

December 2014

Performance-Based Contracting for Family Support and Related Services: *Preliminary Report*

The Children’s Administration at the Department of Social and Health Services (DSHS) contracts with non-governmental agencies and individuals to provide services to children and families involved in the child welfare system. In 2009, the Washington State Legislature directed DSHS to change the way this contracting is done.

Under the recent law, DSHS was directed to enter into “performance-based” contracts with network administrators—rather than individual providers and agencies—for family support and related services by July 2014.¹

The legislation also directed the Washington State Institute for Public Policy (WSIPP) to evaluate “the extent to which the use of performance-based contracting has resulted in: (a) Increased use of evidence-based, research-based, and promising practices; (b) Improvements in outcomes for children, including child safety, child permanency, including reunification, and child well-being.”²

Summary

The Children’s Administration at the Department of Social and Health Services (DSHS) contracts with non-governmental agencies and individuals to provide services to children and families involved in the child welfare system. In 2009, the Washington State Legislature directed DSHS to change the way this contracting is done.

Subsequent legislation directed DSHS to contract with “network administrators” to serve as the regional contact with DSHS. Network administrators will subcontract with direct services providers and/or provide services themselves.

The legislature also directed the Washington State Institute for Public Policy to evaluate the extent to which this new contracting arrangement has increased the use of evidence-based, research-based, and promising practices and whether it has improved outcomes for children. The final report is due June 30, 2016. In this preliminary report, we provide a brief legislative history and synopsis of recent developments in DSHS’ movement toward implementing performance-based contracting.

¹ RCW 74.13B.020.

² RCW 74.13.370.

Suggested citation: Miller, M. (2014). *Performance-based contracting for family support and related services: Preliminary report*. (Doc. Number 14-12-3902). Olympia: Washington State Institute for

A preliminary report is due December 1, 2014 and a final report in 2016. In this preliminary report we review the background of the legislation and briefly describe the current status in DSHS' shift to performance-based contracts.

Background

The 2009 Washington State Legislature passed 2SHB 2106 directing the Children's Administration (CA) of the Department of Social and Health Services (DSHS) to implement the law in two phases:³

- Phase 1) Convert contracts with child welfare service providers to performance-based contracts and reduce the overall number of contracts by January 1, 2011; and
- Phase 2) Set up two demonstration sites to compare child welfare case management by private agencies with case management by DSHS employees to be implemented in July 2012.

The legislation established the Child Welfare Transformation Design Committee (Committee) to advise DSHS in this effort. The legislation also directed WSIPP to evaluate Phases 1 and 2.

The Committee met 14 times between June 2009 and December 2012.⁴ During that time, CA offered a model for Phase 1 that would reduce the number of contracts by establishing one lead agency contractor (later referred to as network administrators) per geographic area to provide or subcontract for all child welfare services. Contract performance would be measured

by outcomes related to child safety and well-being, timeliness of services, and results of periodic satisfaction surveys. A request for proposals (RFP) for this model was released February 18, 2011, with a submission deadline of May 9, 2011.

On May 5, 2011, the Washington Federation of State Employees filed a motion for a preliminary injunction to halt the RFP.

On May 13, 2011, Thurston County Superior Court Judge McPhee granted the preliminary injunction, ruling that DSHS had exceeded its authority under 2SHB 2106 and was in violation of state law requiring agencies that contract out duties customarily performed by state workers to permit employees to offer alternatives or bid for the contracts.

On May 26, 2011, DSHS Children's Administration formally withdrew the RFP.

Between 2011 and 2013, the legislature changed the law twice.

In 2012, the legislature passed ESSB 2264, amending the law and incorporating CA's suggested idea for a lead agency contractor.⁵ The new law created the "network administrator," an "entity that contracts with the department to provide defined services to children and families in the child welfare system through its provider network."⁶ Beginning December 1, 2013, DSHS should not renew contracts with individual agencies or providers but rather should contract with network administrators

³ SSHB 2106, Chapter 520, Laws of 2009.

⁴ For more information on the Committee and other activities related to the law, see: Miller, M., & Lee, S. (2012). *Transforming child welfare in Washington State: Performance-based contracting* (Doc. Number 12-01-3902). Olympia: Washington State Institute for Public Policy, <http://www.wsipp.wa.gov/Reports/320>

⁵ ESSHB 2264, Chapter 205, Laws of 2012.

⁶ RCW 74.13B.020.

in geographical areas who would subcontract with individual service providers.

The law requires that contracts with network administrators be performance-based, with performance measures related to successful engagement of children and families, resulting in improvement in identified problem behaviors and interactions.⁷

In January 2013, DSHS released an RFP for contracts as network administrators. However, when five of eight potential bidders indicated they would not submit a proposal, DSHS rescinded the RFP in March of that year.⁸ During the summer and fall of 2013, DSHS held two public meetings with providers, tribes, and other stakeholders. DSHS' goal in holding the meetings was to understand the reasons for lack of interest in bidding and to gather information necessary to successfully implement performance-based contracting in a manner consistent with the legislation.⁹

The 2013 Legislature again amended the law, which included the following changes:

- Postponing until July 1, 2014 when DSHS must begin implementing performance-based contracting with network administrators;
- Postponing until July 1, 2015 when DSHS must fully implement performance-based contracting;
- Allowing the department to release either a request for information (RFI) or an RFP;
- Suspending the Child Welfare Transformation Design Committee until December 1, 2015; and
- Delaying demonstration sites (Phase 2) until December 30, 2016.¹⁰

⁷ Ibid.

⁸ Letter from Assistant Secretary Jennifer Strus, March 13, 2013, retrieved online:

<http://www1.dshs.wa.gov/pdf/ca/RescindRFP3-13-13.pdf>

⁹ Ibid.

¹⁰ ESHB 1774, Chapter 205, Laws of 2013.

Recent Developments

In January 2014, DSHS issued an RFI for performance-based contracting in Spokane, Lincoln, Whitman, Stevens, Adams, Grant, and Pend Oreille Counties. The RFI asked for information about the vendor community. Specifically, it enquired about:

- Whether vendors are experienced in managing performance-based contracting related to family support and related services;
- Whether vendors were available and interested in responding to an RFP;
- What approach vendors would take in assisting DSHS to implement performance-based contracting; and
- Recommendations on potential geographic service areas that contain Spokane and neighboring counties.

A single entity, Empire Health Foundation (EHF), responded to the RFI. EHF sought input from a collaboration of local and statewide provider organizations as it crafted the response.

The response proposed a two-tiered model with a statewide, non-profit network administrator and collaborative regional network administrators in each of the three DSHS regions. The statewide administrator would provide:

- finance and contract management;
- performance monitoring;
- a referral resource data base;
- tribal liaison;
- human resources;
- information technology support; and
- provider training in evidence-based practices.

In the EHF proposal, in each region the collaborative network administrators would consist of executive leadership and teams of referral specialists and contract specialists. Regional network administrators would subcontract with providers for services. Under the proposed model, regional network administrators would be co-located in DSHS offices.

The model proposes that the statewide network administrator not be a direct provider of services and, therefore, would be neutral and not in competition with providers.

Empire Health Foundation recently created a subsidiary, the Family Impact Network, to serve as network administrator. EHF is now conducting a search for an executive director and expects to fill the position in January 2015.

DSHS and EHF are currently negotiating a contract for network administrator services in the eastern Washington locations named in the RFI. A final agreement is anticipated before the end of 2014.

In the response to the RFI, EHF estimated that the cost of the network administrator would amount to 15% of the funds currently budgeted for services in the eastern Washington location. In order to avoid diversion of child welfare service dollars, DSHS has requested \$3.475 million in state funds for the 2015-17 biennium to cover overhead and administrative costs of the network administrator.¹¹

¹¹ Washington State Department of Social and Health Services 2015-17 Human Services Budget Proposal.

Next Steps

Over the next 18 months, WSIPP will follow implementation of the performance-based contracting. By June 30, 2016, in consultation with “a university-based child welfare research entity,”¹² we will report on those outcomes defined in law. Namely, we will evaluate whether the use of performance-based contracts resulted in improved child outcomes including child safety, permanent placements for children, and child well-being.

WSIPP was also directed to determine whether performance-based contracting results in an increased use of evidence-based (EBP), research-based (RBP) and promising practices.

http://www.dshs.wa.gov/pdf/budget/2015-17Biennial/StackDPs/CAPL-N5_Performance_Based_Contracting.pdf

¹² E2SHB 2264, Chapter 205, Laws of 2012.

However, because of additional legislation passed in 2012, we may have difficulty attributing changes in use of EBPs and RBPs solely to performance-based contracting.¹³ The legislation directed DSHS to increase the use of EBPs and RBPs. Thus, if we observe higher rates of EBPs and RBPs, we may not be able to determine the role performance-based contracting may have played.

¹³ E2SHB 2536, Chapter 232, Laws of 2012.

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Document No. 14-12-3902



Washington State Institute for Public Policy

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