



Privatization of Child Welfare Services: Challenges and Successes Executive Summary

To an increasing extent, states and counties across the United States are embracing privatization as a strategy for providing child welfare services. In the past, noncompetitive quasi-grant arrangements typified the relationships between public agencies and private, not-for-profit child welfare agencies. Over the past few years, however, new types of arrangements – in which private agencies have assumed full responsibility for what were formerly public functions – have become more common. Privatization – a concept implemented in other business and service sectors and an approach that assumes that the private sector can and will provide higher quality services at a lower cost and with greater efficiency – has emerged as a trend in the field of child welfare.

Evaluations of child welfare privatization efforts, however, generally have been limited to self-studies and often have lacked the necessary objectivity for solid assessment. Significantly, there has been no cross-jurisdictional analysis of different privatization efforts (which frequently, but not always, include managed care features). The organizational and operational effects of the shift from the provision of services by the public sector to the assumption of these responsibilities by the private sector have not been closely examined. Perhaps even more importantly, it has not been clear to what extent the outcomes for children and families have improved or worsened as child welfare services have been privatized. Unlike the privatization of airports, the collection of child support, or trash collection, the privatization of services for highly vulnerable children and families raises critical issues related to safety and well being that need to be closely examined.

The Study

This study was designed to enhance the understanding of efforts to privatize child welfare services, with an emphasis on examining the extent to which benefits have been achieved through these approaches and the extent to which there have been negative consequences for the children and families served and for the child welfare system itself. A case study approach was used in which key participants (who varied from one jurisdiction to another but who typically included public and private agency representatives and consumer representatives) were interviewed and program descriptions, written reports, evaluations and other materials were reviewed. Each case study was reviewed by members of the study's Advisory Board and by individuals who provided information through interviews. Following this process, each case study was finalized. Six privatization initiatives were studied. The selected initiatives reflected different approaches to privatization – in terms of scope, target population, structure and design, services, and financing methodology. The initiatives that were studied were:

(1) Kansas: Statewide privatization of family preservation, foster care and adoption services.

(2) Florida: Statewide privatization of child welfare and "related" services (with the exception of protective service investigations), an effort called "Community-Based Care." The case study focused on the privatization of child welfare service in Sarasota County, the site of the longest standing privatization effort in the state, with references to other counties' experiences as appropriate.

(3) Missouri: A privatization effort entitled, "The Interdepartmental Initiative for Children with Severe Needs and their Families," a collaborative effort between the State Departments of Social Services and Mental Health that has focused on children and youth with extremely high level service needs.

(4) Hamilton County, Ohio: A county-based privatization effort, entitled "Creative Connections," on the part of five county

agencies (child welfare, mental health, substance abuse, mental retardation/developmental disabilities, and the juvenile court) and a private, not-for-profit lead agency to provide services for children and youth with multi-system needs.

(5) Michigan: A pilot privatization effort, called the "Foster Care Permanency Initiative," based in Wayne County (and including Detroit) that is designed to promote the more timely achievement of permanency by more children in the foster care system.

(6) Maine: A statewide privatization initiative entitled the "Community Intervention Program" which provides assessment and intervention services to families who are at low to moderate risk for child abuse and neglect.

Lessons Learned and Recommendations

An analysis of the six case studies yielded a number of "lessons learned" regarding the planning, development, implementation, financing, and evaluation of privatization initiatives. These "lessons learned" identified those features of these efforts that proved to be effective and those aspects that were associated with outcomes generally viewed as poor or, in some cases, disastrous. Based on these "lessons learned," seventeen recommendations were advanced to assist communities that may be considering a privatization effort.

(1) When considering privatization, a community should take into account the goals of the privatization effort and based on those goals, clearly specify the specific population to be served; the model for privatization to be used, and if a lead agency model is selected, the types of agencies that will be eligible to serve as lead agency; the roles and responsibilities of the public agency and the private agency; and the fiscal methodology.

(2) Public agencies should not expect to save money through privatization, given the real costs of developing, implementing, and overseeing a privatization initiative and the costs associated with providing a full array of services to children and families under expectations of higher quality. Private agencies, however, should expect that public agencies will attempt to control costs through privatization and may design programs that shift the risk of financial loss to the private agency.

(3) Absent significant attention to the factors that undermine efficiency in the public sector, all parties should recognize that greater efficiency will not be achieved simply because a private agency has assumed primary responsibility for service provision.

(4) Outcomes and their associated performance targets should be few in number; should represent the concepts to be measured in straightforward and simple terms; and should be based on pre-privatization program data or on baseline data developed during the initial implementation stage of the privatization initiative. Fiscal incentives should be tied to a limited number of key program outcomes.

(5) Communities should recognize that privatization efforts require the commitment of high-level leadership over the long term and require concerted efforts to develop and sustain strong interpersonal relationships between public and private agencies. Absent these factors, it is unlikely that a privatization initiative can be successfully implemented or sustained.

(6) Attention should be given to carefully delineating the roles and responsibilities of both the public agency and the private agency in a privatization initiative.

(7) A strong infrastructure – characterized by a vision of the initiative shared by the public and private agency, an adequate management and staffing structure, financial support for start up, and strong connections with the community – should be the initial focus as communities move toward the implementation of any privatization initiative.

(8) A "phased in" approach – in which privatization is implemented through broad-based community planning, pilot projects, and/or transitional contracts – should be used to ensure the successful implementation of privatization initiatives.

(9) Service capacity should be a central focus in the planning and implementation of any privatization effort. The current

service system should be realistically evaluated in light of clients' needs; private agencies should receive needed support to develop an adequate service capacity, including linkages with other services systems (such as the mental health and substance abuse treatment systems); and service capacity should be assessed on an ongoing basis by both the public and private agencies to ensure responsiveness to evolving client needs.

(10) Information management systems that produce cost, service, and outcome data at the individual and aggregate levels should be developed and implemented as quickly as possible.

(11) In any privatization initiative involving contracting out, the process of securing competitive bids should be carefully designed and consistently implemented, and should clearly communicate the nature and scope of the program, the fiscal methodology, and the service expectations. The entire contracting out process – from seeking bids to finalizing the contract – should be implemented in a consistent, predictable manner.

(12) Privatization contracts should be written in language that is understandable to the parties that will implement the requirements, particularly private agency administrators. Contracts should state with specificity the services to be provided, to whom they are to be provided, and the results to be obtained.

(13) Because the public agency must remain accountable when services are privatized, it should develop strong monitoring capabilities that ensure effective government oversight and assurance of contract compliance, compliance with standards of quality service provision, and the achievement of program outcomes.

(14) The funding for any privatization initiative must be at an adequate level. Privatization cannot be viewed as a way to provide services more cheaply nor as a way to control costs. Reimbursement rates and schedules must be fair and equitable.

(15) At risk contracting – which places private agencies at financial risk when the cost of services exceeds the predetermined rates or payment levels – should be viewed with considerable caution. Given the current state of knowledge regarding risk shifting in child welfare contracts, it is premature at this point to utilize at risk and/or performance based contracting (whether in the form of case rates, capitated payments or global budgeting). To the extent that such approaches are used, they should be subject to ongoing assessment based on the development of baseline cost and outcome data and should be seen only as “working hypotheses.”

(16) When at risk contracting is used, there should be viable protections for private agencies against excessive levels of financial loss precipitated by factors beyond the private agency's control. Mechanisms such as stop-loss provisions and risk pools should be carefully developed and then fully implemented.

(17) Consumer involvement should be a key focus in program design, implementation, and evaluation. Specific mechanisms for involving consumers at all program levels should be developed and implemented.

The experiences of the communities that implemented the initiatives on which this study focused make clear that there is much to be learned from the child welfare privatization efforts that have been implemented thus far. Given the continuing interest in privatization, it is likely that other communities will seek to design and implement their own privatization initiatives. It is hoped that the documentation of the rich experiences of communities that already have planned, developed, and implemented such efforts and learned what “works” and what does not “work” can inform these efforts.