

**Basic Principles of the San Francisco Human Services Agency Performance-Based Contracting (PBC) Initiative**  
**Spring, 2017**  
**Center for State Child Welfare Data**  
**Chapin Hall at the University of Chicago**

Accountability mechanisms promoted by the federal government (CFSR) and the State of California (AB636) have intensified pressure on counties to lower their reliance on foster care. Because private out-of-home care provider agencies are reimbursed on a fee-for-service basis, this downward pressure has adverse fiscal consequences for the private agencies. Performance Based Contracting (PBC) represents a way to adapt to the changing priorities by minimizing the fiscal consequences associated with the downward pressure.

Child welfare financing can be restructured to incent providers to improve child outcomes if they are able to retain savings realized from reducing volume, duration, and unit cost<sup>i</sup>. PBC is a mechanism that creates this incentive structure<sup>ii</sup>. The strategy has become increasingly popular in the field of child welfare as this strategy stresses both accountability and the achievement of better outcomes for children. By linking performance measures to budgeting and staffing, PBC supports making performance improvement part of everyday functioning. Such frameworks have been implemented in state and local jurisdictions such as Illinois, Michigan, New York City, Philadelphia, Tennessee, and Texas.

PBC is beginning in San Francisco in an effort to reward providers for more efficient and effective use of foster care. The San Francisco Human Services Agency is engaging Chapin Hall at the University of Chicago to assist in the production and evaluation of baseline data, appropriate goals, objectives and the identification of reporting periods for evaluation and achieving identified outcomes beginning in FY16-17. The initiative in San Francisco has taken shape over a period of time resulting in the first round of individual provider baseline reports issued to the County's five largest out-of-home care providers. The providers are asked to improve only upon **their own** past performance by increasing their permanent exits, decreasing their care days used in a fiscal year, and lowering their re-entry rates within the fiscal year. In each case, the goals are set relative to each provider's baseline, derived from their historical performance on each measure and within specific groups, or strata of children.

**PBC Basics:**

Providers are evaluated based on how well they achieve the outcomes for the children they serve within the performance period. The performance periods are separated into two-year windows coinciding with the state fiscal year (i.e., July 1 through June 30 two years later). Performance in the current year is evaluated by looking at baseline performance during the two-year window for three previous fiscal years combined (e.g., FY10-11, FY11-12, FY12-13). Each provider is asked to improve from its current level of performance in three main areas: increasing permanent exits, decreasing care days and decreasing re-entry rates.

**Measures Currently Monitored Through PBC:**

1. **Permanent Exits** – Permanent exits include adoptions, return to family or relative (reunification) or permanent guardianship. A child/youth must not be in county custody in order for permanency to be achieved, with two exceptions: 1) When a child leaves placement to a trial home visit, reunification credit is given to the provider, and 2) When a child leaves a provider to go to an adoptive placement, credit is given to the provider for the adoption.

2. **Care Days** – These are the number of days used by youth appearing on any of a provider’s array of contracts in the given fiscal year. This does *not* include days in home-based care for children who are moved from agency care to their homes but who are still receiving services from the agency.
3. **Re-Entry** – Among those children who have experienced a permanent exit in the performance period, this is the number/percent who also returned to care with any provider within 365 days of discharge and within the two-year performance period. Children returning more than one year after discharge are not counted as re-entrants in this measure.
4. **Non-Permanent Exits** – Includes Transfers and “Other” exits. These are defined as follows:
  - **Transfers** – A transfer occurs when a youth exits a provider’s contract for any reason and goes on contract either to another provider or begins being served by a Departmental placement (Resource Home, Expedited or Kinship Home, Youth Development Center, etc.)
  - **“Other” Exit** – This is when a youth ages out of care or runs away and does not return to the provider from which they absconded.
5. **Stability** – A placement move occurs when a youth moves to a different home or facility while under the care of the same provider agency.

**Note:** Outcomes regarding Permanent Exits, Care Days and Re-Entry and Stability have a direct effect on the year-end PBC fiscal calculation. Although Non-Permanent Exits are tracked, these outcomes generally do not have a direct effect on a provider’s re-investment calculation.

#### **Reports Disseminated to Providers:**

1. **Baselines, Targets, and Actuals (BTA) Reports** – A key report for PBC providers, produced on a semi-annual basis on the fiscal year. This report focuses on permanent exits, non-permanent exits, care-day use, transfers, stability, and re-entry.
2. **Provider Activity Reports** – A semi-annual workbook containing pivot tables and individual child source data for children who transferred out of that agency. Information includes child identifiers, child-specific care-day usage within the current fiscal year, spell start and stop dates, the transfer destination agency, the care type in which the child was placed upon transfer, and, the exit destination that occurred following the transfer.

#### **Supplementary reports designed to support the PBC initiative may include:**

1. **Distribution of Provider Performance** – Compares providers to the county as a whole using multivariate analyses to adjust for case mix differences across providers. The report ranks agencies by group relative to outcomes that include permanent and non-permanent exits, transfers, moves, and re-entry.
2. **Provider Scorecard** – This report includes an amalgam of provider outcomes, creating a broader picture of the effectiveness of a provider’s service delivery comparative to similar, or peer, agencies, or to the county as a whole.

#### **How Data are Analyzed:**

**Populations** – In order to ensure comparability, youth receiving services are divided into population cohorts:

1. **In-Care Population** – The In-Care population consists of all children and youth being served by a provider as of the first day (July 1<sup>st</sup>) of the initial fiscal year of operation under a performance-based contract. In other words, if a provider began their initial year of PBC contracting in the 2016-17 fiscal year and on July 1<sup>st</sup>, 2016 had 50 youth in their care, those 50 youth would make up their In-Care population. This is a fixed population and at such time as the final In-Care child or youth exits care, outcomes for this population are then concluded. Youth who were receiving services in their home at the start of the initial fiscal year of operation under a performance-based contract are not included in the In-Care counts, nor in the performance targets for the original in-care group.
2. **Admissions Population** – Those youth who enter care with an agency over the course of a given fiscal year. The admissions in each fiscal year window are treated individually with regard to PBC outcomes. Additionally, in this population it is possible for a youth to have a duplicate count if the child entered into care during the fiscal year, exited care during that same year and re-entered care again within that year. For this reason, the term “**child spells**” is used with this population.

Children and youth whose spells are fewer than five (5) days, or who are 18 or older at the start of their *first* spell are excluded from both the baselines and the performance analyses. Youth starting a non-first spell between the ages 18 and 20 are included in the In-Care group.

**Stratification** – The PBC model in San Francisco recognizes age as the most consistent predictors of a child or youth’s experience in care. As a result, this model parses children and youth out into strata according to that category and goes on to further define them in an effort to more clearly delineate those sub-sets of youth. The two (2) PBC population cohorts and their stratified sub-sets are detailed below:

**In-Care:**

- Strata 1:** Children under the age of 1 at the beginning of the current agency spell.
- Strata 2:** Children between the ages of 1 and 13 at the beginning of the current agency spell and whose total time ever in care has been less than two (2) years.
- Strata 3:** Children between the ages of 1 and 13 at the beginning of the current agency spell and whose total time *ever* in care was two or *more* years.
- Strata 4:** Children between the ages of 14 and 17 on at the beginning of the current agency spell.

**Admissions:**

- Strata 1:** Children under the age of 1 at the start of the current agency spell.
- Strata 2:** Children between the ages of 1 and 13 at the start of the current agency spell.
- Strata 3:** Children between the ages of 14 and 17 at the start of the current agency spell.

**Note:** Although baselines are developed for all strata within each population cohort, the targets are established and evaluated as the net performance for each population type (in-care and admissions).

**Baselines** – Baselines are constructed using the weighted average of the provider's performance during a 2-year window following a recent three years of performance. This weighted average represents "business as usual". After establishing these baselines or "business as usual" for a provider, targets are set for performance improvement for the five (5) main PBC outcomes previously mentioned. Those performance targets are focused on the following two outcomes:

1. A decrease from the baseline number of care days used during the period;
2. An increase from the baseline number of youth achieving a Permanent Exit;

Below are explanations of these baselines for performance:

1. **Baseline Care Days** – The expected number of care days a provider would be anticipated to use within two fiscal years. This is based on the number of youth within the in-care population and the expectations for care day usage for that population within two fiscal years. It also takes into account the care day expectations for the admissions population for that particular two fiscal year window.
2. **Baseline Exits to Permanency** – The number and percent of youth, from the corresponding in care and admission populations, a provider would be expected to exit, to permanency, within two fiscal years (as defined in this section).
3. **Baseline Re-Entries** – The number and percent of children discharged to permanency who may be expected to return to care within one year, given that provider's historical performance in this area. For purposes of estimating re-entry to care, return to out-of-home care means any youth who returns to out-of-home care from a permanent exit, whether FCS or a private provider supervises the subsequent placement. For purposes of calculating the re-entry rate, the baseline includes any youth discharged to permanency from either the in-care or admission population within the fiscal year, who returns to care within one year of their discharge to permanency and within the two year performance window. Re-entries (as defined above) will continue to be tracked against the historical performance in the next fiscal year.
4. **Baseline Stability** – The expected percent of children who had three or more placements while under the care of the provider during that spell during the two year performance period.
5. **Baseline Transfers** – The number and percent of youth, from the corresponding in care and admission populations, a provider would be expected to transfer to another agency within two fiscal years (as defined in this section).
6. **Refreshing Baselines** – Initial baselines for performance are calculated utilizing the weighted average of three (3) full fiscal years' worth of data followed for a two year window regarding the outcomes of permanent exits, care days used, re-entry into care, placement stability, and agency transfers.

Beginning with the 2016-17 fiscal year, baselines for performance will be reviewed every two (2) years hereafter and *may* be adjusted in order to more accurately reflect the expectations attached to certain fixed populations. This refreshing consists of dropping the oldest year of the three (3) initial baseline performance years data from the calculation and adding the most recent full fiscal year of performance. The window for the baselines would remain an aggregate of three (3) full fiscal years but would be refreshed in this way every subsequent two (2) years. The next reviewing of baselines will be applicable to the 2018-19 fiscal year contracts.

This refreshing of baselines is only ever applicable to prospective populations and does not affect the treatment of prior existing in-care or admissions populations.

**Targets** – Targets for performance are established in order to allow providers a goal for which to aspire with regard to PBC outcomes. Performance at, or better than, target expectations enhances a provider’s re-investment figures:

1. **Targeted Care Day Usage** – Targets for care day use are based on a provider’s historical performance in this area and a specified decrease in care day utilization during a fiscal year is established as a target by each provider. For instance, if a provider (through establishing an historical baseline) would be expected to utilize 17,895 care days for a certain fiscal year’s admissions population, and if their target would be to decrease that by 10%, or 1,790 days, then the provider’s target for this population would become 16,105 days.

**Note:** It is a common misperception that a provider must reach, or better, their target with regard to care days used in order to begin earning re-investment dollars. This is incorrect. To begin earning re-investment dollars for this outcome a provider must merely perform at, or better than, their baseline expectation and they become eligible for re-investment.

2. **Targeted Exits to Permanency** – Targets for Permanent Exits are based on a provider’s historical performance in this area and a specified increase in generating Permanent Exits during a fiscal year is established as a target. For instance, if a provider (through establishing an historical baseline) would be expected to generate 112 Permanent Exits for a certain fiscal year’s admissions population, and if their target would be to increase that by number by 10%, or 11 Permanent Exits, then the provider’s target for this population would become 123 of these type exits.

An increase or decrease in the number and percent of children for whom a provider generates a Permanent Exit, affects a provider’s year-end fiscal calculation. This formula is outlined in each provider’s PBC contract language.

### **Fiscal Calculations:**

Agencies showing improved performance will receive a financial re-investment which is based on the amount of dollars “saved” due to their program improvements and the extent to which they have improved their baseline performance.

The first year of participation in PBC is considered to be “risk free” or “hold harmless”, meaning that agencies failing to meet their baseline expectations will **not** be expected to submit a remittance of funds to the county. The fiscal model for subsequent years of participation in PBC is to be determined.

### **Commonly Used Terms in PBC:**

**Child Spells/Agency Spell** – The period of time that a child is in custody. This begins when a child is placed in out-of-home care and ends when the youth is removed from the agency’s contract.

**Note:** For the purposes of this initiative, when a youth returns home for trial discharge, and remains on contract with the provider, the days of in-home services are not calculated as part of the child spell. However, the provider is credited for reunification on the date the child left placement for trial home discharge.

Youth who exit and return to placement at the same agency within 14 days and exit to runaway will also have their spell “bridged”.

Bridging means that exit is ignored, and the temporary break in care will be included in the spell length. However, no re-entry is associated with the episode.

Adoptions, which require transfer to the county for finalization, are credited to the agency preceding the transfer. The spell is ended on that date.

**Cohort** – A group with a common history – in this case a group coming into custody within the same time period and with common traits determined by Chapin Hall.

**Median** – Usually refers to duration in care. The median is the point at which half of the spells in an entry cohort have exited care. For example, if the median for 2013 entrants is recorded as 6.5 months that means that half of the children who entered care in 2013 exited from care in 6.5 months or less, and the other half were in care for at least 6.51 months or more.

**Baseline** – A measurement taken of a provider’s performance prior to any interventions or changes and with the same population that provider always serves. A program’s improvement is calculated by comparing the current year’s performance with prior year’s performance *for similar children within a comparable time period*.

The baseline expresses how a provider would be expected to perform (i.e., achieve safety and permanency for children) under a “business as usual” scenario. The baseline is created using historical CWS/CMS data and reflects the traditional or normal pattern of out-of-home care utilization for a specific provider.

**Targeted Care Days** – The total number of out-of-home care days a provider is expected to utilize given improvements in outcomes for children (i.e., safety and permanency). The difference between the target care days and the baseline care days, expressed as a percentage, is the performance improvement for purposes of calculating financial re-investment.

**In-Care Population** – The group of youth that are in a provider’s physical custody at the beginning that provider’s initial fiscal year of PBC participation.

**Note:** Youth receiving in-home services on July 1<sup>st</sup> are not included in the in-care count.

**Admission Population** – The group of youth who come into care at any point in time during each fiscal year under the PBC contract. The Admission populations are tracked as separate fiscal year cohorts.

**Strata** – A smaller set or subset of the population being measured. In this case, the strata are grouped by age and adjudication.

**Permanent Exit** – An exit to the child’s family or relatives, or another permanent situation for a child such as a Kinship Placement, Adoption or Guardianship.

**Intra-Agency Transfer** – A move *within* an agency. While this is data is analyzed by Chapin Hall, it is not being counted as an outcome, either positively or negatively.

**Inter-Agency Transfer** – A move from one provider to another with more time in an out-of-home placement. This, too, is data that is analyzed by Chapin Hall from CWS/CMS but not counted as an outcome.

**Other Exits** – Other ways in which a child leaves a provider, such as running away for longer than 14 days, running away and returning to placement in any other agency regardless of the runaway duration (this is counted as an exit), reaching majority, etc.

**Re-Entry Rate** – The rate of instances in which a youth returns to custody and out-of-home care within one year of a permanent exit (this can be either the same agency or a different agency than the one from which the child exited).

**Multivariate Analysis** – A collection of procedures that involve observation and analysis of more than one statistical variable at a time.

**Rules for Analysis of CWS/CMS Data**

- Agencies are measured against themselves, or against their own established baselines. If an agency has taken difficult children in the past, this will be evidenced by information in their baseline. In order to be eligible for a reinvestment, the number of care-days must be reduced.
- Care-days *do not* include the number of days for which a child who has exited the agency receives in-home services.
- A child’s level of care for reimbursement remains at the level of care upon which that child was admitted to an agency.

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<sup>i</sup> Wulczyn, F. & Sheu, E. (1998). Setting capitated rates for child welfare programs. Working Paper. Chapin Hall Center for Children

<sup>ii</sup> Wulczyn, F. & Orlebeke, B. (2006). Getting what we pay for: Do expenditures align with outcomes in the child welfare system? Issue Brief. Chapin Hall Center for Children.