporters, or CPA staff. The responsibility for transportation for visitation, court visits, doctor's visits, and other non-placement purposes fell to contracted providers, though, when providers refused to provide transportation, DFPS staff would perform this task. In this case, child transportation is frequently completed by DFPS case managers, "human services techs," or other DFPS staff besides placement or contracts staff. For this reason, the travel component included in the resource transfer for these staff does not reflect the total transportation time and expense associated with the responsibilities of the SSCCs. Conducting a work management study involving DFPS staff, prior to the transfer of children to a SSCC, could provide a basis for calculating the projected efficiencies DFPS will realize as a result of the SSCCs assuming responsibilities for transportation and related tasks.

DFPS and SSCC staff note a higher transportation burden in the region 2/9 catchment area both because of the size of the catchment area (approximately 25 percent of the state) and because fewer placement resources within the catchment area necessitates additional travel to and between suitable placements.

Non-personnel Overhead

Additional costs associated with required SSCC functions include non-personnel overhead costs such as facilities, maintenance, IT, etc. These costs are factored into the "cost pers" for each FTE transferred to

the SSCCs. However, the amounts in the "cost pers" are based on the per-FTE costs within an organization with 12,000 FTEs. DFPS did not adjust for the economies of scale which DFPS has but a SSCC does not.

Additionally, if too few FTEs are transferred to the SSCCs, then the associated non-personnel expenses transferred with the FTEs would likewise be lower than needed.

Information Technology

The SSCCs and DFPS differ as to what IT functions are requirements versus enhancements under the SSCC contracts. The current SSCCs each detailed their IT needs related to interfacing with IMPACT (including added staff time to interact with a cumbersome IMPACT portal); developing one or more websites for recruitment of families, provider communication, and general information; establishing an 800 number for referrals; performance management and data collection (including hiring data entry staff); licensing of matching software; and creating a secure information exchange with providers.

DFPS staff question whether elements such as matching software, the Provider Information Exchange (PIX), and additional IT-related staff are necessary enhancements. However, the SSCCs assert that this IT infrastructure is necessary to administer the foster care system and interface with DFPS's existing infrastructure in a manner that can result in improved outcomes for children and families. A secure provider information exchange is necessary so that SSCCs can protect children's personal and health information. Matching software improves the mechanics of child placement (i.e., versus the "blast" emails sometimes sent by DFPS staff to the provider community), but does not appear to be necessary for SSCCs to fulfill their roles.

In any case, the only IT software, hardware, or personnel costs included in the resource transfer were the "On-going Computer Device Costs" and "IT ongoing" components included in the transferred FTE which, in region 2/9, totals $3,095 per year per FTE.

Question 2: Tasks and Costs for a Successful SSCC

> *What are other common tasks and associated costs required for successful SSCC operation? Are these identified tasks likely to be common in all catchment areas? Could DFPS modifications reduce or eliminate the need for these tasks?*

Overview

The common tasks and activities required for a SSCC to successfully enhance services to children fall into four categories: administrative, programmatic, outcome monitoring, and network management. The associated tasks will be common in all catchment areas, though based on the SSCCs individual model, the SSCC may add tasks enhancing its ability to meet the stated performance measures.

Required tasks and activities of the current SSCCs were not fully defined by DFPS prior to contract execution. This dynamic provided for SSCCs and regional DFPS staff in each catchment area to shape the policies and procedures to be aligned with their local culture and norms and based on the proposal submitted by the SSCC. While this premise is key to the redesign model, requirements defined outside of the contract could increase SSCCs costs.

DFPS, current SSCCs, and any future SSCC should consider modifications to the procurement process. Tasks are defined and refined throughout the process of SSCC development. Modifications and system enhancements by DFPS and the SSCCs could reduce or eliminate the need for certain tasks, thereby directly impacting the SSCCs' costs.

Findings

> *Administrative, programmatic, outcome monitoring, and network management tasks are required for successful SSCC operations and will be common to all catchment areas*

Administrative Functions

DFPS and the SSCCs each have administrative costs when operating systems to serve children in foster care. The tasks below are necessary for the successful operation of a SSCCs administrative functions:

- Building and sustaining an IT system, including personnel, hardware, and software
- Mechanisms for processing billings and payments
- Initial and ongoing community engagement
- Securing legal counsel
- Establishing human resources, payroll
- Web site development for recruitment, public relations, provider communications
- Establishment of a toll free referral line to be staffed 24/7

The tasks above may or may not be funded by the startup funds or the resource transfer paid by DFPS, particularly as DFPS continues to perform similar functions. In addition, funding related to each task cannot be transferred in "real time," meaning a task and related funding aren't transferred from DFPS to the SSCC at the same time. Some tasks may never fully transfer to the SSCC. As this continues, investment by the SSCC is necessary to build foundational components and support ongoing operations of the SSCC.

The transfer of tasks to the SSCC is necessary and part of the redesign model, however, the manner in which the SSCC administers the tasks is not explicitly defined by DFPS. The decision to allow the SSCC to administer the tasks in accordance to their own model is key for systematic change to enhance services provided to children in foster care. The intent is not to transfer tasks to the SSCC and have those tasks administered as they were previously by DFPS.

Program Tasks

Foster Care Redesign includes enhanced programming for children placed in the foster care system. The tasks below are required and necessary for the successful operation of SSCCs programmatic functions:

- Enhanced capacity building and network development
- Data entry into IMPACT through portal
- Case coordination tasks
    o Service plan coordination
    o Placement coordination
    o Taking physical custody of the child for placement
    o Assessment of child needs to determine the level of care using an evidence based tool
    o Transportation to initial and subsequent placements
    o Court attendance when requested
    o Coordination of daycare services

While the tasks above are intended to enhance programming for children in the catchment area, they also create duplication of effort by DFPS and SSCC staff. For example, the initial placement of a child into a foster home may necessitate the DFPS caseworker, the SSCC care coordinator, and the CPA case manager to be present during the placement. This practice in field operations is excessive (e.g., three workers may overwhelm or confuse a foster parent) and directly impacts the costs incurred by both DFPS and the SSCCs. While DFPS must transfer physical custody of a child for placement to the SSCC, the SSCC has flexibility in how the placement activity occurs after the transfer. For example, the SSCC could propose a model requiring the CPA case manager to be available after the transfer of physical custody to place the child and complete all necessary placement functions, alleviating the SSCCs need to be present during the placement.

Outcome Monitoring Tasks

The SSCC contracts are intended to be performance based contracts with incentives and remedies built in for compliance with contract requirements and achievement of foster care redesign outcomes. The tasks below are required and necessary for the successful operations of a SSCCs performance monitoring functions:

- Gathering data to support compliance with contract requirements
- Performance measure data collection from the Child Placing Agencies (CPAs)
- Aggregating data from CPAs and inputting data into the Performance Management Evaluation Tool (PMET) system
- Utilization management activities
- Quality assurance reviews, reporting, and strategy development

The tasks above are intended to improve outcomes for children and families in foster care. Components of these tasks are new for the SSCCs, for example, the aggregation of the data from the CPAs for input into the PMET system. Previously, all CPAs were required to input their data into the PMET system, and the data was aggregated and reported by DFPS. The SSCCs will now receive the data from the CPAs, aggregate the data, and then report to DFPS. During interviews, DFPS noted this was a decision made by the SSCCs as the CPAs performance directly relates to whether they meet the performance measures in the contract. Based on this data, SSCCs can either receive incentives or remedies, so it makes sense they want control over the data collection and aggregation. While the shift of responsibility makes sense for the SSCCs, the additional costs are not funded by the resource transfer.

Network Management Tasks

As reported, the SSCCs built their model using the premise of being network managers. The SSCCs' intention for their individual models was to manage CPAs and other network agencies and hold them accountable to their contractual obligations to improve services to children and families. The tasks below are required for network management:

- Collecting and monitoring data regarding subcontractors' performance
- Community engagement for initial and ongoing network development and general public relations
- Responding to complaints
- Ensuring that provider functions (e.g., transportation) are fulfilled or directly fulfilling such functions when necessary

This model assumes the CPAs and network providers will comply with contractual requirements including transportation, court attendance, and parent-child visitation. Historically, if a DFPS network provider declined to provide transportation, DFPS case workers were required to provide the necessary transportation. This responsibility will now fall to the SSCCs, and has shown to be a cost driver in the initial SSCC roll out. The success of the SSCC will be dependent on building and sustaining relationships with network providers to deliver these services. This culture shift may take time during the initial

implementation phase, funding to support these additional functions of the SSCC must be carefully monitored.

Modifications could reduce or eliminate the need for the tasks above

DFPS, in collaboration with the SSCCs, could modify processes or develop system enhancements to eliminate or reduce the resources necessary to perform the required tasks above. The potential modifications include the following:

- Restructure the requirement for SSCC staff to be at every placement
- Enhancements and/or modernization of the IMPACT system to streamline IT functions and data entry which will reduce the cost incurred by the SSCCs and CPAs
- Standardize the assessment tool used by SSCCs to assess child needs
- Standardize data fields required by each SSCC to reduce the need for CPAs to upload data into multiple software systems depending on the SSCC

Although the Foster Care Redesign model is built on individual SSCCs having local control over the assessment and service provision for children in the catchment area, the implications of each SSCC choosing individual assessment tools and data systems results in CPAs having to train, enter data, and ultimately be responsible for implementing policies and procedures differently for children under the care of different SSCCs. If the assessment tools and data systems are significantly different for each child, CPAs will incur additional costs for maintaining two different systems for children in their care. An unintended consequence of this model may result in CPAs only contracting with one SSCC, thereby reducing the placement resources available to each SSCC.

While the premise of foster care redesign is rooted in each catchment area having flexibility to manage their network to meet performance measures, these decisions have an impact on operational costs for both SSCCs and the CPAs within their networks.

The proposed modifications will require ongoing dialogue between DFPS, the SSCCs, and any future agencies proposing to serve as an SSCC. While these modifications won't eliminate all tasks that might be simultaneously performed by DFPS and the SSCCs, they provide avenues for cost savings to both DFPS and the SSCCs.

The SSCC may choose to implement additional tasks to support their individual models

The tasks listed above will be common across all catchment areas, though there may be variations in the way each SSCC proposes to implement the tasks identified. The SSCCs may also propose enhancements to align with their vision and model. For example, OCOK purchased software to better match children with foster parents to meet their individual needs. While this software may improve services to children in foster care and reduce subsequent disruptions, this was not a requirement of DFPS. These variations will have an impact on cost to each SSCC.

Question 3: Start-up Tasks and Costs

> **What are the non-recurring start-up tasks and associated costs that will be common to all catchment areas, regardless of model or area?**

Overview

SSCCs incurred non-recurring start-up costs related to hiring and training staff; producing a public relations campaign for providers, other key stakeholders, and the general public; establishing the network of providers; developing information technology infrastructure; collaborating with Regional DFPS staff on protocol development; and creating internal policies and procedures. These tasks would be common to any SSCC, regardless of model or catchment area.

DFPS provided start up finding in the amount of $208,000 per SSCC, which was provided based on DFPS available funding, versus projected start-up costs of a SSCC. This startup funding was significantly less than the actual costs incurred by the current SSCCs. Both SSCCs contributed financial resources to support their start-up activities.

Findings

> *The startup phase involves internal and external infrastructure-building tasks that would be necessary for any SSCC*

The SSCCs reported multiple start-up tasks that are time consuming, costly, and critical to the successful implementation of a SSCC. These tasks will be relevant for any SSCC regardless of catchment area or model. These include:

- Hiring and training staff;
- Producing a public relations campaign for providers, other key stakeholders, and the general public;
- Developing a provider network;
- Developing information technology infrastructure;
- Developing joint protocols; and
- Developing internal policies and procedures.

Hiring and Training Staff

Both SSCCs described tasks associated with identifying, hiring, and training appropriate staff. OCOK described staffing activities that must take place before the "go live" date of the contract, even for a well-established organization. These tasks include:

- Establishing the administrative/management team for initial planning and hiring activities,
- Determining organization name and branding,

- Planning for the number of staff needed both administratively and programmatically,
- Developing and posting job descriptions,
- Recruiting, interviewing and hiring staff,
- Training staff on Texas child welfare, the role of the SSCC and DFPS, agency-specific procedures, and the skills and functions of their specific role, and finally

SSCC staff require multiple trainings, including training on SSCC-DFPS joint protocols, the SSCC provider manual, the internal SSCC operations manual, minimum standards for licensing, and information systems and databases.

During the start-up period, the current SSCCs and any potential SSCC will incur costs associated with the salaries, benefits, and other per-FTE costs (e.g., computer, space, utilities, office supplies) for staff hired prior to the transfer of any children. Expenses also include costs for the human resource function itself (e.g., staff time and any HR staff from a parent agency) and for staff training (e.g., time, travel, materials).

Producing a Public Relations Campaign

During interviews, DFPS staff and the SSCC staff described the necessity to launch a comprehensive public relations campaign once the SSCC entity is identified to begin building knowledge, trust, and buy-in related to the SSCC role in the catchment area and Foster Care Redesign as a whole.

Initial public relations efforts include web development, branding, and, most importantly, public meetings of various sizes with different community stakeholders. The current SSCCs described early and regular interactions with providers, courts, CASA's, etc.; both agencies reported facilitating meetings with providers before the SSCC contracts were effective.

The public relation campaign, while necessary, may vary in intensity based on the agencies history in the state of Texas. For example, ACH has a lengthy history in the Fort Worth area with many years of service and significant relationships with providers, donors, and other stakeholders. OCOK staff have therefore been able to build on existing relationships and trust between ACH and the community. Providence, by contrast, although having a presence as a CPA in the Austin area, was new to the Region 2/9 catchment area and had few, if any, existing relationships to build upon. Providence also faced challenges due to the geographic breadth of the catchment area. Based on the catchment area and selected SSCC, the public relation campaign could vary greatly across the state.

Developing a Provider Network

Developing a provider network to deliver a full continuum of services is a requirement of any SSCC. DFPS and both current SSCCs described tasks related to developing a provider network, which is key to the SSCCs success. Although both SSCCs note that provider network development activities will be ongoing throughout the term of the contracts, they described the initial phase of network development as intensive. The tasks include:

- Identifying viable CPAs to support the system of care,
- Soliciting intent to contract from provider agencies,

- Establishing protocols between SSCC and agencies,
- Negotiating a rate for services,
- Developing performance measures,
- Creating provider manuals and forms,
- Establishing a communication plan between the SSCC and CPAs,
- Establishing data collection requirements, and
- Training provider staff.

While these tasks will be required of any SSCC, operationalizing these tasks will be unique for each SSCC. For example, OCOK has held monthly provider meetings, engaging providers in ad-hoc committees such as a regular "quality committee." Providence recently engaged network providers in establishing new foster care rates with incentives for those providers who meet desired performance outcomes. Both SSCCs developed partnerships with local RTCs to reserve beds for local children who may need RTC care. OCOK also reported activities related to developing non-placement service networks. Building on long-standing relationships within the catchment area, OCOK has also been working with MHMR of Tarrant County, Cenpatico, and other entities to improve access to behavioral health services for children in foster care.[5]

For the current SSCCs, DFPS assessed the breadth and depth of the SSCCs' networks as part of the readiness assessment to determine whether the SSCCs were ready to "go live." In Providence's case, DFPS could not certify readiness and therefore delayed the "go live" date by approximately three weeks to give Providence additional time to add to the provider network before referring children from DFPS to Providence's care. This highlights the need for SSCCs to have the time and resources necessary to develop a robust provider network.

Developing Information Technology Infrastructure:

Developing information technology infrastructure is necessary to interface with IMPACT, and to collect data for each child and family served by the SSCC. The current SSCCs identified and implemented information technology to meet their stated goals, communicate and gather data from network providers, as well as support the necessity of interfacing with DFPS in a timely and efficient manner.

The sophistication of the information system is an area of negotiation between DFPS and the SSCC, however frequent, secure, and instantaneous communication between DFPS, the SSCC, and the provider network is essential. The costs associated with information technology can vary significantly depending on the hardware and software the SSCC chooses. The work of the SSCC to identify placement options and to communicate between DFPS and the providers will be a daily occurrence and will require electronic communication systems. In addition, the receipt of requests for payments from vendors and the provider network will be an ongoing task that necessitates information systems that produce timely and accurate data. While during the startup phase less reliance on an information system might be required, the early development of a system that can handle communication and data transmission is a logical prerequisite to "going live" with Stage 1, to work out any issues.

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[5] See ACH's Turning Point initiative in partnership with Cenpatico and Empirica
http://www.achservices.org/turningpoint.html

Development of Joint Protocols

DFPS requires each SSCC to work with DFPS regional staff to establish joint protocols on handling the transition of duties to the SSCC staff.   Both regional and SSCC staff described this task as extremely time consuming, with many hours devoted to the exercise. OCOK and Region 3B staff, while noting that they were able to build upon the work done by Providence and Region 2/9 staff, still described multiple days of meetings together to develop their local protocols. The SSCCs and DFPS must map out all the tasks associated with activities including initial placement, a disrupted placement, completing the child's service plan, coordinating services for the child, participating in child placements, and attending court hearings. The responsibilities associated with these activities are all negotiable between regional DFPS and the contracted agency.

Developing Internal Policies and Procedures

SSCCs are required by contract to develop a provider manual and operations manual that must be approved by DFPS prior to the "go live" date. These manuals will outline both administrative tasks (HR, payroll, benefits, etc.) and programmatic tasks (placement procedures, intake procedures, etc.). Policies and procedures that govern both the administrative and programmatic tasks of a SSCC are critical to the successful implementation of a SSCC.

While each SSCC will have different policies and procedures governing their operations, development of these policies and procedures are necessary during the start-up phase of the SSCC. Once these internal policies and procedures are developed and vetted, staff must be trained on them and include region-specific protocols developed with DFPS. The training must also occur during the startup period in order for staff to understand what is expected of them and for all administrative functions to be properly carried out.

> *Start-up expenses exceeded the start-up funds provided by DFPS for the current SSCCs*

The startup activities listed above were costly for Providence and OCOK. For example, for Providence, after hiring 18 FTEs for the SSCC, salary expenses alone totaled almost $75,000 per month. In addition to other local start-up expenses (e.g., office space), Providence also reported a General Administrative expenditure category which contains costs for the parent organization in Tucson, Arizona. The Tucson office supports the administrative functions of the SSCC including finance, human resources, and executive management. These costs during the startup period ranged from a monthly low of $6,510 to a monthly high of $62,080.

According to OCOK staff, the cost incurred by OCOK during the startup period totaled an estimated $991,760. The costs for development and implementation of an agency infrastructure included salaries, benefits, and taxes; office lease and facility expenses;   technology infrastructure and software development and sharing with providers; operating expenses related to staff positions; vehicles and accompanying expenses; foster parent recruitment and community engagement; and public relations. Several of the top administrative positions supporting the SSCC are funded by ACH, which has significantly

reduced expense to OCOK. Based on the experience of Providence and OCOK's own financial projections, OCOK obtained from the Board of Directors a one-time infusion of resources totaling $1.5 million dollars.

DFPS staff reported that the DFPS start-up payment of $208,000 to each SSCC was not calculated based on a projection of necessary start-up costs. Rather, DFPS staff reported that they endeavored to find funds they could use to support SSCC start up and then divided the available funds between the two SSCCs.

An advance of one twelfth of the SSCC contract amount was available to both SSCCs. This advance would function as an interest-free loan to be repaid by the end of the first year after start-up. Providence did not opt to take the advanced payment.   ACH accepted the advance, though they did not use it, choosing instead to hold the money in savings and then to repay it to DFPS ahead of schedule. Although, as DFPS staff noted, the advance could provide immediate cash flow and interest payments to the SSCCs, the SSCCs noted that the advance did not substantially reduce the financial impact of start-up expenses on the SSCCs, since the full amount was due back to DFPS within one year of the "go-live."

Question 4: Community Participation

> **What is the expected and reasonable level of financial participation by providers and/or the communities they represent?**

Overview

The Foster Care Redesign model engages communities as critical to achieving improved outcomes for children in the foster care system. This public-private partnership is designed to leverage resources of both public and private agencies to improve outcomes for children in the foster care system. Those resources can include funding, innovation, experience, and programmatic enhancements. The Foster Care Redesign model, developed with thoughtful and intensive planning along with stakeholder input and guidance, considers how both DFPS and the SSCCs can develop and use community-based resources to achieve positive outcomes for children and families.
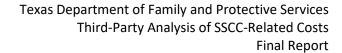
Communities in Texas currently provide resources and services to children in the foster care system. Determining the expected and reasonable level of participation by providers and communities for Foster Care Redesign is dependent on whether the costs are related to activities for which the government agency is responsible (e.g., foster care maintenance payments) versus activities the providers/community choose to do based on their individual agency vision and selected models (e.g., higher salaries for employees).

Findings

> *Communities in Texas currently provide services to facilitate permanency for children in foster care*

DFPS and the SSCCs report that Texas communities are generous and provide services to parents and children served through DFPS conservatorship. As reported, communities offer parenting classes, homemaker services, substance abuse services, clothing, and other ancillary services to support children reaching permanency in their communities. Texas differs from most other states in that the community is providing these services to families directly. In most states, the state agency purchases non-placement services that stabilize families and allow children to reunify or to achieve a permanent home through adoption or guardianship. The resources available and services provided in the community vary from region to region within the state.

To quantify the community's current contribution to the foster care system is difficult based on several factors including the number and type of private agencies per region, involvement of the local foster care board in each community, and the number of children and families needing services in each county and region.   The role of the SSCC is to incorporate these community-provided services into their network to coordinate care and select the best service providers. This shift to the SSCCs will provide a single point of contact and enhanced coordination of services for children in foster care.

Although through Foster Care Redesign the purchase of service dollars are not transferred until Stage 3 of implementation, the costs of these contributions from the communities, as direct offsets of potential DFPS costs, will not be a part of the purchase of service dollars transferred to the SSCCs.

> *Additional financial resources are necessary to build and maintain operations of a SSCC*

Due to the mandate that the Foster Care Redesign be cost neutral for DFPS, and based on the expenditures and projected calculations of the SSCCs, additional resources are necessary to build an infrastructure to support and maintain a successful SSCC. These financial resources may come through shareholder investment, outside fundraising, or in-kind services from community partners and may or may not be recouped, particularly in the immediate term.[6]

Gaps between DFPS payments and provider expenditures have historically occurred between DFPS and the foster care provider network, largely due to what constitutes a reasonable, reimbursable cost for government agencies versus private agencies. For example, a private agency may pay their staff more than DFPS would pay staff in a comparable position or may have other variances related to benefit package or economies of scale based on agency size. The state might similarly determine that certain costs or portions thereof should be excluded from payment rate calculations. In addition, there may be costs incurred by the SSCC that will not meet the test of being allowable by state accounting standards or federal cost principles for federal funds support for a SSCC budget. These types of differences between provider costs and state agency costs are not unique to Texas.

In addition, Foster Care Redesign is intended to provide services to children and families in a different way to positively impact outcomes and better serve children. For a SSCC to increase capacity in the community, develop a provider network that is different, and coordinate care differently than DFPS has historically operated, additional funds to develop and fund the capacity required by the new model are needed. This requires substantial change by all entities involved with the Texas foster care system including DFPS, CPAs, RTCs and other community providers to achieve the goals set forth in Foster Care Redesign.

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[6] Non-profit 501(c)3 agencies may have an advantage due to the tax benefits available to donors and, potentially, more moderate expectations related to return on investment.

Question 5: Additional Efficiencies to DFPS

> ***What efficiencies, beyond transferred tasks, are being realized by DFPS? What is the cost/benefit of DFPS transferring resources or making additional payments to fund these efficiencies, if deemed worthwhile?***

Overview

When the shift of a significant area of business practice is moved from a large organization like DFPS to a smaller organization, the shift will never be a one to one ratio. There will be efficiencies identified by a large organization that cannot be recognized in the same manner at a smaller, more independent entity. Such is the case with the transfer of functions from DFPS to a SSCC. The SSCC will be more flexible and nimble in some areas of the transfer as policies and procedures are developed to correlate with the provider's system of care and business model. It is expected that business as usual at DFPS will and should look very different at the contractor level. DFPS has an economy of scale that is provided to the clients, contractors, and vendors. Through the partnership between DFPS and the current or future SSCCs, there will be efficiencies realized by DFPS and there will be some overlapping and potential duplication of some functions.

Transitioning to the SSCCs is not complete and until that occurs, the extent of the efficiencies and duplication of services will be difficult to quantify. However, at each stage of implementation, the benefits to the DFPS system will be realized.

Findings

> DFPS will realize additional efficiencies as part of the SSCC model

DFPS has realized some efficiencies in the transferring of resources for the placement, foster and adoptive care licensing and approvals, as well as contracting. The shift to the SSCC for placement responsibilities in Regions 2/9 and 3b have made a difference to the workload of both investigations and foster care staff. The transition to a SSCC has freed investigators, foster care staff, and transporters of lengthy waits on placement identification, transporting the child to placement, and settling the child into the foster home. Regional administrators in 2/9 reported reductions in transportation costs as well as staff overtime.

The costs associated with this area of efficiency are difficult to quantify due to the lack of historical data on actual staff costs related to the hours of overtime caused by placement issues or placement disruptions. Clearly, the expense identified in Region 2/9 is more, and through discussions with regional staff, reductions have been realized in travel and overtime expenses.

An area of potential efficiency is the process for how case planning/service plan development for the child has been established. The segments of the child's case plan related directly to the child and services he/she may need is now completed by the SSCC worker in coordination with the case manager from the

CPA. In addition, the scheduling of the family's service planning meeting is the responsibility of the SSCC, which relieves the DFPS case workers from having to initiate and coordinate with multiple parties.

Due to the recent transition at OCOK, the efficiencies within Region 3b are not quite as visible as in Region 2/9. It is anticipated efficiencies realized in Region 2/9 will be similar, but probably not as drastic, due to the smaller territory that OCOK covers. In addition, more resources are available in closer proximity to the catchment area than has been experienced in western counties of the state. Through discussions with Region 3b staff, they clearly anticipate there will be a reduction in the time needed to locate placements and provide transportation for children.

Overlap is Possible

Through conversations at the DFPS state office and in the regional offices, PCG reviewed processes that support the SSCCs. While it is necessary to have some ongoing support from the state office for the areas of billing, finance, information technology, legal and public relations related to the operations at the SSCC, the SSCC is assuming several of these responsibilities. To illustrate, billing at the SSCC may require one FTE to process payments to providers. That same function at DFPS may involve a portion of several positions that together total less than one FTE. It is a cost to the SSCC, but may not substantially reduce the workload of billing staff at DFPS. Similar to billing are positions in information technology, finance, legal, and public relations that only have a portion of their time dedicated to these job duties.

Likewise, there are some programmatic functions that will overlap between the SSCC and DFPS including participation in child placement moves, attending court, and participation in service planning meetings. Since DFPS retains primary case management responsibility, the tasks of the SSCC to manage placement actions and the involvement of the court in placement decisions impacts the potential efficiencies realized by DFPS. Concerns were expressed by DFPS regional staff and SSCC staff regarding the requirement for SSCC staff to be present at all initial and subsequent placements, as well as the child placing agency case manager. In many situations, the DFPS worker will also be at the placement. The SSCCs have the ability to propose models which reduce possible overlap, and DFPS is receptive to these individualized approaches.

Question 6: Viability in Less Populous Areas

> *For areas of the state where the Rule of 500 might not apply, are there factors that could help offset the risks of having fewer than 500 entries while still supporting SSCC viability?*

Overview

Guidelines for minimum size of a SSCC catchment area was determined to potentially lessen financial risk for the SSCC and increase validity of evaluation of Foster Care Redesign in that catchment area. When considering financial risk to providers, potential mitigating factors include population concentration within the catchment area, the presence of an existing service network within the catchment area, presence of one or more urban hubs out of which a SSCC network can be based, and options for financial compensation for risk.

Findings

> *Mitigating Factors can influence the selection of specific catchment areas*

Concentration of Population

Stakeholders indicated that SSCCs would incur lower costs if the population in a given catchment area is concentrated in a small geographic area (e.g., the El Paso metro area within Region 10). These cost savings could mitigate some of the risk associated with operating in a less populous area.
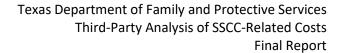
Presence of One or More Urban Hubs

Stakeholders indicated that the presence of at least one significant urban hub would help anchor a SSCCs activities in a less populous region of the state. An urban hub would provide a base of operation and resources from which a SSCCs work and provider network could branch.

Financial Compensation for Risk

SSCCs may be more willing to accept the risks associated with operations in less populous regions of the state if DFPS provided some financial compensation for the added risk. For instance:

- DFPS could relax remedies associated with certain performance measures.

- DFPS could provide regionally-adjusted transportation resources correlating to the size of each catchment area and/or the specialized resources that currently exist within the catchment area. For example, regions with minimal or non-existent RTC resources will likely incur more transportation costs associated with placement of children in out-of-region centers.

- DFPS could create a "risk pool" of funds that could be used to compensate SSCCs if high needs placements in a given year are disproportionately high-level for reasons outside the control of the SSCC.[7] The state would set aside a certain pool of funds each year that would be accessible to the SSCCs only if they can document a shift in placement mix.

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[7] The "risk pool" structure is similar to one used in Florida to mitigate risk for that state's Community Based Care agencies. In early implementation of Florida's public private partnership, a "risk pool" was funded by the Florida Legislature to support issues beyond the control of the private partners that put them in unexpected financial risk. In recent years, the "risk pool" has been unfunded as agencies have been able to manage within the contracted budget shifts in the population growth or unexpected changes.

Recommendations

Recommended modifications to the resource transfer

1. Texas should consider how to include fringe for the FTE positions contained in the resource transfer.

DFPS acknowledges that the resource transfer does not include corresponding fringe for each transferred FTE. The SSCCs are federally required to pay payroll taxes and certain benefits, so this deficit in the resource transfer only funds 74 percent of each position transferred.

2. DFPS should consider calculating and transferring resources related to additional necessary and required tasks (e.g., transportation, billing, network development, and community engagement).

The resource transfer currently only includes FTEs related to placement and contract functions. However, DFPS and SSCC staff noted additional tasks required for SSCC administration for which there is currently no resource transfer. In particular, DFPS and SSCC staff noted that several service coordination functions have been transferred to the SSCCs.

DFPS noted the difficulty of identifying partial FTEs related to foster care administration for DFPS staff who are not fully allocated to the foster care program or to the foster care program in a given region. A work management study would help DFPS identify and compare activities of DFPS workers before and after SSCC implementation.

Because legislation requires that state funding for a SSCC must be cost neutral to DFPS annually, the costs associated with transferred activities must be captured through a more accurate resource transfer from DFPS. DFPS should also identify new business processes internally as part of the redesign model with the goal of creating additional efficiencies at DFPS that allow for an increase in resources transferred to the SSCCs. This may include utilizing technology to streamline processes, conducting a workload study to identify efficiencies gained by employees transferring tasks to the SSCC, and transferring partial FTE funding to the SSCC for personnel who are not fully dedicated to supporting the foster care program. The Legislature should consider amending the cost neutrality provision to require costs be neutral over the biennium, providing greater flexibility to DFPS to transfer funds to support redesign.

3. DFPS should conduct periodic cost analyses at least yearly and consider ongoing fiscal monitoring of SSCC costs.

Tasks and costs related to the resource transfer may change on an ongoing basis. A yearly cost analysis would allow DFPS to quantify these changes and adjust the resource transfer appropriately. The analysis will also help DFPS identify new efficiencies as SSCCs are implemented in additional catchment areas.

4. **DFPS should set clear expectations in the RFP about what the blended rate is intended to cover and how the resource transfer is calculated and transferred.**

The blended service rate is not intended to fund the operation of the SSCCs but rather is intended only for placement costs and additional wraparound services to stabilize children in less-restrictive placements. Ongoing SSCC operations are intended to be funded by the resource transfer and additional resources that the SSCCs themselves can bring to bear.

In order to aid future SSCC candidates in their budgeting and planning for response to subsequent SSCC procurements, DFPS should be explicit in subsequent RFPs about how the resource transfer is calculated and the schedule of the resource transfer. DFPS should not prescribe how these resources are used because the expectation of Foster Care Redesign is to deliver services differently to enhance outcomes of children in foster care.

Recommendations regarding shared tasks

5. **Inefficiencies and overlapping activities can occur when adding a new entity to a system. DFPS and the SSCCs should collaborate to review current business processes, streamline processes and modify contract requirements to eliminate performing similar tasks in the same way, where possible.**

DFPS and the SSCCs report examples of inefficiencies and overlapping activities in current processes. While some overlap is unavoidable (e.g., billing), modifications may be possible to reduce other inefficiencies (e.g., attendance of representatives from DFPS, a CPA, and the SSCC at placements).

6. **Where similar tasks must be completed by DFPS and the SSCC, those costs should be identified and calculated. DFPS should be explicit with SSCCs during the RFP process about who is responsible for covering those costs, and set the expectation these tasks can be performed differently than had been previously done by DFPS.**

DFPS and the SSCCs report several examples of similar tasks being completed by both DFPS and the SSCC (e.g., IT, billing, participation in service planning, etc.).

7. **Modifications to the IMPACT (SACWIS) system to streamline processes and avoid the necessity for both DFPS and SSCCs to perform similar tasks.**

SSCC and DFPS staff noted numerous limitations to SSCC use of and access to IMPACT, resulting in delays in case processing and other inefficiencies. Recommended modifications include:

- Granting secondary access to more SSCC personnel.
- Enabling search functions within IMPACT for SSCC personnel (e.g., through adding a flag to designate SSCC children).
- Incorporating alerts to all relevant DFPS and SSCC personnel (e.g., for court reports and hearings, day care authorizations).

- Removal of "unit" as a mandatory field.

Additionally, DFPS should consider establishing protocols for SSCC utilization of IMPACT to a greater degree. In the Administration for Children and Families Program Instruction issued January 9, 2009 (ACF-CB-PI-09-01) instructions are provided that requires "If private child-placing agencies are responsible for placing children in specific homes or moving children to other homes in their network, they must use SACWIS to record placements and placement moves" and states "these providers must use SACWIS to document, track and manage all case management activities."

8. DFPS should require any SSCC to use the same data fields for data collection.

DFPS, in consultation with the current SSCCs and the PPP, should develop a common data dictionary for all current and future SSCCs. This data dictionary should define all relevant activities and codes so that such definitions are standardized statewide.

DFPS should consider identifying and recommending software package(s) that adhere to these requirements.

9. DFPS should consider standardizing a statewide child assessment.

The current SSCCs use different assessment tools, each of which has different training, format, and data entry requirements. Providers who work with multiple SSCCs must use each agency's tool, which may lead to confusion or error on the part of the CPAs. Additionally, DFPS faces a challenge of comparing assessment results from multiple catchment areas if each SSCC uses a different assessment tool.

A statewide assessment tool would reduce duplication of training for CPAs, reduce potential error, and provide a unified, comparable assessment standard statewide. This would also provide efficiencies for future SSCC rollouts.

Recommendations regarding RFP and contract requirements

10. DFPS should consider including specific examples of required documentation to be uploaded into IMPACT by the SSCC (e.g. placement information, service plan sections, and tracking children attending their original home school).

Performance measures are listed in the SSCC contract, and DFPS has set incremental targets for performance improvements based on each SSCCs implementation stage. However, SSCCs reported examples of data entry and documentation requirements not specifically stated in the RFP, which have a direct impact on the SSCCs cost.

11. **DFPS should consider modifying the RFP process to require the SSCCs to demonstrate how they would conduct the necessary activities differently versus duplicating the current system.**

Foster Care Redesign is about delivering foster care services differently, not adding an administrative entity into the current delivery model. This premise must be fully understood by the SSCC and DFPS should require the SSCC to demonstrate this understanding during the RFP process.

12. **DFPS should consider how the SSCC structure is described to stakeholders (e.g., DFPS staff, foster parents, CPAs, attorneys ad litem, judges) to manage expectations about what will happen in SSCC catchment areas, particularly during the first year.**

DFPS and the SSCCs described ways in which community stakeholders (including DFPS regional staff) had unrealistic expectations for what the SSCCs would be able to accomplish within the first year. DFPS should work with the SSCCs to develop a communication protocol for messaging of the Foster Care Redesign initiative and the SSCC role. DFPS should train staff at all levels to understand and articulate this message so that all staff can represent Foster Care Redesign accurately.

SSCC recommendations

13. **SSCCs should establish a protocol for evaluating placement decisions on a regular basis (e.g., weekly within the first year).**

SSCCs should make placement decisions based on the best interest for that child. When an optimal placement is not available (e.g., when a single foster home is unable to take all siblings), a SSCC is forced to choose among multiple good, but not necessarily optimal options. In that situation, when a SSCC is managing to a blended rate, the SSCC financially benefits if placement staff choose the least expensive suitable placement option.

Utilization management staff should monitor the SSCCs placement mix on an ongoing basis and work with placement staff to identify areas in which placement staff could make alternate decisions that are still beneficial to children but also align with the blended rate structure.

14. **SSCCs should continuously assess children in residential treatment, emergency shelter, and other high-end placements consistent with each child's discharge plan to manage utilization.**

SSCCs should monitor the entry and exit rates of children into the highest placement levels of care. Placement options for children exiting high levels of care are often limited due to the unique needs of the children. The blended rate does not support entries exceeding exits from these placements. SSCC staff should be mindful and begin discharge planning immediately upon a child being placed in high levels of placement.

15. **The RFPs should require a demonstration that the SSCC candidates have conducted an internal evaluation to determine what financial resources are available to launch the SSCC and over what period of time those resources will be available.**

The internal fiscal evaluation of a potential SSCC entity should include anticipated revenue from DFPS, projected expenditures both for the operations of the SSCC and the funding required for CPAs and network providers. If the candidate determines there is a gap between those two projections, the entity should assume the gap will be filled with available financial resources of the SSCC. The investment may potentially be ongoing during each stage of implementation.

16. **SSCC candidates should present a plan for an initial investment to support implementation, and must articulate their expectations regarding return on investment.**

Initial investments are inherent for a SSCC using this model. The startup and implementation costs must be expended by the SSCC prior to receiving the first quarterly payment for the resource transfer and blended rate as payments are made after the service is delivered. Those initial and potentially ongoing investments may or may not be recouped. The agency should realistically project its expenditures and revenue to determine the SSCCs potential investment prior to entering into a contract.

17. **SSCCs should consider their own business model with respect to overhead costs not supported through the DFPS resource transfer.**

The SSCCs investment into the model will include costs the SSCC deems necessary but not required by DFPS to meet the performance measures set forth in the contract (e.g., purchasing software to facilitate matching). These investments may show return over time through incentive payments for meeting the performance measures, but initially will be a cost the SSCC will incur outside of the resource transfer.