

Basic Principles of the Tennessee Department of Children's Services Performance-Based Contracting (PBC) Initiative

The concept of Performance Based Contracting (PBC) has become increasingly popular in the field of child welfare as this concept stresses both accountability and the achievement of better outcomes for children. By linking performance measures to budgeting and staffing, PBC enhances the concept of making performance improvement part of everyday functioning.

PBC began in Tennessee as a result of the Brian A. Settlement re-negotiations. The Department of Children's Services engaged research and data analysts from Chapin Hall at the University of Chicago to assist in the production and evaluation of baseline data, appropriate goals, objectives and the identification of review or reporting periods for evaluation and achieving identified outcomes in 2004. The plan for PBC as a workable initiative in Tennessee took shape over a period of time resulting in the first Request for Information (RFI) being sent out to all providers of residential services in Tennessee in December, 2005. The process of training DCS staff and providers on the essentials of data analysis used by Chapin Hall began shortly after the first five (5) providers were chosen. This group of providers was known as "Phase I".

Much work was done in the early months of 2006 by both DCS and Phase I providers in order to shape PBC into a workable system that could meet the sometimes divergent needs and structures of public and private agencies. The actual initiative began on July 1, 2006. Phase I providers were asked to improve only upon **their own** past performance by increasing their permanent exits by 10%, decreasing their care days used in a fiscal year by 10%, and lowering their re-entry rates within the fiscal year. In each case, the goals were set relative to each provider's baseline, historical performance on each measure and within specific groups, or strata of children.

Additional phases of PBC providers became part of this initiative at the beginning of each subsequent fiscal year. Each successive year has brought with it significant improvements in process and program changes as a partnership between DCS and the private providers has evolved. As of July 1st, 2009 and moving forward, all direct contractors with Tennessee's Department of Children's Services operate under a performance-based contract.

PBC Basics:

Providers are evaluated based on how well they achieve the outcomes for the youth they serve within the performance period. DCS evaluates each PBC provider on a *tri-annual (at the close of every third year of performance) basis to ensure accountability, cost-effectiveness of service provision and achievement of positive outcomes for children and families as evidenced by both qualitative as well as quantitative performance measurement as defined by DCS.

Note: For the purposes of the FY 2014-15 contract only, outcomes relative to those youth already in care with the Contractor on 07/01/14 will be evaluated at the close of the 2015-16 fiscal year (a two [2] year performance window). All children and youth admitted in FY 2014-15 and in subsequent fiscal years will be evaluated using the three (3) year performance window. It should be noted that after the second year of performance evaluation there will be an annual review. However, only admission cohorts for which at least three (3) fiscal years of activity can be observed will be under review at that time.

It should also be noted that any provider having no previous history of service to DCS custodial youth as a private provider shall only be held responsible for PBC outcomes relative to their FY 2014-15 (and subsequent fiscal years') admissions. Each fiscal year's admissions population will be subject to PBC evaluation at the end of that individual population's third fiscal year of service. Any PBC financial calculation regarding those individual

populations will be made at the close of that population's three-year evaluation period. 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 state custody in order for permanency to be achieved.
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 performance period. This is inclusive of all days in home-based care for those children in continuum contracts 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 reunified in the performance period, this is the number/percent who also returned to care with any provider during the same performance period. Children returning more than one year after discharge are not counted as re-entrants.
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.

Note: Outcomes regarding Permanent Exits, Care Days and Re-Entry 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 or penalty calculation.

Current Reports Disseminated to Providers:

1. **Baselines, Targets, and Actuals (BTA) Workbooks** – A key report for PBC providers, produced on an annual basis after the close of each fiscal year). This report focuses on permanent exits, non-permanent exits, care-day use, and re-entry. It also includes the provider's fiscal calculation, letting them know if they have earned re-investment funds or will be required to remit any overpayment of funds in excess of baseline expectations;
2. **Provider Activity Reports** – These are produced on a monthly basis and consist of data including strata, child-specific care-day usage within the current fiscal year, spell start dates, spell stop dates (if applicable) and the contract type with which a youth has been associated with since the beginning of their spell; and,

Supplementary reports designed to support the PBC initiative include:

1. **Distribution of Provider Performance (the DPP, formerly referred to as Comparative Scores).** – Compares providers (including non-PBC providers) to one another using multivariate analysis and

ranks agencies by group relative for outcomes that include permanent and non-permanent exits, transfers, moves and re-entry.

2. **Provider Scorecard** – This report is under development and will include an amalgam of provider outcomes, creating a broader picture of the effectiveness of a provider’s service delivery comparative to similar, or peer, agencies.
3. **Qualitative Measures** - Under development, and will include reports from QSR, PAR, etc.

How Data is 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 1st) 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 2010-11 fiscal year and on July 1st, 2010 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, who start their contract receiving in-home services, who are 18 or older at the start of their spell, or who spend over 50 percent of their spell in emergency or detention settings are excluded from both the baselines and the performance analyses.

***Note: In-Care and First Year Admissions Populations Entering Their Fourth Year** – Those youth *remaining* in a provider's care from their original In-Care population as well as their first year Admissions population, *and any subsequent Admissions population entering its fourth fiscal year*, will not be eligible for the banking of care days in prospective years beginning in the fourth year of a provider’s participation under a performance-base contract.

Beginning in the fourth contract year, new baselines for this group will be set utilizing the expected performance for existing populations. Although these youth are not eligible for the banking of care days, providers **will** be able to generate re-investment funds as well as incur financial penalties relative to performance just as with any other population.

Stratification – The PBC model in Tennessee recognizes age and adjudication 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 those two (2) categories 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 between the ages of 0-13 at the time of the current agency spell who were adjudicated D&N or Unruly at the start of the spell and whose total time in care has been less than two (2) years.

Strata 2: Children between the ages of 0 to 13 at the time of the current agency spell who were also adjudicated D&N or Unruly at the start of the spell and whose total time *ever* in care was two or *more* years.

Strata 3: Children 14 and older at the time of the current agency spell and who were adjudicated D&N or Unruly at the start of the spell.

Strata 4: Children of any age (but generally 12 and older) who were adjudicated juvenile delinquents at the start of the spell.

Strata 5: Children/youth (any age or adjudication) served in a program specifically designed to treat those with persistent and significant developmental delays.

Admissions:

Strata 1: Children between the ages of 0 to 13 at the time of the current agency spell who were also adjudicated D&N or Unruly at the start of the spell.

Strata 2: Children 14 and older at the time of the current agency spell and who were adjudicated D&N or Unruly at the start of the spell.

Strata 3: Children of any age (but generally 12 and older) who were adjudicated juvenile delinquents at the start of the spell.

Strata 4: Children/youth (any age or adjudication) served in a program specifically designed to treat those with persistent and significant developmental delays.

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 three (3) most recent years of performance for the first performance year window. The second and third year baselines are constructed using two (2) years of data instead of three (3). After establishing these baselines or “business as usual” for a provider, targets are set for performance improvement for the three (3) main PBC outcomes previously mentioned. Those performance targets are set in the following manner:

1. A 10% decrease in the baseline number of care days used during the period;
2. A 10% increase in the baseline number of youth achieving a Permanent Exit; and,
3. Performing within a specified corridor for the number of Re-Entries.

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 a given performance evaluation period. This is based on the number of youth within the in-

care population and the expectations for care day usage for that population within a given performance evaluation period. It also takes into account the care day expectations for the admissions population for that particular evaluation period.

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 given performance evaluation period (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 the subsequent placement is supervised by DCS or a private provider. 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. Re-entries (as defined above) will continue to be tracked against the historical performance in the next fiscal year.
4. **Baseline Re-Entries Range** – A plus or minus performance corridor built around the baseline re-entry rate that captures variation in the re-entry rate observed at the agency level. The range is intended to reflect the fact that factors beyond the control of an agency (e.g., sibling groups, the provider’s inability to track these youth re-entering care, etc.) may influence the re-entry rate. The baseline range extends from 5 percent of permanent exits to 20 percent of permanent exits.
5. **Refreshing Baselines** – Initial baselines for performance are calculated utilizing up to three (3) full fiscal year’s worth of data regarding the outcomes of permanent exits, care days used and re-entry into care.

Baselines for performance are “refreshed” every three (3) years hereafter 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 will remain an aggregate of three (3) full fiscal years but will be refreshed in this way every subsequent three (3) years.

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 pre-established network baselines and a 10% decrease in care day utilization during a given performance evaluation period is established as a target. For instance, if a provider would be expected to utilize 17,895 care days for a certain fiscal year’s admissions population, their target would be to decrease that by 10%, or 1,790 days. This particular 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 pre-established network baselines in this area and a 10% increase in generating Permanent Exits during a given performance period is established as a target. For instance, if a provider would be expected to generate 112 Permanent Exits for a certain performance period's admissions population, their target would be to increase that by number by 10%, or 11 Permanent Exits. This particular 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 final fiscal calculation. This formula is outlined in each provider's PBC contract language.

3. **Targeted Re-Entries** - The number and percentage of returns to out of home care after a successful exit to permanency within a given performance period.

Primary Treatment Center (PTC) & Enhanced Services – The approach for handling the fiscal calculation for these youth (at any provider offering PTC services or enhanced services) will be as follows:

1. **Primary Treatment Centers:** In their first (admission) year, the baselines and actuals are calculated using the current PTC rate. For those youth remaining with that provider into the next fiscal year (and for the original in-care population) the calculation will be made as follows:
 - The calculation for actuals will use the rate associated with the contract type on which the youth was placed following their stay in the PTC; and,
 - The baselines will be calculated using a method that applies a weighted distribution to the projected baseline population that reflects where PTC youth in the admission population were actually placed following the PTC stay.

Example: An admissions cohort includes 25 Level II Continuum spells, 25 Level III Continuum spells and 50 PTC spells.

Upon completion of their PTC stay, 10 youth were placed in the provider's Level III Continuum and the remaining 40 went to their Level II Continuum. In this scenario the baselines will be calculated assuming 35% Level III Continuum and 65% Level II Continuum (this is done within strata).

2. **Enhanced Services:** Certain enhanced services have been designed with a time-limited stay in order to more effectively apply those services and to allow for more rapid movement of youth through the system.

Those youth leaving service from an enhanced contract and transferring to another provider will be dropped altogether from that provider's PBC outcomes. They will not, from a PBC standpoint, appear as ever having been served by the enhanced services provider. Youth leaving service from an enhanced contract and being placed on another of the enhanced provider's contracts **will** be a part of that provider's PBC outcomes.

Fiscal Calculations:

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

Agencies failing to meet their baseline expectations will be expected to submit a remittance of funds to the state. This remittance will consist of the state’s share of the cost for exceeding the baseline in care-day use, also taking into account performance in the ancillary outcomes of Permanent Exits and Re-Entry.

Data and Programs

At the beginning of the performance period, PBC providers receive the following reports:

- Report of each baseline year’s case mix consisting of the number and proportion of child spells within each fiscal year displayed by population type and strata;
- Report for each baseline year of the exit outcome by exit type at the end of the one year period for each child spell in the baseline case mix. This is reported by number and proportion;
- Report for each baseline year of the number of care days used within that fiscal year window for each child in the baseline case mix. This is reported as average care days used by strata within each population;
- Report calculating the weighted average performance for exits and care days;
- Target reports summarizing the baseline performance for exits and care days, and establishing the performance target for each type; and,
- Report for each baseline year of the number of children who exited within that year to parent/relative/adoption/guardianship, and who also returned within that same year. This is Re-Entry. This is reported as number and percent of exits, by population type only (not strata). This report also presents weighted average performance with respect to re-entries, and establishes the target corridor for the performance year for each population type.

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 calculated as part of the child spell.

Youth who exit and return to placement within 30 days of their exit date will also have their spell “bridged”. Because in-home services days are already included, this primarily applies to children who have a runaway episode and return within 30 days.

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.

Note: In situations where a child spends time with “Agency A” and then spends a period of time (not to exceed 30 days) with “Agency B” then returns to “Agency A”, a new agency spell is not created. Instead, the original spell is continued, and this spell will show two moves associated with the interim placement.

A spell during which a child spends more than 50% of his time in detention or an emergency placement is not included in the PBC calculations.

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 2011 entrants is recorded as 6.5 months that means that half of the children who entered care in 2011 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 TFACTS 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 or remittance.

Baseline Admissions – The expected number of youth admitted to a provider during the fiscal year, based on the historical number of annual admissions.

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 1st 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 TFACTS but not counted as an outcome.

Other Exits – Other ways in which a child leaves a provider, such as running away (after 30 days, without a placement in any other agency, 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.

Proportional Hazards Modeling – The proportional hazard rate shows how much more or less likely individuals with given characteristics are to experience the event of interest per unit of time (i.e., discharge from foster care), relative to a comparison or base group. The proportional hazard model overcomes the problem of children who have not yet exited by evaluating the probability of discharge given that no discharge has yet occurred. This is related to analyses reflected in the DPP, and is not part of the PBC initiative itself.

Rules for Analysis of TFACTS 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 include the number of days for which a child who has exited the agency receives home-based care or the number of days in which the child received in-home services from the agency.
- A child’s level of care for reimbursement remains at the level of care upon which that child was admitted to an agency. The exception to this is explained in the “Primary Treatment Center (PTC) & Enhanced Services” section beginning on page five (5) of this document.

The CFTM Appeals Process:

PBC providers’ reinvestment dollars are directly linked to achieving better performance outcomes for youth in their care. As such, there is a need for these providers to be more actively involved in the case management decision-making process for these youth. The CFTM is the primary mechanism for decisions concerning the type of placement, the level of care appropriate for a particular youth as well as things such as the continuation of services.

Regional staff and providers do not always agree regarding decisions of this type and the CFTM Appeals process is the avenue by which providers (and the regions as well) have the opportunity for redress. The protocol for the CFTM Appeals process is contained in the “Attachments” section of the Provider Policy Manual (PPM). The PPM is available under the “For Providers” section of the DCS website.

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