Performance-Based Contracting in Child Welfare

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Tennessee Department of Children's Services – 2000 to 2020

Meet Your Presenters

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Session Objectives

01	**Understanding Context**	Define PBC. Background on the starting point in Tennessee and the reasoning behind the decision to proceed with Performance-Based Contracting (PBC).
02	**Tennessee's PBC Development and Implementation**	Understanding the approach to development and implementation of a PBC network in the state of Tennessee.
03	**Contracting and Financing**	Understanding the foundational approach to the financing model and contracting process for PBC contractors in Tennessee.
04	**The Impact**	Understanding the impact of PBC model implementation in Tennessee.
05	**Lessons Learned**	Lessons learned from current and former leaders as well as the largest contracted child welfare services provider in Tennessee.
06	**Applying to Your Team**	Steps to begin the journey in your state or jurisdiction.

What Is Performance-Based Contracting?

PBC ties payment to results, not activities, shifting child welfare systems toward measurable improvement.

Definition	A contracting approach where payment and contract terms are tied to achieving specific, measurable outcomes, rather than simply delivering services.
Child Welfare Context	Aligns contracts with federal child welfare outcomes such as safety, permanency, and well-being, while allowing states to incorporate state-specific goals, like increasing kinship placements or reducing time to permanency.
Purpose	Encourages providers to focus on results, strengthens accountability, and supports better outcomes for children and families.

What was in place in Tennessee prior to the implementation of PBC in July 2006?

Context Prior to PBC: Continuum Contracts

Private providers were issued fee-for-service state contracts for the delivery of placement and treatment services to TN children in foster care.

Relying primarily on the Child and Adolescent Needs and Strengths (CANS) assessment process, child needs were used to determine a child's level of care and resulting placement.

Context Prior to PBC: Continuum Payments

Providers were paid a fixed per diem rate depending on level of care.

One day = one fixed-rate payment.

The more days used, the higher the payment.

Funding for these payments were made based on Medicaid, Title IV-E and state general funds.

TN DCS funded these payments based on an approved time and cost study of the services provided by each provider. This was documented in the state's Cost Allocation Plan. The origination of these funds consisted of a mix of eligible funding streams that included:

- State general fund dollars
- Title IV-E dollars
- TennCare (Medicaid dollars)

Context Prior to PBC: Continuum of Care Goals

Promote continuity of care	To promote continuity of care, this marked a shift to paying private providers a per diem rate based on each child's needs no matter the determined level.
Provide care for children in foster care by families	Requirements related to percentages of children and youth in family-based care (licensed foster homes) as opposed to congregate care or residential settings.
Improve permanency outcomes through contract requirements	Continuum contracts required the provision of permanency services such as reunification, adoption and in-home care.

Context Prior to PBC: Continuum of Care Results

Positive Results

Demonstrated shift away from placing children in the next slot from one provider to another provider.

More children in foster care were cared for by families.

Unintended Consequences

Children and youth were languishing in foster care.

There was no incentive for providers to have children leave foster care in a timely manner and achieve permanency.

Context Prior to PBC: Contract Monitoring

- DCS Licensure Office conducted annual compliance reviews (i.e. facilities, safety codes, foster parent and employee records).
- Private providers required to submit Incident Reports (i.e. use of restraints, injuries to youth, etc.) to DCS Central Office.
- Program Accountability Review (PAR) conducted annual reviews of contract compliance (such as employee training, child participation in school, etc.).
- DCS Internal Audit would periodically visit to assess providers based on identified concerns.

Prior to PBC: Provider Experience

Prior to the continuum, providers were paid per diem rate based on level of acuity AND placement type

- No financial incentive to serve youth in the least restrictive, most effective setting
- The continuum aligned fiscal model with DCS' goal of serving youth in the least restrictive, most effective setting
- No financial incentive to move youth to permanency
- PBC aligned the fiscal model for providers with DCS goal of 'moving kids to permanency quicker'

What was the reason to change to PBC in July 2006?

Why PBC in Tennessee?

01 Improve outcomes for children and families

02 Move beyond compliance

03 Reward outcomes instead of activities

04 Encourage innovation

05 Use evidence to inform decisions at the systems and practice levels

06 Build a stronger provider network

07 Better collaborate with providers

How was PBC developed and implemented?

PBC Development

Tennessee Development

- Four-year phased implementation, beginning with five providers
- Program and fiscal leaders developed the model together
- Determined the desired outcomes
- Established non-negotiable requirements
- Invested in research and expert guidance to design the model and generate the evidence needed
  - Dr. Fred Wulczyn, Jennifer Haight, and others from Chapin Hall

Youth Villages Development

- One of five providers selected for Phase 1
- Eligible for reinvestment incentives
- First year was hold harmless (no financial penalties)
- Received a $5/day per diem increase during implementation
- Developed plans to implementing the PBC and improve outcomes

Tennessee Core Outcomes

Promote timely permanency

Decrease days spent in foster care

Minimize reentry into foster care

PBC Program Design

Foundational Components

Established provider-specific performance baselines using Tennessee's SACWIS data and the three core outcomes.

Measured providers against their own historical performance, rather than comparing them to one another.

Organized children and youth into comparable groups using age, adjudication status, and cohort type (In-Care and New Admissions).

Refined performance expectations over time as children exited care and the model matured.

Communication, Collaboration, Data Validation & Appeals

An appeals process was built into the model. However, once providers (and the Department) were confident in the data validation process, instances of appeals dropped significantly.

Ongoing Collaboration:

- Semi-annual data validation and review meetings with each provider
- Regional meetings for open feedback on service delivery
- Provider-level data folded into continuous quality improvement process

Fair and Impartial Appeals:

- Case-specific appeals move from case conference to regional conference to State Office review
- Performance-review appeals handled by designated staff and leaders
- Structured teaming at admission, treatment meetings, and discharge planning

What was the financing and contracting approach?

PBC Fiscal Design

- Fee-for-service payment structure unchanged.
- Contracts amended to reflect PBC model implementation.
- Method developed for calculating baseline cost estimates, in essence determining:

How much would the State have spent with each PBC provider in a given fiscal year within a "business-as-usual" environment?

  - Baseline costs were then compared to actual fiscal year expenditures.
  - Providers were rewarded with savings "reinvestment" (actual dollar amount) generated based on improvement against their own prior performance.

Example of PBC Baselines, Targets, and Actuals Workbook (BTA)

Admissions (FY 2009-2010)	Admits	Projected Remaining 7/1/2010	Remaining on 7/1/2010	Cumulative Perm Exits			Avg Caredays in Interval			Total Caredays in Interval			Non Perm (Cum)		Transfers (Cum)		Reentry (Cum)	
				Baseline	Target	Actual	Baseline	Target	Actual	Baseline	Target	Actual	Baseline	Actual	Baselines	Actuals	Baseline	Actual
A/N/U 0-13	22	13	13	5	6	5	101	91	135	2,219	1,997	2,971	0	0	6	4	%/Count	%/Count
A/N/U 14 +	37	20	21	6	6	5	137	123	118	5,076	4,569	4,358	7	1	5	10		
JDs	83	55	42	8	9	21	154	139	166	12,803	11,523	13,755	10	8	7	12	0%	3%
Total	142	88	76	19	21	31	142	127	148	20,098	18,088	21,084	17	9	17	26	0	1
Grand Total	238	101	87	65	72	79				42,090	37,881	37,090	28	20	30	52	3	8
																	4%	11%
Yr 1 Perf Grid:				**Perm**	**Days**	**Reentry**												
Exceed Target				**X**	**X**	**-**												
Between Target & Baseline				**-**	**-**	**X**												
Below Baseline				**-**	**-**	**-**												

What has been the impact?

Tennessee Results

Permanency Rates Increased Relative to Prior Performance

Cost Neutral - Funds Available To Successful Providers to Reinvest In Programming

Costs Have Remained Neutral

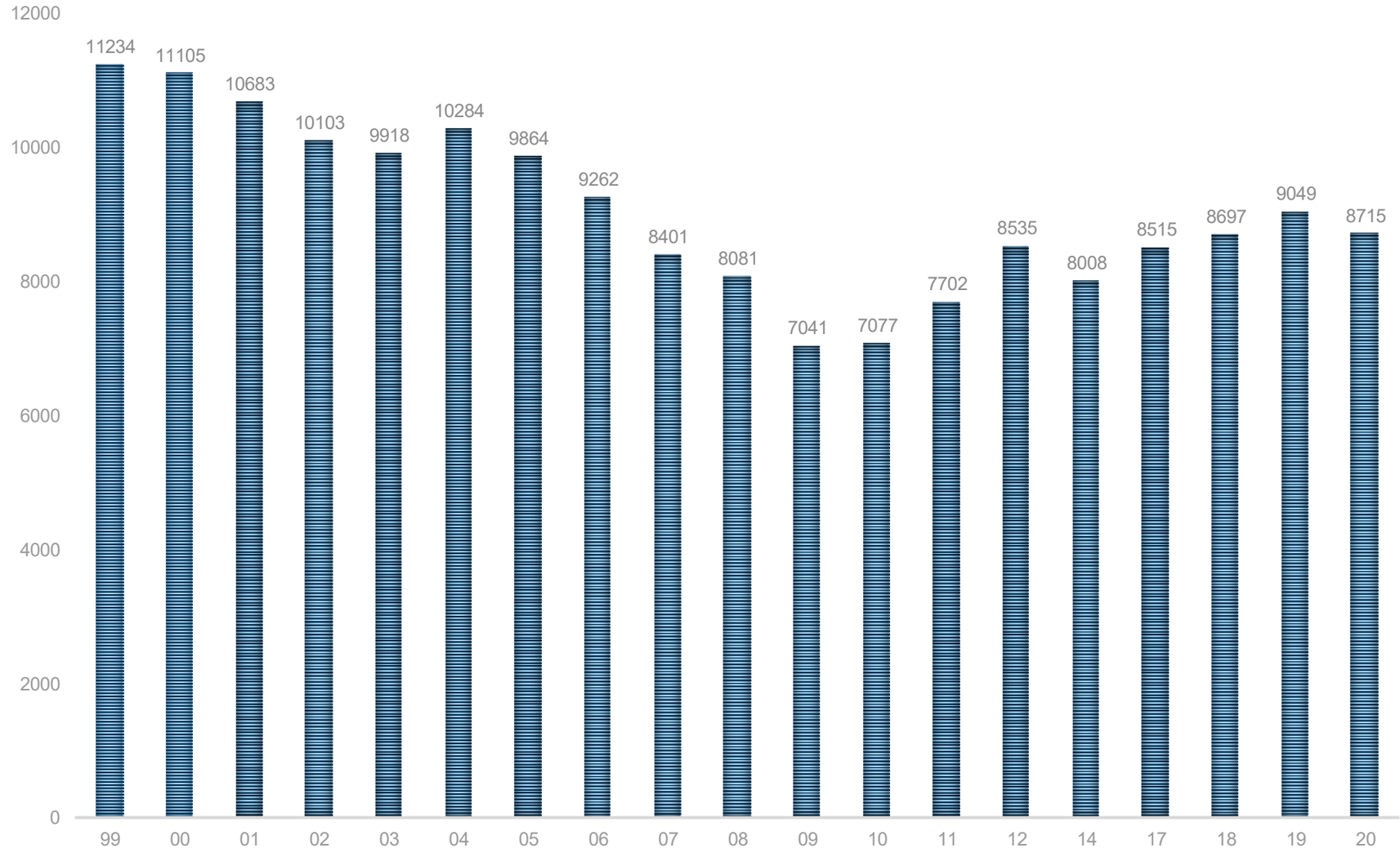
Key cost structure points since full network implementation in FY 2006-07:

- Initiative has been cost neutral, balancing costs that would have been incurred against actual cost under PBC implementation.
- PBC network private provider fiscal expenditure under the initial model implementation has not required additional state fiscal investment above normally-budgeted annual funding.
- State did not reduce expenditures to private providers as a result of PBC implementation. Providers' contracted rates were adjusted (up) as needed.

Number of Children in Tennessee State Custody 1999-2020

11,234 children in state custody on December 31, 1999

On December 31, 2009, there were 7,041 children in state custody



Performance Summary: Phase I Providers – First Two Years of PBC

All Admissions: FY 2006-2007 and FY 2007-2008 Activity Observed through June 30, 2008		
All Providers (n=5)	**Care Days**	**Permanent Exits**
Baseline	1,099,845	1,606
Actual	1,055,892	1,796
Difference	-43,953	190
Percent Difference	-4%	12%

Performance Summary: All Providers

All Admissions: July 1, 2009 through June 30, 2012 Activity Observed through June 30, 2012		
All Providers (n=29)	**Care Days**	**Permanent Exits**
Baseline	2,876,651	5,808
Actual	2,799,650	6,070
Difference	-77,001	262
Percent Difference	-3%	5%

What are lessons learned and recommendations?

Remember the High-Quality Specialists

Remember the Front Line

Data Are Only PART of Quality Assessment

100%

10:1

How Was This Possible in Tennessee?

Alignment between fiscal and program leadership

Clear vision and belief that children belong in families

Three simple outcomes

Kept promises

Lessons Learned from the Provider Perspective

There must be commitment from all parties:

- To the goal – moving kids to permanency quicker
- To developing shared understanding of the fiscal model
- To transparency about the impacts

Beginning the Journey in Your State or Jurisdiction

States can begin using PBC in targeted, manageable ways, building experience and infrastructure before scaling statewide.

Strengthen Performance Measurement	Improve data reporting, quality, and monitoring to ensure reliable performance metrics. Build internal capacity to track outcomes before tying payments to them.
Introduce Incentive-Only Payments	Introduce incentives in specific service areas or provider groups — such as timely permanency, placement stability, and increased kinship placement. Keep them limited and focused to test feasibility and provider response.
Apply Continuous Quality Improvement Tools	Use public dashboards, annual performance reviews, and feedback loops to monitor progress. Share learnings with providers to build readiness for broader PBC adoption.
Pilot PBC in a Defined Region or Service	Start with a pilot in a particular geographic area, population, or service type. Use pilot results to refine metrics, incentives, and contract structures before expanding.

Your Turn: Reflect

Take a moment. On your notecard or sticky note, jot down one of the following:

- An idea from the presentation that resonated with you
- A challenge in your state or jurisdiction that PBC could help address
- An opportunity you could leverage based on the discussion

We'll invite a few of you to share.

Thank You

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