

Memo To: Mathew T. Wallen, Director, DCFS, Nebraska DHHS
Fr: John Stephen, Managing Director, The Stephen Group
Re: Assessment of The Outsource Model in Eastern Service Area: Executive Summary
Da: May 8, 2019

SCOPE AND METHODOLOGY

The Nebraska Department of Health and Human Services (DHHS) Department of Children and Family Services (DCFS) contracted with The Stephen Group (TSG) to perform an assessment of whether the Department should continue to outsource case management for in- and out-of-home cases in the Eastern Service Area (ESA). In addition to the insource vs. outsource feasibility study, TSG was also tasked with:

- Evaluating the existing service delivery system for services in the ESA and recommend a future state model;
- Defining the outsourced service delivery vision; and,
- Conducting impact analysis and providing recommendations for the path forward for the state.

TSG designed a comprehensive review to collect information using the following approaches:

- Review of prior audits, studies, and reports on the Nebraska child welfare system and the outsource in the ESA.
- Review of the existing contract, extensions, and amendments in Nebraska.
- Review of other state best practices in child welfare contracting.
- Review of financial, operational, and performance data from DHHS and PromiseShip.
- Interviews with DHHS and PromiseShip:
 - DHHS: Leadership, State office contract management and continuous quality improvement staff.
 - PromiseShip: Administrators, internal management across key functional areas, supervisors and FSR caseworkers.
- Meeting with the DHHS Division of Behavioral Health.
- Focus groups, process mapping, and analysis of the case transition process with DHHS and PromiseShip administrative, supervisory, and frontline caseworker staff from Douglas and Sarpy Counties.
- Interviews with key stakeholders, including the State's Inspector General, judges, county attorneys, state and county CASA officials, guardian ad litem, the Foster Care Review Board, the Nebraska Family Support Network, Project Harmony.
- Meetings with child welfare providers including facilitating a group call with providers operating in state-run and outsourced regions and individual provider interviews with the Nebraska Children's Home Society, Capstone BH Services, and Cedars.

After extensive review, TSG provides the following findings and recommendations that will be highlighted in the final report.

FINDINGS

Some common themes emerged throughout TSG's research related to gaps with the current outsource model. These include:

- A lack of clear vision for the State's objectives related to the outsource has made it difficult for the vendor and stakeholders to operate.
- A historical lack of collaboration between the State and vendor has prevented information and data sharing and undermined opportunities for innovation and development of system best practices.
- Uncertainty around the future of the contract has made it difficult for the vendor to make business decisions, invest in new services, and retain staff. The short-term incremental extensions undercut the vendor's ability to make long-term investments.
- The existing contract between the State and vendor has little focus on performance, and very few financial incentives to encourage innovation or drive performance improvement. The contract offers limited ability for the vendor's flexibility and experimentation, which are the primary benefits of using an outsource model.
- An inconsistent approach to contract management/monitoring which has prevented the State from realizing the full benefit of this model. TSG found state quality assurance, contract monitoring, and program staff to be extremely knowledgeable and creative in identifying potential ways to improve oversight of the contract but for various contractual and other reasons, they have not been able to follow through with those approaches.

Despite these challenges, the current ESA vendor has been able to achieve comparable cost and performance outcomes to the other four in-source service areas.

- After reconciling case counts and expenditures with DCFS and PromiseShip, TSG finds that the cost per case in the ESA is in alignment with the cost per case in all five service areas.
- Performance outcomes have improved significantly statewide (including in state-run and PromiseShip Service Areas) over the last several years. Performance outcomes, especially in the areas measured by the federal Administration for Children and Families Children's Bureau, have improved due to interventions such as implementation of the state's continuous quality improvement program and leadership provided by the state and PromiseShip. When it comes to specific measures, the finding conclusion of the 2014 Hornby Zeller report remains true: there are some measures where ESA performs better and others where it performs worse than other service areas.

The vendor has also been able to create a larger array of services than are available in other service areas. The ESA has a more robust supply of providers than the rest of the state and PromiseShip

built some innovative services in response to the needs of the children and family it serves, through collaboration with providers in the Service Area. DHHS may consider evaluating whether any of the new services created by PromiseShip can be replicated in other regions. There are areas for improvement in terms of increasing alignment of expenditures with prevention services and services that are approved for Title IV-E funding under the FFPSA. In addition, the vendor is not maximizing federal funds because many IV-E eligible children have been placed with unlicensed kinship caregivers who are not eligible for federal funds.

Although the contract requires the vendor to follow strict adherence to all DHHS regulations and operating manuals, the vendor identified several innovations when given the chance. These will be discussed in more detail in the final report.

DCFS, PromiseShip and stakeholders spoke of the disruption of outsourcing but also the beneficial system reforms it has brought. They spoke positively of recent efforts between the state and vendor to improve collaboration and to create environment that will allow children and families to see the benefits of the outsource model more fully.

If the goals of outsourcing are to produce superior results and innovation, in constructing a different relationship with the future vendor and through improved financial and performance management of the contract, DCFS could see lower costs and improved outcomes. This could also allow Nebraska to fully realize the promise of an outsourcing model.

RECOMMENDATIONS ON THE PATH FORWARD

Based on what the existing vendor has been able to achieve and despite the obstacles that have emerged in the current outsource model, TSG recommends that should Nebraska continue to use an outsource model in the ESA, DCFS should make some important changes in the manner in which it manages the vendor relationship, which could allow the state to realize the benefits of outsourcing more fully.

Vision

The State needs a clear vision for outsourcing that defines success, demands accountability, encourages collaboration and eliminates competition between the State and the Subrecipient. This vision should lay the foundation how the parties will work together, how performance will be measured and focus on improving outcomes and reducing costs through innovation and efficiency.

DCFS should also engage ESA stakeholders around this vision. This is critical if Nebraska desires to create a community-based care model where the community takes ownership and accountability for child welfare outcomes, as Florida and other states have done.

Contract

The contract between the State and vendor must live up to this vision and ensure the vendor delivers better performance through clearly-defined objectives and metrics. The contract should include performance-based elements including financial incentives and remedies that drive

progress. TSG reviewed other state performance-based child welfare contracts and past iterations of the DHHS/NFC (PromiseShip) contract and identified a number of best practice elements that would improve Nebraska's service delivery, which will be included in the final report. Some examples include more financial controls such as submission of an annual Cost Allocation Plan and monthly financial reporting, requiring the vendor to develop an array of services to meet federal FFPSA requirements, requiring the vendor to develop a Stakeholder Engagement Plan, and requiring the vendor to develop a transition plan to ensure continuity of services.

In finalizing a new contract, TSG recommends that the State balance the desire to be prescriptive with flexibility to allow the Subrecipient to be innovative. While there are many state and federal requirements that any vendor must meet, if the State truly desires innovation, it must provide the vendor with the opportunity to try things differently.

Contract Oversight

DCFS should develop a performance-based contract oversight process that is aligned with new contract requirements and promotes accountability. DCFS should develop a cross-functional Quality Assurance Team, charged with contract oversight. Led by a contract manager, this Team should include resources from across the Department, including contract monitoring, quality assurance/continuous quality improvement, and finance. This team will ensure collaboration and coordination internally, allow for the sharing of financial and performance data, and improve the flow of information between DCFS and the Subrecipient. This Team should engage the Subrecipient regularly to share monitoring findings and to discuss operational and strategic goals with the vendor.

Collaboration

TSG finds that there are many opportunities for DCFS to improve how it engages and collaborates a vendor to solve common problems. TSG offers several recommendations for how collaboration could be beneficial including through a reinstatement of quarterly state and vendor regional continuous quality improvement meetings, in establishing joint CQI activities which could allow the vendor's CQI resources to augment the state's resources, through joint financial management, and in development of a joint case transfer protocol, which could lead to efficiencies for state and vendor staff.

Engagement of Other DHHS Divisions

DHHS should create a Child Welfare Leadership Team, consisting of representatives from all divisions (DCFS, Division of Medicaid and Long-Term Care, Division of Behavioral Health, and Division of Developmental Disabilities) to improve planning, coordination, and service development for children and families. This will require focus on managed care contract procurement to focus on high needs, behavioral health and the integration of medical records. DHHS should improve data sharing across all divisions to focus on meaningful outcomes.