

**INCREASING STATE FLEXIBILITY IN USE OF
FEDERAL CHILD PROTECTION FUNDS**

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

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**INCREASING STATE FLEXIBILITY IN USE OF
FEDERAL CHILD PROTECTION FUNDS**

THURSDAY, JULY 20, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, D.C.

The Subcommittee met, pursuant to call, at 1:05 p.m., in room B318 Rayburn Building, Hon. Nancy L. Johnson (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-1025

July 13, 2000

No. HR-23

Johnson Announces Hearing on Increasing State Flexibility in Use of Federal Child Protection Funds

Congresswoman Nancy L. Johnson (R-CT), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on increasing the flexibility States have in their use of Federal funds in the child protection program. The hearing will take place on Thursday, July 20, 2000, in room B-318 Rayburn House Office Building, beginning at 1:00 p.m.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include representatives from the U.S. General Accounting Office, State administrators of child protection programs, child advocates, and researchers. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

In 1980, Congress enacted legislation that created a program of Federal support for child protection programs conducted by State and local governments. The legislation created two major programs, a capped grant program under Title IV-B of the Social Security Act that gave States flexibility in providing treatment for families and children involved in abuse or neglect as well as services for foster and adoptive families, and a series of open-ended entitlement programs under Title IV-E that help States operate their foster care and adoption programs for children who have been removed from their families. Many critics have observed that because the IV-B grant program has grown very little since 1980 while the IV-E program has grown rapidly, the emphasis in Federal funding may appear unintentionally to be on maintaining children in out-of-home care and not on providing services so that children can be either safely returned to their families or adopted in timely fashion.

The Subcommittee is interested in increasing the amount of flexibility States have in using their IV-E dollars. The goal is to find ways to allow States to use the IV-E dollars for prevention and treatment as well as out-of-home placement. The Subcommittee has developed three options that would increase flexibility in State use of Federal IV-E dollars. In the first approach, States would negotiate a baseline of expected spending with the Secretary of the U.S. Department of Health and Human Services. States would then receive the exact amount of money specified in the baseline in quarterly payments and would be free to spend the dollars on any child protection activity including prevention, treatment, and out-of-home care. However, States could return to the IV-E program of open-ended funding at the start of any fiscal year. In the second approach, States would also negotiate a baseline. In this case, however, States would identify a specific intervention program expected to save money by reducing out-of-home care or by other means. If the program does save money, the savings could be transferred out of the IV-E program into the IV-B program where States would have more flexibility in using the funds for prevention and treatment. The third proposal would strengthen the current waiver author-

ity for child protection programs in the Social Security Act, especially by allowing permanent waivers.

States have already shown their interest in flexible Federal funding by taking advantage of Federal legislation enacted in 1993 that provides them with the opportunity to obtain waivers from Federal child protection law. Several States are now conducting waiver programs to test whether they can use the greater flexibility permitted by waivers to improve their child protection programs. Other States have simply moved ahead on their own with new methods of financing child protection services.

In announcing the hearing, Chairman Johnson stated: "We simply must find ways to allow States to make maximum use of Federal dollars in their programs to protect children who have been abused or neglected. The welfare reform bill shows what States can do when they have flexibility in their use of Federal resources.

After working closely with States to develop these proposals, I am confident that they would lead to great improvements by helping more children grow up in safe and loving families."

FOCUS OF THE HEARING:

The hearing will provide an opportunity for witnesses to give their reactions to the funding flexibility proposals being considered by the Subcommittee.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect or MS Word format, with their name, address, and hearing date noted on a label, by the close of business, Thursday, August 3, 2000, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the

Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at '<http://www.waysandmeans.house.gov>'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman JOHNSON. There is a certain fundamental irrationality about Federal policy around our child protective and foster care programs.

Although I greatly admire the 1980 legislation that generated the money we now give to states to operate programs like that, the legislation is really seriously fundamentally flawed. To simplify somewhat, think of the 1980 legislation as establishing two programs. The first program is a capped and appropriated program that provides money for prevention and treatment services. This money was intended to solve the problems before they exploded to prevent abuse and neglect. The second program is an open-ended entitlement, actually a series of open-ended entitlements that support a system of removing children from their homes.

The service program is capped and appropriated and therefore has hardly grown in two decades despite the valiant effort of Tom Downey and many since Tom was chairman of this Committee. By contrast, the maintenance programs were open-ended and have grown by leaps and bounds. In nominal dollars since 1980, the service program has grown only by \$160 million. In other words, the program has barely kept up with inflation and on a per-child basis, has declined dramatically. By contrast, the maintenance programs have grown by \$4.5 billion. So programs for prevention treatment grow by \$160 million over two decades while programs for removing children from their home grow by \$4.5 billion, 35 times as much as the prevention and treatment programs.

We simply must find ways to correct this situation. I have been trying to find a solution to this problem for more than a decade, and I believe we are now at a point where at least we can begin to move forward on a bipartisan basis.

I want to give the Secretary the authority to grant waivers for funding flexibility to not more than ten states. Five of these waiver programs would involve giving states complete flexibility over the combined funds for prevention and maintenance. These states would know the total amount of Federal money they have available at the beginning of the year and have complete flexibility in spending that money. A second proposal would increase flexibility by allowing states to transfer funds from the maintenance to the services program.

Second, continue all the entitlements and guarantees for children found in current law. States that participate would have the same

level of responsibility for ensuring child safety as they do under current law.

Third, carefully evaluate the programs so that we will know what happens to the money and the children and the families. Under my proposal, we will know even more about the children and their outcomes than we do under current law. Moreover, if the programs provide better services to families and better outcomes, we will know that too.

Fourth, we'll guarantee that the states that embark on these waiver experiments can return to the system of open-ended entitlements at any time. To me, the most compelling argument against flexibility has always been that without the open-ended entitlement, a surge in foster care cases could leave states stranded for funds. Our proposal would allow states to return to the open-ended entitlement. And that should satisfy the very reasonable concern that we must ensure Federal money for removal in emergencies.

We have made great progress over the years in working through this issue with program operators, state officials, and others. I think it's fair to say that we would not be introducing this proposal today if there weren't states that are already doing this. Just like with welfare reform, it isn't really the Federal Government that leads. It's the people close to the problem that lead in developing the solution. And if the states hadn't been so inventive in finding, frankly, more humane realistic practical right-feeling solutions to helping people on welfare, the Federal Government would never have passed welfare reform. The states are really finding there are much better ways to help families. And many of them have waivers.

When I went and visited with the researchers at Yale, I was really stunned and profoundly saddened to see that the brain pictures of children who are removed from their homes are identical to those of veterans suffering from traumatic brain injury. And the more often, yes, the pictures are exactly the same, the colors. And if you have gone through that level of trauma two or three times by the time you are six, it's not surprising you have trouble controlling your emotions as you grow up.

So, I feel the matter before us in its broad outlines—in its generic nature—is of extraordinary importance. And I think the current system does not only an injustice to America's children, but destroys the possibilities for families and children to grow together. I feel very strongly about it. This is a modest proposal. I hope those testifying will be as straightforward as they can be. And I hope that you will all begin to realize that if half the states have a waiver of one kind or another, shouldn't we be making it much easier to move money. There are so many examples now of money better managed that to have states tethered to a system that rewards taking children from their families and punishes preventing outplacement is truly a tragedy.

So, I hope that out of this hearing we will make some substantial progress in developing our thinking. And I hope that the proposal before you is only a step. But if we don't take a step this year, even if it doesn't get through the senate, the issue will never survive the change in administrations that is inevitable. So, I take this matter

very seriously though I recognize it is near the end of July of an election year. Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. I didn't realize it was the end of July of an election year. Thanks for pointing that out.

First, let me thank you for conducting this hearing. I think it's extremely important that we look at ways to provide increased flexibility to our states in spending Federal child welfare funds. So, I applaud this hearing. Like you, I believe that we need to spend or invest more resources in many areas than we are today. And I look forward to listening to the witnesses and looking at your proposal. Let me say from the beginning that I'm very concerned that we maintain a national priority in this area. And I think that's the reasons why the programs were created over time to establish a Federal priority for protecting our children, our most vulnerable. We have an entitlement to certain funds. And as we look at granting more flexibility to our states, I want to make sure that we maintain the Federal Government's priority and full partnership in providing the type of assistance that's needed to protect the children of our society. So, as we consider these proposals, let me outline a few issues that I hope that we will look at.

First, we must ensure that the Federal entitlement to services is maintained for those children currently eligible for the IV-E foster care and adoption programs.

Second, we should be careful not to extend flexibility so far to allow states to back off their own commitments in this area and we actually find that there are less resources rather than more being devoted toward prevention and other program to help our children.

Third, I hope we could take advantage of some of the savings the state child welfare system may make compared to a projected baseline as proposed in the chairman's draft legislation, that we must find a workable way for the states and HHS to negotiate a pre-determined baseline for child welfare spending without completely inconsistent with estimates from the CBO.

And fourth, we must develop a system that can illustrate its positive impact on improving outcomes of at-risk children.

And fifth, and finally, we must acknowledge that the total amount of resources provided for child welfare services is inadequate to meet the growing demand particularly for addressing the connection between substance abuse and child abuse.

So, I think all these areas we need to make sure as we move forward to modifying the system that we are mindful of these very, very important goals. I look forward to hearing the witnesses particularly as they relate to some of the specific recommendations that are contained in the Chair's draft legislation which would provide demonstration authority to the Secretary of HHS and a limited number of states. I am very much interested in hearing the views of the witnesses in that regard. And I hope that we will all continue to work together to make preventing child abuse and finding safe and stable homes for children that have been abused to be our highest priority. I can think of no more important responsibility of this Committee than to address those needs. Thank you, Madam Chair.

Chairman JOHNSON. Thank you very much, Mr. Cardin. Let me call Ms. Fagnoni of the Division of Education, Workforce, and In-

come Security Issues of the Health Education and Human Services Division of the GAO. It's always a pleasure to have you with us, Ms. Fagnoni.

STATEMENT OF CYNTHIA M. FAGNONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY DAVID BELLIS, ASSISTANT DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION; AND KAREN LYONS, EVALUATOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION

Ms. FAGNONI. Thank you. Good afternoon, Chairman Johnson and Members of the Subcommittee, Congressman Cardin. I am pleased to be here today to discuss the progress made by a number of states and localities as they incorporate principles of managed care into their family preservation, foster care, and adoption programs. About 3 years ago, many of them began new managed care initiatives as a strategy to improve the quality of care provided to children and families and to control rising costs. Today I will discuss the financial and service delivery changes states and localities have made, their progress in measuring outcomes, and what is known about the effect of these changes on children and families. This information is based on our past and ongoing work.

Beginning with the financial and service delivery changes occurring under managed care, certain elements distinguish managed care from traditional child welfare. In place of a fee-for-service reimbursement approach, a single provider receives a prospective fixed fee also known as a capitated payment. The service provider must then manage the client's care within the fixed fee. Unlike the fee-for-service approach, under a capitated payment there are incentives for service providers to control costs by considering the most suitable arrays of services for children and families while working more quickly toward getting children into a permanent home.

The other element in managed care is that under this new payment method, a single entity is responsible for identifying, coordinating, and providing all appropriate services for children and families under their care. This new service delivery approach is designed to reduce the need for families to navigate often—with little or no assistance—a maze of community services as well as increase the likelihood that the service needs of children and families match the services they receive. In most of the 27 initiatives we studied, states and localities have contracted with experienced, private, non-profit community-based providers, many of whom have a long history of providing child welfare services for states and localities to serve as the managed care entity under a capitated payment. In every initiative we studied, the state or locality continues to hold the responsibility of investigating reports of child maltreatment and recommending to the courts whether a child needs to enter the child welfare system.

Turning now to the progress in measuring outcomes, states and localities are taking steps toward establishing a more performance based and results oriented system. They are beginning to identify outcome measures in the areas of child safety, a permanent home for the child, child and family well-being, the stability of out-of-home placements, and client satisfaction with services received. This strategy enables a dual focus of ensuring desired results are achieved—such as finding children a permanent home in a timely manner—and unintended results are not overlooked—such as children needing to reenter care because they were returned to an unsafe home.

For 11 of the 27 initiatives we reviewed, states and localities are using their outcome measures to establish performance standards for service providers. Some states and localities are looking to further hold providers accountable for their performance and results by using outcome measures to link performance to financial incentives.

However, not all of the initiatives have the most appropriate data systems in place to enable state and local agencies to develop outcome measures and assess whether desired results are being achieved. In many instances, private service providers and public agencies are working with multiple, incompatible, or manual systems which may yield information on child and family outcomes, but are inefficient. In addition, among the 12 initiatives we contacted about this issue, none of the states or local agencies are using federally supported statewide data systems to implement, monitor, or manage their child welfare managed care initiatives.

What do we know about the effects of these changes on children and their families? Some of the 27 initiatives have resulted in improved child and family outcomes in one or more areas of child safety, permanency, and well-being. Well, let's provide some examples.

About half the initiatives resulted in improvements in the number or percentage of children for whom a permanent home was found. And in some instances, they did so more quickly. A third of the initiatives reported that children and families improved their well-being in such areas as the family's relationship with one another and children's school performance. In particular, initiatives that target the hard to serve and most costly children, those in need of placement in residential treatment centers, had a positive outcome when children successfully transitioned to less restrictive, less costly place settings.

While the potential to control costs attracted state and local welfare agencies to managed care, their primary objective was not necessarily to reduce spending. Instead, some officials expressed a desire to reduce certain types of costs—such as the living expenses for out-of-home placements—or to use existing funds more efficiently and reinvest any savings into in-home or after-care services. For some initiatives, officials reported that overall spending has actually increased due to additional administrative costs associated with private entities assuming responsibility for managing clients' care and the state or locality overseeing contracts.

Whether any results from these initiatives can be attributed to the new service delivery and financing strategies is still largely un-

known. To date, few rigorous evaluations of the 27 initiatives have occurred. Those comparison studies that have been completed had serious design and data comparability problems and were inconclusive in their findings. While the initiatives included in our study have had limited evaluation, planned evaluations under the Federal title IV-E waiver demonstration program will yield additional information about the effectiveness of child welfare managed care arrangements. According to HHS, evaluations for the 12 waiver states that are testing managed care principles for child welfare services should be completed within the next 5 years.

This concludes my oral statement. I'd be happy to answer any questions you may have. And I have with me Mr. David Bellis and Ms. Karen Lyons who are experts in this area. Thank you.

[The prepared statement follows:]

Statement of Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, Health, Education, and Human Services Division, U.S. General Accounting Office

Madam Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the progress made by states and localities as they develop new financing, service-delivery, and accountability strategies for their child welfare programs. In the mid-1980s, child welfare agencies faced a poorly integrated patchwork of services for children and families accompanied by escalating costs. As we reported to this Subcommittee in October 1998, a number of states have incorporated or are considering incorporating some of the principles of managed care into their family preservation, foster care, and adoption programs.¹ Under a managed care approach, states and localities prospectively pay fixed, capitated amounts to providers to coordinate and meet all the service needs of referred children and families. The officials responsible for these new managed care initiatives saw this approach as a strategy both to improve the quality of care children and families in the child welfare system received and to control the rising costs of delivering services while holding all the partners in the system accountable.

Now that many of these initiatives have been in operation for 3 or more years, you asked us to report on their progress. As you requested, I will focus my remarks on (1) the financial and service-delivery changes states and localities have made in their managed care initiatives, (2) how they are measuring the initiatives' outcomes, and (3) what is known about the effect of these changes on children and families. My testimony is based on our past and ongoing work on 27 state and local initiatives that have been in operation since January 1998 or earlier.

In summary, states and localities that are implementing child welfare managed care initiatives are moving away from a traditional fee-for-service reimbursement approach to one that funds a single provider in advance under a capitated payment. This allows the single provider—now assuming greater responsibility for case planning and providing needed services—the flexibility to package and manage an array of child and family services. Under these new arrangements, states and localities are taking steps toward becoming more performance-based and results-oriented as they implement child welfare managed care initiatives. We found that the state and local agencies operating these initiatives are beginning to identify measures associated with five child and family outcome categories—child safety, a permanent home for the child, child and family well-being, the stability of out-of-home placements, and clients' satisfaction with the services they received. In addition, these agencies are using such strategies as setting performance standards and incorporating financial incentives in contracts with service providers to hold them accountable for their performance and ensure that desired results are achieved. However, we found that many of the state and local agencies operating these initiatives do not have appropriate data systems in place to store, analyze, and retrieve information on client outcomes. Most state and local officials we talked with who were responsible for the initiatives are encouraged by the changes occurring in child and family outcomes. While controlling costs was seen as a potential benefit of managed care, an equally if not more important goal was improved services for children and families. In fact, in some cases, overall spending has increased. Whether any outcome changes associ-

¹ *Child Welfare: Early Experiences Implementing a Managed Care Approach* (GAO/HEHS-99-8, Oct. 21, 1998.)

ated with these initiatives can be attributed to the new strategies is still largely unknown because they have not been rigorously evaluated. Planned evaluations under the federal waiver demonstration program will—in the future—yield additional information about the effectiveness of child welfare managed care arrangements.

BACKGROUND

The Administration for Children and Families within the Department of Health and Human Services (HHS) administers the federal child welfare programs. Federal involvement includes monitoring states' compliance with federal statutes and regulations, providing technical assistance to states, and supporting research and evaluation efforts. In 1994, the Congress gave HHS the authority to establish up to 10 child welfare demonstrations that waive certain restrictions in title IV-E—the federal foster care program—and allow broader use of federal foster care funds. The Adoption and Safe Families Act of 1997 (P.L. 105–89) expanded HHS' authority to approve up to 10 states' waiver demonstrations in each of the 5 fiscal years 1998 through 2002. The purpose for granting waivers is to test a variety of innovations, including but not limited to managed care. Of the 21 states that have federally approved waivers, 12 states have waivers to test managed care or capitated payment systems.²

In our 1998 report, we concluded that initiatives in which principles of managed care were being implemented were still in the early stages of program development and, as a result, were largely untested. We found that, for these initiatives to mature and meet officials' program expectations, state and local agencies needed to resolve three important issues. The first was to address cash flow problems in a new environment of funding services prospectively under a capitated payment system while seeking reimbursement for the federal share of costs only after services are delivered. In addition, state and local agencies stood a better chance of reducing or eliminating the service access problems often associated with different eligibility requirements in categorical funding streams if there was funding flexibility. The second issue facing state and local agencies was to continue to improve their capacity to collect, analyze, and report client and service data. Such data are paramount for state and local agencies to set reasonable and appropriate payment rates and performance standards, make additional programmatic changes or give service providers feedback, and improve policies and procedures for serving children and families. The third issue requiring resolution was that state and local agencies needed to continue to develop and refine strategies to hold both themselves and their private partners accountable for achieving desired outcomes. Moreover, these agencies needed to develop the capacity to continuously measure and report their progress toward meeting performance goals. Outcome measurement and performance management were new areas of focus for the child welfare system.

STATES AND LOCALITIES IMPLEMENT NEW FINANCING AND SERVICE-DELIVERY STRATEGIES

During the mid-to late-1990s, in an effort to reduce inefficiencies and improve the quality of care, states and localities began to implement new financing and service-delivery arrangements into their child welfare systems. By 1999, according to the Child Welfare League of America, 29 states had one or more initiatives to change management, financing, or service-delivery practices by adopting some principles of managed care.³

Managed care arrangements in child welfare have two primary elements. The first is a financing system whereby the state or locality makes prospective, fixed or capitated payments to one or more service providers rather than traditional fee-for-service reimbursement payments. The second element is that, under this new payment method, a single entity is responsible for ensuring that children and families receive appropriate and quality services.

Capitated Payments Provide Flexibility

Some states and localities are developing new payment systems in which there are incentives to both seek the most appropriate placement for children and have the flexibility to provide the most appropriate array of services. In their managed care initiatives, states and localities—often for the first time—are making prospective, capitated payments to providers to serve a defined group of children and fami-

²None of the 27 initiatives included in this study were implemented with a title IV-E waiver.

³Charlotte McCullough and Barbara Schmitt, *Managed Care and Privatization Child Welfare Tracking Project, 1998 State and County Survey Results* (Washington, D.C.: Child Welfare League of America, 1999).

lies. A capitated payment is a fixed fee that a provider receives either for each eligible client—that is, a single rate for each referred child or family—or for members of a pool of potential service users—such as a single rate to serve all eligible children and families in one county. The service provider must then manage clients' care within the fixed fee. This approach is a departure from the traditional fee-for-service system states and localities have used to pay service providers. Under a fee-for-service arrangement, providers are reimbursed for the number and types of services delivered. Such a payment approach offers few incentives for service providers to control costs by considering the most suitable arrays of services for children and families or more quickly returning children to their biological parent or seeking other permanent placements such as adoption.

To further increase service flexibility, some states and localities are funding capitated payment arrangements by pooling individual state funding streams that support different services that children and families in the child welfare system need. Because of restrictions on eligibility and prohibitions on certain uses of funds, public and private child welfare caseworkers often encounter problems accessing needed services for clients. By pooling or blending funds from various sources, these states and localities seek to reduce service access problems sometimes associated with categorical programs and increase flexibility in the use of funds. In Colorado, for example, the state blended funds from several child welfare and child care budget line items and allocated a fixed level of funding—equivalent to a block grant—to its counties. Block-granting state dollars in this way loosened the restrictions on the use of these typically categorical funds and increased counties' flexibility. Boulder County further pooled its child welfare block grant with funding from the mental health agency and youth corrections agency to finance its Integrated Managed Partnership for Adolescent Community Treatment (IMPACT) initiative, serving adolescents at imminent risk of placement in group or residential care.

Service-Delivery Changes Are Designed to Improve Access to Care

States and localities are trying to improve access to services for children and families by charging a single entity with the responsibility of identifying and providing all appropriate services. This approach is designed to reduce the need for families to navigate—often with little or no assistance—a maze of community services, as well as increase the likelihood that the service needs of children and families match the services they receive. In most of the 27 initiatives we studied, states and localities have contracted with experienced private nonprofit, community-based providers—many of whom have a long history of providing child welfare services for states and localities. These services often included temporary housing for foster children, mental health services, services to improve parenting skills, and some case management services such as developing treatment plans. As the managed care entity operating under a capitated payment, these providers take lead responsibility for coordinating specified child welfare services for a defined population of children and families. As the single point of entry to the service system, the managed care entity usually must provide, create, or purchase a wide range of services to meet the needs of children and families. If not providing services itself, this primary contractor may develop and subcontract with a network of service providers to make available all the services referred clients need.

States and localities have also shifted more case management responsibilities—much of which public agency workers had performed—to private contractors as part of their new role as care coordinators. In an effort to better match services with client needs, the primary contractor in many of the 27 initiatives included in our study uses a team approach to managing its caseload of children and families. This approach is designed to avoid the duplication, time delays, and fragmentation that often result under traditional case management, when different service systems and the many providers involved in a child's care are not part of the treatment planning and decision-making process. In some initiatives, the treatment team consists of those individuals who are regularly in direct contact with the child, including the case manager, therapist, parents or guardians, school officials, and other service providers. In other initiatives, case management teams include representatives from multiple agencies, such as child welfare, mental health, and juvenile justice agencies.

In most of the 27 initiatives, states and localities have contracted both the management and the coordination of care for children who have been or are at risk of being abused and neglected. However, not all aspects of the child welfare system have been contracted to private entities. States and localities have retained certain functions that officials believe are critical to meeting their legal responsibility for the safety and well-being of children in the child welfare system. In every initiative, the state or locality continues to conduct all child protection functions related to in-

investigating reports of child maltreatment and recommending to the courts whether a child needs to enter the child welfare system for protective or any other services. A child enters the managed care system on the basis of a referral from the state or locality to the managed care entity. In some initiatives, the state or locality also maintains its presence by retaining the authority to approve contractors' decisions related to reducing a child's level of care, such as moving a child from residential care to family foster care.

STATES AND LOCALITIES ARE TAKING STEPS TOWARD A MORE PERFORMANCE-BASED AND RESULTS-ORIENTED APPROACH

For child welfare managed care initiatives to effectively monitor the progress of children and families and hold service providers accountable, states and localities recognize that data on services and outcomes are needed. We found that states and localities are taking steps toward establishing a more performance-based and results-oriented system. Experts have identified critical steps to developing such a system, including identifying the outcomes to be achieved and their measures, establishing accountability for performance and results, and developing a data system to manage information on outcomes.⁴ We found that states and localities are identifying child and family outcome measures in the areas of child safety, a permanent home for the child, child and family well-being, the stability of out-of-home placements, and clients' satisfaction with the services that they received. Many agencies operating these initiatives are holding managed care contractors accountable for desired results by using outcome measures to establish performance standards and link performance to financial incentives. However, not all of the initiatives have the most appropriate data systems in place to enable state and local agencies to develop outcome measures and monitor and assess whether desired results are being achieved.

Agencies Are Beginning to Identify Various Child and Family Outcome Measures

State and local agencies responsible for the managed care initiatives have identified a variety of child and family outcomes to monitor—and the associated measures for those outcomes—that traditionally reflect the child welfare system's priorities. These outcomes include measures of child safety, permanency, and well-being—that is, children remain safe from harm, achieve a permanent home in which to grow up, and are physically and emotionally healthy. Other types of outcomes for which measures have also been identified include the stability of out-of-home placements—sometimes measured by the number of times children are moved from one foster care placement to another—and client satisfaction—sometimes defined as the extent to which children or families express positive or negative feelings about the services provided by public or private agency workers. Most agencies have established a range of measures that cover some, if not all, of the five outcome categories. (Examples of the child welfare outcome measures for each of the five outcome categories are illustrated in table 1.) This strategy enables a dual focus of ensuring desired results are achieved—such as finding children a permanent home in a timely manner—and unintended results are not overlooked—such as children needing to reenter care because they were inappropriately discharged. Under a permanency outcome for its foster care initiative, for example, Kansas seeks to reunite children with their families in a timely manner and measures the percentage of children who return home within 6 months. To ensure that contractors responsible for managing the initiative provide quality services and do not return children to an unsafe home, the state also—under a safety and a permanency outcome—measures the recurrence of abuse and reentry into foster care within 12 months of reunification.

⁴National Partnership for Reinventing Government, *Balancing Measures: Best Practices in Performance Management (Aug. 1999): Casey Outcomes and Decision-Making Project, Assessing Outcomes in Child Welfare Services: Principles, Concepts, and a Framework of Core Outcome Indicators* (Englewood, Colo.: 1998).

Table 1: Examples of Child and Family Outcome Measures

Category	Outcome	Measure
Safety	Children are safe from maltreatment	Confirmed reports of abuse and neglect in the general population Recurrence of abuse or neglect while children are receiving in-home services. Reports of abuse or neglect while the children are in out-of-home care Recurrence of physical abuse, sexual abuse, or neglect after children have left care.
Permanency	Children are placed in a permanent home in a timely manner	Children who are returned to their parents or relatives within a specified time. Finalized adoptions Children who achieve permanency within a specified time Average length of stay in out-of-home care Children who are maintained in their home and do not enter out-of-home care.
Well-being	Children maintain the permanent placement Children function adequately in their families and communities	Children who reenter care within a specified time. Children's emotional and behavior crises that result in hospital use or police calls. Children's behaviors related to sexual misconduct, running away, and suicide. Children's scores on standardized tests of childhood functioning Children's movement to less restrictive placement settings Youths discharged from care who have completed high school, have obtained a general equivalency diploma, or are participating in an educational or job training program.
Stability	Families function adequately in their communities Children experience a minimum number of placements Children maintain contact with their family and community	Families' adaptation to caregiving. Number of placements while in out-of-home care. Children placed with at least one sibling Children placed within their home or contiguous county Children placed out-of-state.
Satisfaction	Clients are satisfied with services	Youths who reported satisfaction with services, as measured by the Client Satisfaction Survey. Children who reported satisfaction with their foster care placement, based on an exit interview. Families who reported that the initiative provided them a valuable service.

Source: GAO analysis of interview data.

We also found that states and localities are measuring different outcomes, depending on the population served by the initiative and the states' or localities' goals. For example, El Paso County's initiative in Colorado encompasses all children and services in the county's child welfare system; as a result, the county established a broad safety outcome and is measuring child abuse and neglect rates among the general population. In contrast, Massachusetts targets older children in residential care for its Commonworks initiative in which the lead contractors only serve children, while the state serves the family and decides when a child can return home. Instead of monitoring the recurrence of maltreatment, the state measures outcomes related to children's movement to less restrictive settings and reentry into residential care. One of Illinois' goals for its performance contracting initiative is to find foster children a permanent home in a timely manner while minimizing multiple out-of-home placements. To monitor progress toward this goal, the state established several outcome measures, including average length of stay and the number of placements in different foster homes while children are in out-of-home care.

Agencies Are Attempting to Hold Service Providers Accountable

States and localities responsible for these child welfare initiatives are using their outcome measures to establish performance standards for both public and private service providers. By doing so, they are trying to hold all the parties in the initiative accountable for results. States and localities have established performance standards for 11 of the 27 initiatives we reviewed. Most performance standards are expressed as a specified level of outcome to be attained. For its Multi-Agency Team for Children (MATCH) initiative for seriously emotionally disturbed children, for example, Georgia has included standards that 40 percent of the children will improve their functioning and be discharged to a less restrictive placement setting, and that a 20-percent decrease will occur in the frequency with which children harm others.

As states and localities gain more experience with managed care, officials expect to adjust existing standards or introduce new ones. For example, in Kansas' foster care initiative, state officials realized that their first-year performance expectations for the lead contractors were in all likelihood unrealistic because the standards were not based on past program performance. As a result, Kansas officials expected to and did adjust performance standards annually as more current information was collected. In contrast, Massachusetts took a more incremental approach for its Commonworks initiative. The state did not introduce performance standards in the lead agencies' contracts until the third year of operation, after sufficient information had been collected to establish a baseline from which to set standards.

Another strategy to hold managed care providers accountable for their performance and achieving desired results is to link financial rewards and penalties to outcomes. In some initiatives, the state or local agency offers bonuses as a financial incentive for the managed care entity to meet performance standards and penalties for poor performance. In the TrueCare partnership initiative in Hamilton County, Ohio, for example, the managed care contractor can earn bonuses when it meets individual performance indicators related to (1) child and family outcomes, such as ensuring children's safety and reducing the risk of harm, and (2) management services, including maintaining a competent provider network and maximizing revenues. Similarly, the contractor can incur financial penalties when it fails to meet the performance indicators. Massachusetts offers bonuses to the lead contractors for achieving interim or successful outcomes. In Massachusetts' Commonworks initiative, a lead contractor can earn bonuses at three different intervals—when a child transitions to a less costly level of care, when a child leaves placement, and when a child does not re-enter the lead contractor's care within 6 months of discharge. In addition, in the Massachusetts initiative as well as others, poor performers risk not having their contracts renewed. However, even satisfactory performers may lose their contracts because of other factors. For Illinois' performance contracting initiative, foster care providers that met performance standards but were not the top performers lost their contracts when the successful outcome of a declining child welfare population resulted in a need for fewer providers.

Data Systems Are Needed to Manage Information on Outcomes

Data systems are the linchpin between a state or locality's efforts to identify and measure outcomes and fully implement a performance-based, results-oriented system. As states and localities move from a process-monitoring environment to a performance-based approach, information on client and service outcomes is needed to develop outcome measures and to monitor and assess whether desired results are being achieved. Nearly all the state and local officials we contacted reported that developing data systems to implement, manage, and monitor their initiatives continues to be a challenge.

Although agencies are taking steps to identify and measure outcomes, many have done so without appropriate information systems in place. In many instances, private service providers and states and localities are working with multiple, incompatible, or manual systems. While these systems may yield information on child and family outcomes, they are inefficient. For example, the lead contractor for the managed care initiative in Sarasota County, Florida, uses three separate, unintegrated data systems to track client and service data, and must enter duplicate information into each system and physically locate the three computer terminals side-by-side to ensure consistent data. For some initiatives in other states, agency staff manually collected outcome data because information systems had yet to be developed.

In several locations, data systems were developed specifically for the child welfare managed care initiative. In both Massachusetts' Commonworks and the Hamilton County, Ohio, TrueCare Partnership initiatives, the state or local agency required one of its managed care contractors to develop a data system specifically for the managed care initiative at the same time that new financial and service-delivery arrangements were implemented. These systems were not integrated with the state or local agencies' child welfare information systems at the time of our study, but may be in the future.

States and localities have not used federally supported statewide data systems to implement, monitor, or manage their child welfare managed care initiatives.⁵ Among the 12 initiatives we contacted about this issue, none of the state or local agencies are using their state's Statewide Automated Child Welfare Information Systems (SACWIS) to manage information on their initiatives' clients, services, or outcomes. Whether the state's SACWIS was operational or still under development, officials for some initiatives told us they hoped to either link their initiatives' data system to SACWIS or incorporate SACWIS into their initiative in the future.

EFFECTIVENESS OF MANAGED CARE INITIATIVES IS LARGELY UNKNOWN

Most of the states and localities involved in the 27 initiatives are encouraged by the results of the new financial and service-delivery changes. In particular, available data show that some of the ongoing managed care initiatives are associated with improved child and family outcomes in one or more areas of child safety, permanency, and well-being. In some initiatives, children are spending less time away from their biological parent or another permanent family than was the case before. While controlling costs was seen as a potential benefit of managed care, an equally if not more important goal was improved services for children and families. In fact, in some cases, overall spending has increased. Although reported results generally appear positive, few rigorous evaluations have been completed to determine whether the managed care arrangements are more effective or efficient than traditional financial and service-delivery methods. Future, planned evaluations under the federal title IV-E waiver demonstration program are expected to yield additional information about the effectiveness of child welfare managed care arrangements.

Officials Report Improved Child and Family Outcomes

For at least half of the managed care initiatives we reviewed, state and local child welfare officials said that they believed the initiatives resulted in children spending less time in out-of-home care and away from their biological or other permanent family, improvements in children's well-being, and less maltreatment recurring. For most of the 27 initiatives, available data reflected results encompassing outcome measures in three areas—permanency, child well-being, and child safety. About half the initiatives resulted in improvements in the number or percentage of children for whom a permanent home was found and, in some instances, they did so more quickly. In Florida, for example, the state reported that adolescents spent 66 percent less time in out-of-home care in District 4's managed care initiative when compared with another location where children were served by the traditional state service system. A third of the initiatives reported that children and families improved their well-being in such areas as their involvement in the community, the family's relationships with one another, parenting skills, and children's school performance. For example, Tompkins County in New York reported in 1997 that its youth advocate program resulted in all families improving parenting skills, all the youths improving

⁵The Congress had authorized enhanced funding to states under the Omnibus Budget Reconciliation Act of 1993 for the development and implementation of Statewide Automated Child Welfare Information Systems (SACWIS) amid concerns about the lack of information on children in the child welfare system and their families. As of May 2000, HHS reported that 27 states' systems were fully or partially operational—including some of the states with ongoing child welfare managed care initiatives; the remaining 23 states were not yet operational, and 1 state had elected not to pursue a statewide SACWIS.

their ability to control violent and impulsive behaviors, and 55 percent of the youths improving their school performance. Lastly, Colorado reported in 1999 a decrease in the incidence of abuse and neglect ranging from 18 to 23 percent compared with the previous year in the four counties with ongoing initiatives. (See appendix for a summary of the reported outcomes for the 27 initiatives.)

State and local agencies used their outcome measures to track their initiatives' progress in several ways. For some initiatives, outcomes were reported as change that occurred during the initiative. The Colorado example on the reduced incidence of abuse and neglect used the previous year as a comparison. For other initiatives, agencies reported outcomes without any indication of change—sometimes because comparisons had not been made. Initiatives that targeted the hard to serve and most costly children—those in need of placement in residential treatment centers—were considered to have had a positive outcome when children successfully transitioned to less restrictive, less costly placement settings. For Georgia's MATCH initiative, for example, officials reported that 41 percent of the program participants improved functioning and were discharged from a more restrictive residential setting to a less restrictive placement, such as a group home, treatment foster home, or their own home.

While the potential to control costs attracted state and local child welfare agencies to managed care, their primary objective was not necessarily to reduce spending. Instead, some officials expressed a desire to reduce certain types of costs—such as the living expenses for out-of-home placements—or to use existing funds more efficiently and reinvest any savings into services. For some initiatives, officials reported that overall spending has actually increased as a result of additional administrative costs associated with private entities assuming responsibility for managing clients' care and the state or locality overseeing contracts. For example, Massachusetts reported that its Commonworks initiative is costing more, overall, despite realizing savings in some specific areas. Out-of-home placement costs averaged 3 percent less than the lead contractors' capitated payment rate. Although spending for in-home or aftercare services increased 80 percent as more children moved from residential treatment to less restrictive settings, the net effect was a cost reduction in spending for out-of-home and in-home services combined. Both the state and its lead contractors have reinvested the service-cost savings into program development. However, the state has incurred additional costs for an administrative services organization (ASO) to provide management services, lead contractors to manage their respective service-provider networks, and the state's oversight and management of the ASO and six lead contracts.

Lack of Rigorous Evaluation Leaves Initiatives' Effects Unknown

Although state and local child welfare agencies are tracking progress on most initiatives' identified outcomes—some by independent researchers—and reporting positive results, more rigorous studies are needed to determine whether the results can be attributed to the initiatives' new service-delivery and financial strategies. To date, few rigorous evaluations of the 27 initiatives we studied have occurred. Two evaluations, both completed in 1999, respectively included three local initiatives in Florida and a county initiative in California, and they attempted to compare program outcomes with a comparison group of children who were not participating in the initiative. However, both studies had serious design and data comparability problems and were inconclusive in their findings. A Colorado evaluation, which includes four of the county initiatives in our study, has established comparison groups for evaluation purposes. However, the study is ongoing and results have not been released.

While the 27 initiatives included in our study have had limited evaluation, planned evaluations under the federal title IV-E waiver demonstration program will yield additional information about the effectiveness of child welfare managed care arrangements. By law, states receiving this waiver must have an independent evaluation of the initiative that, at a minimum, compares and assesses child and family outcomes, methods of service delivery, and fiscal consequences. According to HHS officials, evaluations for the 12 waiver states that are testing managed care principles for child welfare services should be completed within the next 5 years. To date, one ongoing evaluation—of Ohio's demonstration of child welfare managed care in several counties—has compiled baseline information on child and family outcomes. Evaluation results are not yet available from any of the waiver states.

Madam Chairman, this concludes my prepared statement. I will be happy to respond to any questions that you or other Members of the Subcommittee may have.

GAO CONTACT AND ACKNOWLEDGMENTS

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APPENDIX

CHILD WELFARE MANAGED CARE INITIATIVES' OUTCOMES TO DATE

Table 3 includes the 27 managed care initiatives about which we collected information regarding documented child and family outcomes, as of April 2000. In particular, we list quantitative results in the outcome areas of child safety, permanent homes, child and family well-being, out-of-home placement stability, and clients' satisfaction with the services that they received. Preinitiative baseline data were generally not available. We indicate changes and describe cost savings where data were available. In some cases, results were not reported for individual initiatives but were aggregated across multiple initiatives in a single state. Unless otherwise noted, the combined outcomes are shown for (1) the three district initiatives in Florida and (2) Champaign and Madison Counties in Ohio.

Table 3: Child and Family Outcomes for 27 Ongoing Child Welfare Managed Care Initiatives, as of April 2000

Location and project name	Managed care model* and project description	Child and family outcomes
<p>State-level initiatives: Georgia Multi-Agency Team for Children (MATCH)</p>	<p>Public model statewide residential treatment services for severely emotionally disturbed children.</p>	<p>Fiscal year 1998–99 results</p> <ul style="list-style-type: none"> • Children’s behavior improved—incidents of negative behavior, such as aggression, self abuse, and property damage, decreased 21 percent between the 6-month and 12-month evaluations for children admitted during 1998, and decreased 35 percent between the 6-month and discharge evaluations for children discharged during 1998. • 41 percent of the children were either discharged from the project or stepped down to a less restrictive setting during 1999. • 66 percent of the children who were discharged from the project were still in a less restrictive setting 6 months after discharge during 1999. • 42 percent of the children who had progressed to a less restrictive setting were still in a less restrictive setting 6 months after their transfer in 1999. • All children were placed within the state during 1999.
<p>Illinois Performance Contracting</p>	<p>Public model Relative and traditional foster care statewide</p>	<p>1998–99 results</p> <ul style="list-style-type: none"> • Permanency rate in 1999 increased 149 percent over the previous year in Cook County’s Home of Relative Foster Care program. • Number of 1999 adoptions increased 70 percent over 1998 and 228 percent over 1997. • 3,660 children achieved permanency through subsidized guardianship between 1997 and 1999. • Number of reunited families increased 12 percent between 1997 and 1999. • Movement of children to more restrictive placement settings fell by more than half statewide.
<p>Indiana The Dawn Project</p>	<p>Managed care organization model Wraparound services for seriously emotionally disturbed children, aged 5 to 17, who have been impaired for more than 6 months and involved with multiple service systems in Marion County.</p>	<p>Outcomes were not provided.</p>

Kansas
Foster Care Privatization

Lead agency model
Statewide foster care services to children in state custody

Year 3 evaluation results, Jan.-Sept. 1999

- 99 percent of the children did not experience abuse or neglect while in out-of-home placement (consistent with years 1 and 2).
- 97 percent of the children did not experience abuse or neglect within 12 months of reuniting with their families (same as year 2).
- 27 percent of the children placed in out-of-home care were returned to their families within 6 months (consistent with year 2; decrease of 49 percent from year 1).
- 41 percent of the children placed in out-of-home care were returned to their families or achieved other permanency within 12 months (increase of 24 percent from year 2).
- 74 percent of the children who returned to their families did not reenter out-of-home care within 12 months of returning home (increase of 9 percent from year 2).
- 81 percent of youths, who were aged 16 and over and released from the state's custody, had completed high school, obtained a general equivalency diploma, or were participating in an educational or job training program (increase of 8 percent from year 2 and 53 percent from year 1).
- 99 percent of the children experienced no more than three placement moves while in out-of-home care (consistent with years 1 and 2).
- 71 percent of all children were placed with at least one sibling (decrease of 9 percent from year 2; consistent with year 1).
- 78 percent of the children were placed within their regional boundaries (consistent with year 2; decrease of 9 percent from year 1).
- 47 percent of the adults and 70 percent of the youths (aged 14 and over) reported satisfaction with services (decrease of 6 percent for the adults and consistent for the youth from year 2).

Table 3: Child and Family Outcomes for 27 Ongoing Child Welfare Managed Care Initiatives, as of April 2000—Continued

Location and project name	Managed care model* and project description	Child and family outcomes
Massachusetts Commonworks	Administrative services organization with lead agency model Statewide foster care for adolescents needing group care or residential treatment.	Administrative services organization report, 1999 <ul style="list-style-type: none"> • More children moved from residential treatment to less restrictive settings—the use of group homes, specialized foster care, and independent living increased 73 percent from July 1997 to June 1999. • Children’s placement in less restrictive settings was supported by increased provision of aftercare services—expenditures for aftercare services increased 80 percent, and the monthly average number of clients receiving aftercare services increased 51 percent over 1998. • Recidivism rate of 6 percent for youths who had a planned discharge, such as return to home; 17 percent for all youths discharged, including unplanned discharges such as running away from foster care placement (Jan. 1997-Sept. 1998). • Savings achieved for out-of-home and aftercare services in 1999 (excludes administrative costs associated with the administrative service organization, lead contractors’ management of provider networks, and state oversight)—lead contractors’ monthly client placement costs averaged 3 percent less than the capitated case rate.

Michigan
Interagency Family Preservation Initiative (MIFPI)

Lead agency model
Wraparound services for seriously emotionally disturbed children involved with multiple service systems at selected sites.

Descriptive evaluation results, 1998

- Child abuse and neglect rate of 9 percent during families' involvement in MIFPI (compared with the rate for all children in the state of 8.4 per 1,000 in 1996).
- Child abuse and neglect rate of 2 percent after families' involvement in MIFPI.
- Out-of-home placement rate decreased 38 percent during involvement with MIFPI for children who were in a placement setting at the time they entered the project; decrease of 39 percent for children who were not in a placement setting at the time they entered the project.
- Children and families improved, on average, on all scales of well-being and functioning, such as family and peer relationships, community involvement, behavior, school experiences, and family's adaptation to caregiving, with the greatest improvement in lowering detentions and increasing the family's adaptation to caregiving.
- 94 percent of the parents involved in MIFPI reported satisfaction with the services they received.

Tennessee
Continuum of Care Contracts
Wisconsin
Safety Services Program

Public model
Statewide foster care for older children with moderate to severe emotional and behavioral problems.

Annual report, July 1998-June 1999

- 59 percent of the children discharged were discharged to their own family, an adoptive family, or a less restrictive setting.
- Outcomes were not provided.

Local-level initiatives:

Lead agency model
Family preservation services for noncourt families in Milwaukee County.

Table 3: Child and Family Outcomes for 27 Ongoing Child Welfare Managed Care Initiatives, as of April 2000—Continued

Location and project name	Managed care model* and project description	Child and family outcomes
Alameda County, Calif. Project Destiny	Lead agency model Foster care for seriously emotionally disturbed children in residential treatment in the county.	Evaluation results, 1999 <ul style="list-style-type: none"> • Project children were at least as safe as children in the comparison group on risk indexes such as alcohol and drug use, abuse against other children, medical emergencies, and running away. • 75 percent of the project children were residing in a less restrictive setting; 25 percent of the children could not be maintained in less restrictive settings (comparison data were not available). • No significant difference in improvement in children's mental health between the project and comparison groups. • Academic performance of project children was comparable to the comparison group on three measures—school attendance, conduct reports, and academic improvement; however, project children's academic performance relative to grade level declined significantly over time while the comparison group improved on this measure. • Reduced levels of placement were not stable for a majority of the project children—60 percent of the children experienced two to eight additional changes in placement (comparison data were not available). • Project very nearly reached its goal of revenue neutrality by the end of the second year; between 1997 and 1999, the project realized a net gain of 2 percent of its capitated rate.
Boulder County, Colo. Integrated Managed Partnership for Adolescent Community Treatment (IMPACT)	Public model Foster care for adolescents needing group care or residential treatment in the county.	State managed care report, 1999 <ul style="list-style-type: none"> • Confirmed reports of abuse and neglect decreased 23 percent over 1998 baseline. • Finalized adoptions increased 13 percent over 1998 baseline • Savings were reinvested in child welfare services—the county realized a savings of less than 1 percent of its capped allocation from the state in 1998; the dollar amount of savings increased 128 percent in 1999.

<p>El Paso County, Colo. Child Placement Agency Pilot</p>	<p>Administrative services organization with lead agency model Foster care for children placed by Child Placement Agencies in the county.</p>	<p>State managed care report, 1999 <ul style="list-style-type: none"> • Confirmed reports of abuse and neglect decreased 19 percent over 1998 baseline. • Finalized adoptions increased 84 percent over 1998 baseline • Savings were reinvested in child welfare services—the county realized \$1.3 million in savings in 1999. </p>
<p>Jefferson County, Colo. Child Welfare Pilot</p>	<p>Public model All child welfare services in the county</p>	<p>State managed care report, 1999 <ul style="list-style-type: none"> • Confirmed reports of abuse and neglect decreased 18 percent over 1998 baseline. • Finalized adoptions decreased 23 percent and family reunification increased 21 percent over 1998 baseline. • Savings were reinvested in child welfare services—the county accrued no savings in 1998 and \$175,000 in 1999. </p>
<p>Mesa County, Colo. Child Welfare Pilot</p>	<p>Public model All child welfare services in the county</p>	<p>State managed care report, 1999 <ul style="list-style-type: none"> • Confirmed reports of abuse and neglect decreased 20 percent over 1998 baseline. • Finalized adoptions increased 118 percent over 1998 baseline ... • Savings were placed in a reserve account in 1998 and reinvested in child welfare services in 1999—the dollar amount of savings to the county increased 50 percent between 1998 and 1999. </p>
<p>District 4, Fla. Privatization Pilot</p>	<p>Administrative services Administrative services organization with lead agency model Foster care and independent living services for adolescents in the district.</p>	<p>Outcome evaluation report covering all Florida initiatives, 1998–99. <ul style="list-style-type: none"> • Placement rate was 69 percent more than the comparison site (specific to District 4). • Length of stay was 66 percent less than the comparison site (specific to District 4). • 73 percent of the families served in Districts 4, 8, and 13 combined were satisfied with the care they received (similar to comparison sites). </p>

Table 3: Child and Family Outcomes for 27 Ongoing Child Welfare Managed Care Initiatives, as of April 2000—Continued

Location and project name	Managed care model* and project description	Child and family outcomes
District 8, Fla. Sarasota County Privatization Pilot	Lead agency model All children needing protective services, foster care, and adoption services in Sarasota and Manatee Counties.	<p>Outcome evaluation report covering all Florida initiatives, 1998–99.</p> <ul style="list-style-type: none"> • 86 percent of the cases in Districts 8 and 13 combined were closed in 1997–98 without reported recurrence of abuse or neglect within 1 year of case closure (similar to statewide rate). • Placement rate in Districts 8 and 13 combined was 29 percent less than the comparison sites. • Cases were closed at a faster rate than the public agency had before the initiative (specific to District 8). • Average length of stay in Districts 8 and 13 combined was 111 days (similar to comparison sites). • 20 percent of the children in Districts 8 and 13 combined were placed with a parent, guardian, or relative within 15 months of the date of removal from their home (43 percent less than the comparison sites). • 40 percent or more of the children legally available for adoption were adopted (specific to District 8). • 77 percent of the children in Districts 8 and 13 combined were still in foster care 15 months after removal from their home (51 percent more than the comparison sites). • 73 percent of the families served in Districts 4, 8, and 13 combined were satisfied with the care they received (similar to comparison sites). • Average case cost in 1997–98 was about 10 percent less than what the public agency spent before the initiative (specific to District 8).

District 13, Fla.
Bridges Program

Lead agency model
Children needing foster care and adoption services in Lake and
Sumter Counties.

Outcome evaluation report covering all Florida initiatives, 1998–
99.
• 86 percent of the cases in Districts 8 and 13 combined were
closed in 1997–98 without reported recurrence of abuse or neglect
within 1 year of case closure (similar to the statewide rate).
• Placement rate in Districts 8 and 13 combined was 29 percent
less than the comparison sites.
• Average length of stay in Districts 8 and 13 combined was 111
days (similar to comparison sites).
• 20 percent of the children in Districts 8 and 13 combined were
placed with a parent, guardian, or relative within 15 months of
the date of removal from their homes (43 percent less than the
comparison site).
• 77 percent of the children in Districts 8 and 13 combined were
still in foster care 15 months after removal from their home (51
percent more than the comparison sites).
• 73 percent of the families served in Districts 4, 8, and 13
combined were satisfied with the care they received (similar to
comparison sites).

Outcomes were not available.

Albany County, N. Y.
Preventive Services
Broome County, N. Y.
Child Welfare Care Man-
agement

Public model
Children needing preventive services in the county
Lead agency model
Children needing family preservation, foster care, and
independent living services at one site.

Outcomes were not available. The pilot project has been
discontinued because of problems with implementing new
financial and service-delivery arrangements in accordance with
federal and state regulations..

Oneida County, N. Y.
Kids Oneida

Lead agency model
Wraparound services for seriously emotionally disturbed children
in the county in or at risk of out-of-home placement.

Outcomes were not available.

Table 3: Child and Family Outcomes for 27 Ongoing Child Welfare Managed Care Initiatives, as of April 2000—Continued

Location and project name	Managed care model* and project description	Child and family outcomes
Onondaga County, N. Y. Family Support Center Program	Public model Children needing emergency foster care services in the county	<p>Outcome data, 1994–98</p> <ul style="list-style-type: none"> • Foster care days were reduced—children admitted and discharged from the program avoided staying in foster care 246,834 days since 1994. • Children were discharged from foster care more quickly—76 percent of the children were discharged from foster care; half the children who were placed in foster care since 1994 were discharged in 79 days (decrease of 77 percent from 1992, 78 percent from 1991, and 75 percent from 1990). • 56 percent of the children who were discharged returned to their parents and 33 percent were released to relatives. • Children had early contact with their families, where appropriate—70 percent of the children visited with a family member within 72 hours of placement and 41 percent visited within 24 hours. • 88 percent of the children with siblings were initially placed with their siblings. • 20 percent of the children discharged from foster care were readmitted (14 percent less than the overall county rate). • Educational continuity was maintained—all school-aged children attended their home schools.
Tompkins County, N. Y. Youth Advocate Program	Lead agency Wraparound services for youth in residential or institutional placements in the county.	<p>Program review, 1997</p> <ul style="list-style-type: none"> • 86 percent of the youths were free of legal involvement, such as arrests. • All families improved their functioning, such as parenting skills. • All youths improved their ability to control violent and impulsive behaviors both inside and outside the home. • Little effect in reducing youths' involvement with drugs and alcohol—17 percent of the youths improved on this measure. • School performance varied among participants but improved for 55 percent of the youths. • 60 percent of the youths had successful reports from their employers. • 88 percent of the youths improved in their community involvement.

Champaign County, Ohio Human Services/Adriel School	Public model Foster care for children needing out-of-home placement with a nonrelative in the county.	Outcomes report covering Champaign and Madison Counties, 1999. <ul style="list-style-type: none"> • All children discharged from managed care in Champaign and Madison Counties were discharged to a less restrictive setting. • In 1999, 63 percent of the children who were placed through managed care did not reenter a managed care placement within 12 months.
Crawford County, Ohio Out-of-County Placement	Lead agency model Foster care for children placed outside the county in therapeutic family foster home, group care, or residential treatment.	Outcomes were not available.
Hamilton County, Ohio TrueCare Partnership	Managed care organization model Foster care and independent living services for children in outpatient mental health and therapeutic placements..	Managed care entity report, 1998 <ul style="list-style-type: none"> • 62 percent of the children who had been in a more restrictive setting—such as residential treatment, group home, treatment foster care, or day treatment—were able to remain in a stable, less restrictive setting after 6 months.
Madison County, Ohio Adriel Out-of-Home Care Placements	Lead agency model Foster care for children in the county needing nonrelative, out-of-home placement.	Outcomes report covering Champaign and Madison Counties, 1999. <ul style="list-style-type: none"> • All children discharged from managed care in Champaign and Madison Counties were discharged to a less restrictive setting. • In 1999, 63 percent of the children who were placed through managed care did not reenter a managed care placement within 12 months.

Table 3: Child and Family Outcomes for 27 Ongoing Child Welfare Managed Care Initiatives, as of April 2000—Continued

Location and project name	Managed care model ^a and project description	Child and family outcomes
Dodge County, Wis. ^b Family Partnership Initiative	Lead agency model Wraparound services for adolescents in child care institutions or juvenile corrections in 10 counties.	Outcome report, Aug. 1997-Aug. 1999 <ul style="list-style-type: none"> • Status offenders—youths with delinquent behaviors such as disorderly conduct, fighting, truancy, possession of marijuana, and curfew violation—had fewer contacts with the courts after participating in the initiative: 70 percent of the youths had no contact, 25 percent had one to five contacts, and 5 percent had six or more contacts compared with before the initiative, when 42 percent had no contact, 44 percent had one to five contacts, and 14 percent had six or more contacts. • Criminal offenders—those youths with delinquent behaviors such as theft, criminal damage to property, burglary, bomb threat, battery, sexual assault, receiving stolen property, possession of a firearm, and auto theft—similarly had fewer contacts with the courts: 75 percent had no contact and 25 percent had up to five contacts compared with before the initiative, when 72 percent had no contact, 43 percent had up to five contacts, and 15 percent had six or more contacts. • Truancy rate improved from 25 percent before the initiative to 15 percent after the initiative.

Milwaukee County, Wis.
Wraparound Milwaukee

Public model
Wraparound services for children in the county in or at risk of residential treatment.

Quality assurance/improvement and utilization review report, second quarter of 1999.

- Youths spent less time in residential care during their first year in the program—the percentage of days youths were in residential care decreased 29 percent.
- Youths spent more time with their parent—the percentage of days youths were with their biological parent increased 32 percent.
- Children experienced an overall improvement of 21 percent on measures of behavioral change—such as symptoms of depression, anxiety, withdrawal, social problems, delinquency, and aggressive behavior—at 12 months after entry into the program.
- Children experienced an overall improvement of 34 percent on scales of child-adolescent functioning, such as their ability to function adequately at home, in the community, and at school; their behavior toward others; emotional problems; self-harmful behavior; and substance abuse, at 12 months after entry into the program.
- Average monthly cost of providing services decreased 8 percent between the first and second quarters of 1999.

^a Organizational arrangements among public and private entities generally fell into one of the following managed care models: (1) public model, which maintains the traditional management and service-delivery structure while the public agency incorporates managed care elements into its own practices and existing contracts with service providers; (2) lead agency model, where the public agency contracts with a private entity that is responsible for coordinating and providing all necessary services—either directly itself or by subcontracting with a network of service providers—for a defined population of children and families; (3) administrative services organization model, where the public agency contracts with a private organization for administrative services only, and direct services are structured as in the lead agency or public models; and (4) managed care organization (MCO) model, where the public agency contracts with a private organization as in the lead agency model, but the MCO arranges for the delivery of all necessary services by subcontracting with other service providers and does not itself provide direct services.

^b Ten-county initiative includes Columbia, Dodge, Green Lake, Jefferson, Manitowoc, Ozaukee, Sauk, Sheboygan, Washington, and Winnebago Counties.

Chairman JOHNSON. Thank you very much for your testimony. The title of your testimony is "New Financing and Service Strategies Hold Promise, but the Effects are Unknown". You did address this some, but could you enlarge a little bit on what is known and what are the likely positives of a more integrated approach and what are the most likely negative consequences of this more flexible funding, and how much of the unknown is just neutral, you know, what are the positives, what are the negatives?

Ms. FAGNONI. Well, the main reason we say the effects are unknown, because as I mentioned at the end of my oral statement, there have been few rigorous evaluations. So, while a number of initiatives are tracking over time what happens to children and families, what hasn't been done—what is underway but hasn't been completed in some cases—is an effort to determine to what extent the particular service delivery and financing mechanism made a difference in the outcome. So, we do have data, and I think we have provided some in the back of our testimony, the written version of our testimony, that shows for those initiatives where they are tracking what's happened to children and families, we have seen some positive outcomes for children over time. Again, whether or not we can attribute those to the specific initiatives is largely unknown. But we have seen things like children more quickly being either returned to their parents or to a more permanent setting. In some cases, initiatives are measuring to what extent children are in a stable placement if they are placed outside their homes so they're not being, you know, measuring the extent to which they are staying in one place as opposed to being moved around while they're trying to find a more permanent place. So, those are examples of the types of measurements. They're also measuring if a child is returned to the parent, looking for a 6 to 12 month time period, do they have to reenter that system because of further neglect or abuse. So, those are some examples of what's being measured. In some—and one of the things some of the initiatives are doing, as you can imagine, some efforts to return children to a more permanent—either to their parents or a more permanent setting could have unintended negative effects if they are done too quickly or without proper attention, for example, with the parents to ensure they have improved their parenting skills. So, a number of the measures try to balance the goal of moving children more quickly into permanent settings against the concern that moving them too quickly could return them to the system with further abuse.

Chairman JOHNSON. I would certainly hope that all projects would try to balance those two goals.

Ms. FAGNONI. Right.

Chairman JOHNSON. But if you saw—what I hear you saying is that while you're not satisfied with the rigorousness of the evaluations and you can't necessarily tie the funding mechanism to the outcome, that you are seeing positive results. I haven't heard you mention any negative results.

Ms. FAGNONI. Right. For those initiatives that are tracking results, particularly there are a couple cases where the localities tried to make some comparison with other localities that were similar. And in those cases, some of the outcomes did—the comparisons did not look as favorable in terms of how quickly children were moved to a more permanent setting, for example. But we also noted that there were some problems with how those studies were done. So, it's not clear how reliable those data were.

Chairman JOHNSON. Did you look also at—did they look also at the complex of services? I mean, time is not the only factor. If they were returned in the same amount of time but they got better services and the family got better services, you know, was that component looked at separately? What was the service complex that emerged under a more integrated system versus the service complex that was.

Ms. FAGNONI. I don't think we have examples of those measures. They do measure—a number of initiatives measure individual's satisfaction with the services they receive, which might capture some of that. But I think in these measures we're talking about, they're looking really more at the safety, and permanency, and well-being sorts of outcomes.

Chairman JOHNSON. So, you didn't look at the specific services that the families were given or the child was given?

Ms. FAGNONI. No. Although in these initiatives I know the way they are set up, often the effort is as children are moved to more family like settings, the goal is that because those are less costly settings, the entity overseeing the arrangements is expected to move funding in a way that provides in-home services, after-care types of services. So, that is a goal of that kind of shifting of resources from the out-of-home placement to supportive services.

Chairman JOHNSON. Yes. That certainly is the goal. I'd just like to see if that's the reality.

Ms. FAGNONI. That's not something we specifically looked at.

Chairman JOHNSON. Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. I'm trying to figure out how the states financially deal with a managed care arrangement considering that the Federal funding source is for specific services. Now as I understand, some of the states that have developed a managed care type model are waiver states, some are not waiver states. So, how does that work? How can they make an arrangement for basically a lump sum payment whereas the Federal funding flow is directed toward specific services?

Ms. FAGNONI. What we found is that states and localities are using the state and local funding sources to pay up front and then using that—they do have a challenge with the cash flow given that the IV-E portion of funding comes for out-of-home services after they're provided. So, what states and localities are doing is up front funding the state and local moneys and then factoring in the reimbursement that will come later from the Federal IV-E. They also look to try to package funding, their own funding with other sources of funding where they might be able to use those funds in advance. So, that's—but that—we identified—we did a report a couple years ago where we looked in depth at a number of these

initiatives. And we did find that that cash flow issue was a challenge for states.

Mr. CARDIN. Is it different if it's a waiver, if they have a waiver?

Ms. FAGNONI. I think under the waiver scenario they have more of an ability, more flexibility even with the IV-E funding.

Mr. CARDIN. So, I take it that one of the things we want to learn from what you're doing is what model works best in this regard. Obviously we want to protect the entitlement of the funds, but we want to give flexibility to the states. I guess my question is does the current system allow the states adequate flexibility to go into this type of arrangement? They're doing it now. Is there inefficiencies because of the way we set the funding systems up or is this just a minor inconvenience?

Ms. FAGNONI. You probably will hear from other state officials who could talk directly to this. But I do think that they—they did identify the cash flow, the reimbursement after the fact, and the fact that the reimbursement is only for out-of-home placements as being pretty significant challenges. And as we found in looking at these initiatives, there are very few that are statewide. They are mostly very localized efforts to try to serve the target populations of children in the child welfare system. There are only a few that try to serve all children in the child welfare system. So, part of, I think, how they've handled this so far is to have a fairly targeted approach that doesn't cover a huge proportion of child welfare children.

Mr. CARDIN. Have you found that the capitated amount varies widely among those states that are doing this?

Ms. FAGNONI. I believe so. They have different arrangements for how they decide on a capitated rate. They have—some have, in essence, block granted a number of funding sources and provided them to child welfare entities. Some have actually negotiated with a contracting agency to come up with a reimbursement rate. Some have looked at historical cost data to try to estimate what a reasonable reimbursement rate might be. So, there have been some different approaches to that and some lessons learned, I think, in some states from some early attempts to do that.

Mr. CARDIN. I hope that information is being shared.

Ms. FAGNONI. Well, I think there is at least one state, I think the state of Kansas, which initially came in with a capitated rate that wasn't based on historical information, I think, has learned from that. Massachusetts, as you'll hear later as a different example, did look to historical information and took a couple of years before they could both be comfortable with the rate as well as comfortable with some of the performance standards they were establishing. So as I said, there have been some different approaches to this.

Mr. CARDIN. And if I understand from your testimony, you're not prepared to make any evaluation as far as the outcomes being better or worse based upon these arrangements?

Ms. FAGNONI. Well, I should—in response to that and Ms. Johnson's question, I should reiterate that under the waiver program there are a number of rigorous evaluations that are currently being conducted. So, we will have some of that information in the future. Just at this point in time, those results aren't available.

Mr. CARDIN. For those states that are under the waiver.

Ms. FAGNONI. Right.

Mr. CARDIN. If they're not under the waiver, we won't have that?

Ms. FAGNONI. Well, there aren't as many states—state initiatives that are trying to do those sorts of rigorous evaluations. They're not easy to do. And I think what you see instead are states at least tracking over time what the outcomes look like for child welfare children.

Mr. CARDIN. In that evaluation will we have any information between the relationship on substance abuse and child abuse?

Ms. FAGNONI. Not to my knowledge. I think that's a very difficult correlation to come to. Although, we did write a report a couple of years ago where we talked about the widespread problem of substance abuse in the child welfare population. Anywhere from 60 to 80% of the parents are substance abusers of children who enter into the child welfare system. And it's a real challenge for states and localities to figure out how to work with those families and develop more permanent settings for the children.

Mr. CARDIN. That's not built into the evaluation process of the waiver?

Ms. FAGNONI. Not to my—we're not sure. I mean, not to my knowledge.

Mr. CARDIN. Thank you, Madam Chair.

Chairman JOHNSON. Let me just clarify something for my own purposes and for the rest of the panel. These 27 initiatives that you have referred to, none of them are statewide, correct, none of them have waivers?

Ms. FAGNONI. None have waivers. That's correct.

Chairman JOHNSON. These are state initiatives within current law to try to implement a managed care approach...

Ms. FAGNONI. That's correct.

Chairman JOHNSON. Through contracts? There are 12 statewide waiver projects where states—12 states have waivers or statewide programs. They carry their own evaluation.

Ms. FAGNONI. Right.

Chairman JOHNSON. And it's that series of evaluations that will be completed in a year and from which we will get much broader information?

Ms. FAGNONI. That's right.

Chairman JOHNSON. I just wanted to clarify that because I didn't start out with exactly the right understanding myself. Mr. McCrery.

Mr. MCCREERY. Thank you. I just have one question concerning the statewide data systems that we pay 75% of the cost. Why haven't states—why haven't more states embraced that?

Ms. FAGNONI. Our understanding is that for these managed care initiatives, those state data systems were not providing them the kind of information they needed to both manage their contracts as well as track child outcomes. So, they were—I mean, we have one example from Florida where states were having to piece together multiple systems—multiple data systems to try to get the information they needed. And we had a caseworker who had three different computers on her desk with multiple entries of information to have the information they needed to know what services children were

being provided and what the outcomes were for those children and their families.

Mr. MCCRERY. So, are you saying that the program that we funded is basically worthless?

Ms. FAGNONI. No. It's—and in fact, what states told us, that they hope over time that they will develop more compatibility between the specifics they need for these managed care initiatives and what they can obtain quickly from, say, the SACWIS or AFCARS—SACWIS system, I should say. So, no. They certainly are useful systems. But states recognize that they need some more flexibility in their data information ability.

Mr. MCCRERY. OK. Thank you. Madam Chair, that's all I have.

Chairman JOHNSON. Thank you, Mr. McCrery. Mr. Camp.

Mr. CAMP. Thank you, Madam Chairman. I'd like to pursue this computer system that apparently nobody is using. If they're finding it to be useful, why are not more states using it and in what ways are they useful?

Mr. BELLIS. We really have not done an in depth look at the state data systems. In the managed care initiatives that we looked at, many of them were small and were basically working off pilot data systems or were having data systems developed specifically for those initiatives. Recent information from HHS says that a large number of states have implemented their SACWIS system and continue to make progress. But there is still a number of states who have yet come up to speed with it. When we first reported about these managed care projects 2 years ago, we identified data systems as an ongoing challenge. I think states are slowly getting the capacity and the experience to develop these systems. But it has been a continual problem. Some states are making more progress than others.

Mr. CAMP. How many states have fully implemented, do you know?

Mr. BELLIS. 27 States are fully or partially operational.

Mr. CAMP. Do they tend to be larger or smaller states or isn't there any pattern there?

Mr. BELLIS. I think it's a mix.

Mr. CAMP. It's a mix.

Mr. BELLIS. Yes.

Mr. CAMP. All right. Evaluating the managed care initiatives, the flexible funding proposals, I mean, what would be the key features of any evaluation requirement that would give us the accountability to really try to see the impact these proposals have on services for children?

Ms. FAGNONI. Well, the difference between simply tracking, I shouldn't say simply because that in itself is a challenge. To track what are the outcomes for children and families, how those have changed over time, the difference between that and being able to say, and this particular approach made a difference in a positive difference, is to have some way to compare what would have happened without that approach. There are different ways that can be achieved. One can actually have—what's the most reasonable way, I think, in some cases is to find what they call a comparison group, children who look similar to the children that are being served in terms of their characteristics and look to see what, you know, what

the difference was there. There are also some approaches that are called random assignment, which simply is you take the same pool of children and some get a certain approach to their services and others don't. So, there are some different ways. But the main thing is a way to compare against an alternative approach.

Mr. CAMP. OK. Thank you very much. Thank you, Madam Chairman.

Chairman JOHNSON. Thank you, Mr. Camp. Mr. Watkins.

Mr. WATKINS. Thank you, Madam Chair. Page 10 on the lack of rigorous evaluations leaves initiatives' effects unknown, which leaves the impression that we may not have a lot of answers yet. And you said to date few rigorous evaluations of the 27 initiatives that we've stated have occurred. Why haven't, you know—my question is why haven't we had more of them and also I'd like to know how many of these studies are, you know, targeted toward rural areas, not just metropolitan?

Mr. BELLIS. We're aware of a couple of locations that were in our study group that are currently doing controlled studies that have comparison groups, and if I understood your question, do include both urban and rural places. Unfortunately, many of these initiatives don't have the resources nor the expertise to design the types of studies that I think we feel would be rigorous enough to attribute the changes to the changes in the program. I think that's the one reason why we believe that the current 12 managed care initiatives, specifically under the waivers, with the evaluation requirements will give us a wealth of information about the reasons for changes.

Mr. WATKINS. Well, you beat around the bush on it pretty good there, I guess. But let me say, most of the time I find these studies never get into the rural areas lots of times. And there's usually never any comparison with that and urban areas. And I made that fact known to, I think, Chair here. And we—the rural areas are discriminated against. They're not brought in. They're not—and I think there's some possibilities of comparisons that might show that a lot of things can be done to help a lot of these young people and others in the rural areas at a lot less cost, a lot more personal identity, more self esteem, all these things. And but yet it has been ignored in many cases. And that's something I'd just like to see us make sure we have equity out there. And I think you might find some unbelievable positive results more so in the rural areas than in the urban. You know, I think, you know, our education system, you know, we always say, well, we've got to have small classes. And I agree. But yet we're closing down the small schools out across rural America because of all the things we're putting on them. You know, if we—but at the same time, we shove them into a larger situation which then comes right back and feeds the purpose of what they were all about doing. And so, I'd just like to see some evaluation with the rural areas in mind and how it may even compare as we look at it. And that's all I have. I apologize for being so late. I missed most of the testimony. But I've read most of it since I've been sitting here. Thank you.

Chairman JOHNSON. Mr. English.

Mr. ENGLISH. Thank you, Madam Chair. Ms. Fagnoni, good to see you again. And how do the outcomes that states have incor-

porated into their performance-based contracts compare with the outcomes that have just been developed in the child and family services review? For example, is there an emerging consensus on how to define and measure performance based on child safety, permanency, and well-being?

Ms. LYONS. When we looked at these initiatives, we didn't necessarily try to correlate the kinds of measures they were looking at with the outcome measures that the department is also tracking. But we did try to look at them. And we found that they were tracking across the same kinds of outcome categories; safety, permanency, well-being, stability, and client satisfaction. What our work did show as well is that they're measuring these outcomes in lots of different ways and not always in consistent ways. And as I said, we didn't try to track to see how the outcomes in these initiatives might have affected the states' outcomes that the department is going to report on soon.

Mr. ENGLISH. Thank you, Madam Chair. I have no further questions.

Chairman JOHNSON. On that point, did you note the inconsistencies among—in other words, did you summarize any of that information? Because I think the fact that they're measuring the same outcomes in lots of different ways matters. And if you drew any conclusions about which seemed to be better or consistent, that probably would be useful for us to know.

Ms. FAGNONI. We cite in our appendix—we do cite the ways in which each initiative our measuring and at least reporting outcomes. But we did not look—we did not go the next step of saying which seemed to be better than others. But that does show examples of within the same broad categories of outcomes in different ways of measurement.

Chairman JOHNSON. Is HHS aware of the fact that you did find quite differing methods as they go about writing—trying to put in place measurements of the same kinds of outcomes?

Mr. BELLIS. We have fully briefed and worked with the department in this work that we have done and shared that with them. One point about the development of outcome measures, in some ways it's a new experience for many of these agencies. And over time, they are getting better and better at it. It is a system that is in some ways new to performance monitoring. And it's an evolving issue. It's not a stationary target. One of the things that we've observed over time is that states are getting better at identifying the appropriate outcome categories and the measures to go along with it.

Chairman JOHNSON. It is difficult. That's why I thought those regulations were a little advanced. So, I'm very interested that you did talk to them. It's going to be hard to get in place. One last question. In these 12 waiver review evaluations that are going on, are you satisfied that those evaluation structures are solid? Are they what we need? Are we going to be able to use them or are we going to be able to look back and say, well, they didn't do this, they didn't do that, so we can't really use the information?

Ms. FAGNONI. We haven't examined them in depth. But our understanding is that they do exemplify the kinds of rigorous evaluations one needs to get to really get impact information.

Chairman JOHNSON. Thank you very much. I appreciate you being with us.

Ms. FAGNONI. Thank you.

Chairman JOHNSON. I'm going to call both of the panels up next so that members will have the maximum opportunity to hear everybody's testimony. And then if they get called away, they will at least have heard the testimony if they can't stay for the questioning. Bill Waldman, the Executive Director of the American Public Human Services Association, Charlotte McCullough, the Child Welfare Consultant for Chevy Chase, Maryland, Hon. Kathleen Kearney, the Secretary of the Florida Department of Children and Families, Robert Wentworth, the Director of Residential Services for the Massachusetts Department of Social Services, MaryLee Allen, the Director of Child Welfare Division of the Children's Defense Fund, Robert Geen, Senior Research Associate for the Urban Institute. Welcome. Thank you all for coming. And thank you for participating together. And as soon as Mr. Waldman sits down, he may start.

**STATEMENT OF WILLIAM WALDMAN, EXECUTIVE DIRECTOR,
AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION**

Mr. WALDMAN. Good afternoon, Madam Chair, Members of the Committee. It's a delight to see you again and be here with you. I'm Bill Waldman. I'm Executive Director of the American Public Human Services Association. My association represents all of the states, the U.S. territories, many localities, and many individual members all engaged in the public human services. In addition for purposes today, one of our key affiliate organizations, The National Association of Public Child Welfare Administrators, they're the group in the state and local executive branch of government that have the responsibility for implementing these many, many important programs.

Madam Chair, I wanted to thank you for three things as we start. One, of course, for the opportunity to be here to testify today to provide the opinion of the states and localities that run these programs. Second is for the bill that's been introduced today that we really appreciate. And the third is for the historic concern that you have expressed in recognition of the fact that the current system of financing we have is deeply flawed.

I recall at a previous hearing in this room, I don't know if I'm quoting you correctly, but you astutely observed in the event that the states and localities did everything we wanted them to do under the adoption of Safe Families Act, it would basically dramatically reduce the amount of funding and support that they have. And that really encapsulates the issue that we're struggling with.

Our association has done a lot of work on this issue. And I want give a thumbnail sketch of it. Two years ago, we recognized this was a very serious problem, particularly as the Adoption and Safe Families Act went into effect. We formed a broadly representative bipartisan working group of states to study the issue. We retained some of the foremost national experts in the field. We worked with our members and these experts and we did come up with a paper

that came up with some of the recommendations that I'm pleased to say are touched on and incorporated in the bill.

Since we have done that and we have also taken the opportunity to share that paper with many, many stakeholders, some key advocacy groups, and others to get their input as well, as that of some other national experts. We were very proud to cosponsor with your Subcommittee a special hearing and meeting in May here on the Hill where we had again that broad bipartisan representation of many groups and organizations, both in the public and private sector very much concerned with that—this issue. All of that work that we have done for these past 2 years and my own 35 year career in the Public Human Services as a state cabinet officer and as a child welfare director, leads us all to a fundamental, several fundamental conclusions that I wanted to share with you today that I think are appropriate to the discussion.

First is we really believed, I think it is fair to say, there's a broad consensus that the way in which IV-E maintenance, for example, the IV-E program is operated does not support the outcomes we're all trying to achieve. And it does not minimize the out-of-home care. It does support unfortunately—it pays funds for what are impermanent situations, the exact opposite of what we want to achieve. It does not specifically reward safety, it does not truly reward permanency. It does not foster innovation or creativity. It does not permit reinvestments of funds available into early intervention or prevention activities. The waiver process that's currently there has serious limitations and constraints and has, I would say, too broad and too onerous research requirements. We would like to see rigorous research of some of these innovations. If you look at, for example, the Medicaid and other programs, there is a way in which to take these off. And I believe your bill does address that part.

Further is that the current method has a look-back provision, I know you're familiar with, where we still use the old AFDC standard of 1996. I don't believe, and I think you'd agree, that is good public policy. There isn't an inflationary amount that adjusts as the cost of living and the cost of the services go up. And it does present quite an onerous administrative burden on the state to look back, as we say.

Also, the states have made some very significant progress in the implementation of the Adoption and Safe Families Act. And as you know and with your help and leadership in the Committee, and I appreciate that, many of the states were successful in winning bonuses. If you remember, more states won than we had money for. And you helped go back and get us additional funds. And we would ask for your help again when that comes up. But we want to be able—I'm concerned that the states won't be able to maintain, sustain, and expand that improvements without this kind of flexibility that you're attempting to address in the Act.

Also, in the discussion it became very clear that in the states, there is broad and deep support among the states for additional options for both flexibility and accountability. And with respect to Congressman Cardin's good point, I think I could fairly say the states understand and recognize a need to accept accountability as to the outcomes of performance in the same breath that they ask

for flexibility. And I think that's been a very significant and commendable change that would be very important.

I believe that the concepts that you address in the bill, in fact, address some of the issues that we came across as we studied this issue nationally. I think they will permit, in fact, a far greater flexibility. They will retain accountability. And they will simplify the waiver process. And we'll see good things.

There are three concerns about the bill as drafted now that I want to express today that I hope we'll have the opportunity to continue to work with you on. One of them is—although I understand and I was a little disappointed, but I understand, and that's the limitations on the number of states. And I suspect that the cost of these bills were scored by the Congressional Budget Office. In all sincerity, I am puzzled that why they were scored for additional funds since we want to have a baseline that's fairly negotiated, we don't want to spend more than a state spent in the previous year. So, why these are scored and therefore the limits occur is a question we would hope the opportunity to work with you and perhaps the CBO to look at this in what we think is the right perspective.

The second issue is that the language seems to preclude those states that are not in conformance with the children and family services review from participating. And clearly I understand the thought that you want states to be at a certain performance level before they could take advantage. But the point is, I would suggest to you, that many states really require the flexibility to be able to fix problems that have been identified. And I would say that if that were afforded in the legislation, then their plan as to how to use the money flexibly would have to be addressed to fix the problems identified. So, I would say if you'd make that change, you could make another way of fixing those states that have not done well or as well in the first review.

And finally, and I'll wrap up, is I think there is some clarification that's required in the maintenance effort section. I think and I agree with other statements that have been made that this field does require more investments. And there's only two ways you get them. One is with new funds. And the second is the opportunity to redirect or spend better, as your bill addresses, the existing funds that are here. And I think there's a recognition that one has to maintain these level investments. We certainly don't want to lose funds. On the other hand, I think the way the language is crafted would make it not desirable for states to participate in this. It would appear to include a broader scope of services and expenditures that Governors and treasurers would probably not want to go forward with it as written. And I would offer to work with you on it. We just recently received the bill. We would like to review it further.

But on balance, we really do appreciate your attention, your leadership, the Committee's interest and work on what we believe is a vital and important issue in the human services having directly to do with the outcomes and well-beings for children and families. Thank you.

[The prepared statement and an attachment follow:]

Statement of William Waldman, Executive Director, American Public Human Services Association

Chairman Johnson, Congressman Cardin, Members of the Subcommittee, I am William Waldman, Executive Director of the American Public Human Services Association (APHSA). I am pleased to have the opportunity to testify today about child welfare financing reform. As the national organization representing state and local agencies responsible for the operation and administration of public human service programs, including child protection, foster care and adoption, APHSA has a long-standing interest in developing policies and practices that promote improved performance by states in operating these programs for our nation's most vulnerable children and families.

On behalf of state human service administrators and child welfare directors, I want to applaud you, Madam Chairman, for your commitment to developing legislation to realign the current method of federal financing child welfare services with the desired outcomes of safety and permanency. Your leadership and concern for this issue have been outstanding and we know how passionate you feel about ensuring that states have the needed flexibility to enable them to make continuous improvements to the system, while remaining accountable for the outcomes we all want.

We have seen tremendous strides taking place in the states resulting from the Adoption and Safe Families Act (ASFA) and state reform initiatives and innovations. For example, statistics have demonstrated significant state successes in increasing the number of adoptions of children from foster care—with increases in nearly every state, in many cases rising by 50 percent or more in less than two years. Agencies are employing a number of promising practices such as subsidized guardianship, performance-based contracting, family group decision making, cross-system collaborative efforts with substance abuse agencies and juvenile courts—all of which are promoting more safe, stable and timely permanent arrangements for children, whether they be adoptions, reunifications or guardianships.

In order to ensure that this improvement and innovation is sustained and expanded, we must remove barriers to optimal performance. As you have recognized, one of the most serious constraints for states is a federal financing structure for child welfare that is constrained by fiscal incentives that do not necessarily reward the desired outcomes for children. The current federal financing system disproportionately funds the deepest and often least desired end of the system—out of home care—that we are all striving to minimize in terms of lengths of stay and numbers of children, while funding directed at activities to achieve permanency, safety, prevention and early intervention are comparatively limited.

Although we do not support a block grant for child welfare funding, we do strongly urge that additional flexibility in the use of Title IV-E dollars be afforded to states so that they can invest these dollars in the kinds of activities that are yielding success and test innovative ideas to generate new programs that work. Flexibility is also critical to enabling states to develop comprehensive approaches and a broad array of tailored interventions to address the complex and individual needs of children and families rather than encouraging responses that are driven by categorical programs that deal with only part of the system.

APHSA has a longstanding commitment to working on this issue. We convened a special task force in early 1998 to develop recommendations on restructuring child welfare financing. In July 1999, our National Council of State Human Service Administrators adopted a policy resolution supporting two proposals—transferability and delinking. Transferability allows states the option to reinvest IV-E funding into IV-B services, while retaining both state accountability and the entitlement structure. Delinking eliminates the IV-E eligibility link to the old AFDC program, enabling a federal commitment to all children in foster care as well as eliminating a complex outdated eligibility determination process that is a costly and onerous administrative burden on states. A copy of our recommendations is attached.

We were pleased to have the opportunity to co-host the meeting you sponsored in May, Madam Chairman, which brought together a diverse and bipartisan group of key stakeholders, including congressional staff, the Administration, state and local agency directors, researchers, advocates and private agencies, to initiate a dialogue on the three options that are reflected in your legislative draft—one of which is the transferability concept proposed by our association.

I drew two important conclusions from the deliberations. The first is that a broad-based recognition exists that the current system of financing is broken, self-defeating, and does not support the outcomes for children and families embraced in statute, regulation, and general public policy and practice. The second conclusion is that there is broad and deep support among the states for the kinds of solutions we joint-

ly presented that would provide greater flexibility in how Federal funds are used, but at the same time maintain accountability for outcomes and key protections for children. In addition, there appeared to be consensus on support for the concept of delinking IV-E eligibility from AFDC and extending a federal commitment to all children in care.

Since we only received a draft of the bill days ago and are still conducting a thorough review and analysis, I will speak in only the broadest terms with respect to the legislation and will follow up with your staff on the more technical, drafting issues.

While we very much appreciate your including the concept of transferability in your legislation, we were disappointed that this option is not available to all states. We feel strongly that the magnitude of the financing dilemma requires a more comprehensive, systemic solution than just a handful of demonstrations. The waiver modifications in Title II are very positive and will make great strides towards ensuring that the promise of innovation and flexibility agreed to in ASFA is not limited by overly prescriptive and rigid federal implementation. We understand that the more limited approach to the flexible funding demonstrations was a result of Congressional Budget Office (CBO) scoring, but given our intent to make the transferability option cost neutral, we seriously question the CBO's rationale and methodology, and would like to explore with you ways in which the legislation could take a more expansive approach. In addition, we would like to work on fine tuning the language that represents our transferability proposal to ensure that it is clarified to match the intent of our proposal.

Maintaining of collective federal and state effort is an important concept in financing national child welfare services, but the way the maintenance of effort provision is crafted in the draft legislation is highly complicated and contrary to a flexible system that will better help to serve children and families. Our early review indicates that the restrictions and penalty provisions would further complicate the good efforts you are trying to achieve. We believe in its current form it will discourage states to take these financing options which are seriously needed for improving the system and serving children and families.

We appreciate the opportunity to provide input into this important process. As it moves forward we want to work with you to suggest technical changes to ensure your good intent is realized.

As a long-term administrator of public human services, and child welfare in particular, I am convinced that the system needs additional investments in child welfare services. These investments come in two ways. The first is new investments, for example, in substance abuse services for children who come to the attention of child welfare, resources for the courts to meet the ASFA timeframes and reduce backlogs of pending cases, and training resources for judges and private agency service providers. The second is better spending of existing revenues. Both are needed if we want to meet the increased demands and capacity needs these systems are facing. Your bill, Madam Chairman, helps with this second approach. We thank you for taking the lead and we appreciate the opportunity to work with you. Working Draft: May 4, 2000

APHSA DRAFT PROPOSAL TO RESTRUCTURE FEDERAL CHILD WELFARE FINANCING¹

Background

In July of 1997, state reinvigorated their ongoing interest in advancing a national effort to address concerns about federal child welfare financing and its inherent barriers and disincentives to achieving positive outcomes for children and families. The National Association of Public Child Welfare Administrators (NAPCWA), APHSA's child welfare affiliate, dedicated its forum that summer to child welfare financing issues, and discussions culminated in a resolution adopted by APHSA's National Council of State Human Service Administrators that laid out guiding principles for federal child welfare financing restructuring. A major provision of the resolution was APHSA's opposition to a block grant, but support of increased flexibility within an entitlement structure.

As the Adoption and Safe Families Act (ASFA) was debated and enacted in November of 1997, states were continually criticized for their failures in child welfare, particularly as they related to foster care lengths of stay and lack of timely perma-

¹On July 20, 1999, the APHSA National Council of State Human Service Administrators adopted a resolution in support of the concepts of delinking and transferability which are discussed in this proposal. However, the details of this proposal do not represent official APHSA policy and should be considered a working draft.

nency—the results being more federal mandates as Congress' means to achieving improved state performance. Partly in response to APHSA's efforts to dissuade the mandate approach to child welfare reform and educate Congress on the links between financing and performance during that debate, ASFA included a directive to HHS to consult with states and others to develop a performance-based incentive system to finance federal child welfare programs, with the option to make other recommendations regarding federal finance restructuring. Building on the work initiated in July of 1997 and in order to be most effective in shaping the HHS process, the APHSA Child Welfare Financing Workgroup was established in January 1998 to develop recommendations on child welfare financing and outcomes to advance as part of the HHS process but also directly to Congress.

The workgroup devised a three-pronged approach: 1) identify outcome measures; 2) consider the capacity necessary to achieve those measures; and 3) develop a financing approach that supports achievement of those outcomes.

Since ASFA's enactment, states have demonstrated significant progress resulting from the new law and state initiatives in place prior to the law. In order to meet current challenges, the additional requirements posed by the law, the increased expectations of state performance, as well as to sustain and expand the significant progress that has been made, states will require greater flexibility in the use of federal dollars. Although there is no consensus on the Hill as to whether or how to change child welfare financing, it seems imperative that states take a leadership role now to move this debate forward because time is not in the favor of the states. As states achieve greater performance, they are in effect "penalized" financially whenever they successfully reduce foster care. More importantly, valuable resources are lost that could be invested in activities that produce outcomes. In order to capture this funding and redirect it to other parts of the system (e.g. prevention, intervention, reunification, adoption, guardianship, and services such as substance abuse treatment) before it is lost from the system, these changes must be made soon. The proposal that follows seeks to provide states the flexibility to reinvest federal funding into activities that achieve positive outcomes and to eliminate the administratively burdensome reliance on now-defunct AFDC standards for eligibility determination that has been of concern to states for several years.

Statement of the Problem

The current structure of federal child welfare funding does not adequately support the outcomes for the children and families that public child welfare agencies, Congress, the federal government, child advocates and the public seek to achieve. The bulk of federal funding is disproportionately directed toward funding out-of-home care—the very part of the system that agencies are seeking to minimize in order to achieve greater permanency for children. At the same time, services that protect child safety and promote reunification are underfunded by the federal government. When the Title IV-E financing structure was created 20 years ago, the assumption was that Title IV-B funding would grow—a promise unfulfilled. The reality is that Title IV-B funding has not grown commensurate with practice needs. The financing structures established in 1980 are no longer workable today. Furthermore, a provision in the P.L. 96-272 as originally passed had allowed Title IV-E foster care funds to be transferred to Title IV-B to be used for services, but it is no longer in effect. Unfortunately, the conditions required for activating the transfer provision were subject to increased IV-B appropriations that never materialized.

Most observers of the child welfare system are in agreement that the system does not have the necessary resources, and therefore, there must either be new investments in funding made or the redirection of existing funds. Given the reality of the budgetary environment in Congress, increases in funding are unlikely or often come at the expense of cuts in other human service programs. Therefore, we believe the most effective approach is one of redirection or reinvestment.

Proposal

The proposal contains two main features—transferability and delinking:

- Transferability proposal would give states the ability to redirect federal revenue for Title IV-E maintenance payments into their Title IV-B programs, thereby providing to states the flexibility to reinvest federal revenue into other child welfare services whenever the utilization of foster care is reduced.

This provision addresses states' criticism of the federal incentive toward out-of-home placement and their need for increased capacity in prevention, early intervention and services to families to promote permanency (reunification and adoption).

- *Policy Objectives of Transferability:*

- Preserve the basic federal Title IV-E entitlement, while enhancing flexibility.

- Connect federal child welfare policy objectives, federal fiscal participation in state and local child welfare programs, and outcomes for children and families within a single overarching framework.
- Enhance or otherwise redirect the flow of federal revenue to activities and services that expand the capacity of public child welfare programs and improve outcomes for children and families.
- Link increases in federal spending over time to the changing needs of children and families.
- Preserve overall cost neutrality against the CBO baseline.
- **Delinking** proposal would eliminate income eligibility (AFDC-eligible as of July 16, 1996) as a criteria to determine who among the children placed in foster care or subsidized adoption is eligible for federally reimbursed foster care and adoption assistance under Title IV–E. Instead, all children in care would be IV–E eligible (provided they met the other IV–E eligibility requirements—reasonable efforts, contrary to the welfare, eligible provider). In order to offset increased costs to the federal government for covering all children in foster care, the federal reimbursement rate would be adjusted proportionately in each state.

The purpose of the delinking provision is to eliminate the burdensome “look-back” requirement and promote administrative simplicity. It also provides equity for all children in foster care, making them all eligible for federal reimbursement regardless of the income of their birth family. Under current law, states must provide protections for all children in foster care and their performance is assessed with respect to all children in foster care. It is only reasonable that federal funds be provided for the care of all children in foster care. Because the law does not allow the income standards, in effect on July 16, 1996, to grow with inflation, eligibility for federal reimbursement will continue to decrease over time unless the problem of the “look back” is addressed.

Policy Objectives of Delinking:

- Expand the federal commitment to all children in foster care, regardless of the income level of their birth family, by eliminating income eligibility as a condition of federal participation.
- Streamline the eligibility determination process by eliminating the link to old AFDC standards, while preserving the basic Title IV–E entitlement.

These two features of the proposal—transferability and delinking—are not interdependent and do not necessarily have to be adopted as a package.

In developing the recommendations, we have tried to emphasize themes that have been articulated by workgroup members at the various meetings. Specifically, we have sought to preserve as much flexibility for states as possible while providing a link to outcomes. We have also sought to devise strategies that preserve the level of federal revenue flowing to each state to what it would have been in the absence of proposed changes.

Nothing in the proposal should be construed to mean that APHSA either opposes proposals that would increase federal funding levels in any one of the federal child welfare programs or that the recommendations developed herein are in any way inconsistent with such efforts.

BASIC ELEMENTS OF TRANSFERABILITY

• **Transferability**

Basic Policy

States that successfully reduce the utilization of foster care, as measured against an approved state baseline may transfer “unused” foster care funds into their federal Title IV–B allocation. Alternatively, states could establish a separate account for these funds, so long as the funds from that account are used for child welfare purposes, broadly defined. Transferred funds can not be used to offset state and/or local match.

The essential idea is that meeting the desired outcomes reduces foster care usage. For example, keeping children out of foster care, reducing their lengths of stay, or speeding reunifications and adoptions all lead to a reduction in foster care utilization or care days. A reduction in care days translates to a reduction in expenditures. It is these expenditures we are talking about as the funds to be transferred. It is important to note that the goal is not an isolated reduction of expenditures, but rather increasing the realization of outcomes which in turn leads to a reduction in care days which in turn results in reduced expenditures available for reinvestment.

Prospective Versus Retrospective Transferability

States could opt to undertake either a prospective transferability agreement or a retrospective transferability agreement.

- Prospective transferability means that states get the transfer funds up front to use for services and then must ensure that anticipated savings are realized that same year to make sure they come in at or below the projected baseline. If they exceed the baseline, the state is at risk for the match on the transferred amount, which must be repaid by the states if they do not achieve the targeted savings. The state can still claim reimbursement for all foster care costs above the baseline.

- Retrospective transferability requires that states invest their state dollars up front and at the end of that fiscal year, it would be determined if costs came in below baseline. If states exceed the baseline then the amount above baseline is paid as usual. Any amount below the baseline is transferred to the states as part of their IVB allocation the next year. There is no risk of having to payback unearned transfer amounts.

Mechanisms

At state option, transferability agreements can be proposed on a statewide basis or for sub-populations where sub-populations can be defined geographically or on the basis of some other target group of children and families. Target groups of children and families can be defined on the basis of service needs, age group, type of service, or other common distinguishing features.

Transferability agreements are activated at state option in the context of their Title IV-E and IV-B plans. Elements of the plan for purposes of the transferability agreement would include: a state specific foster care baseline (based on assumptions covering admission rates, placement duration, unit cost, and casemix); specifications related to target population(s), program models and interventions, geographic areas; projected impact of the plan measured in terms of safety, permanency and well-being; the planned duration of the agreement; provisions for outcome monitoring; and an “exit” plan describing the terms and conditions leading to the termination of the agreement.

HHS Approval

Approval of the transferability agreement would be the responsibility of HHS. Approvals would be granted based on a mutually agreed upon baseline and a federal determination that all proposed services are IV-B eligible. The mix of IV-B services would be solely within the purview of the state.

As envisioned, the approval process and level of scrutiny by HHS would be based on a state’s performance review. For states in substantial conformity with the federal performance review, approval would be dependent on the submission of a suitable plan as determined by HHS. For example, states in substantial conformity may propose a statewide program, would be subjected to regular, but less frequent outcome reviews, and would have greater discretion over the allocation of federal revenue for programmatic purposes. States that are not in substantial conformity with the performance review could enter into transferability agreements as well. However, in addition to submitting a suitable plan as determined by HHS, states would be required to link their transferability plan to their program improvement plan required by the performance review. HHS would have the authority to limit the geographic scope of states not in substantial conformity, and could institute a more stringent schedule of outcome reviews.

States that fall out of conformance with the federal performance standards would be subjected to a full, mandatory review of their transfer agreement. If the transfer agreement were continued, continuation would be subject to the same stipulations that would have been applicable had the state been out of conformity at the time the transfer agreement was reached.

In addition, HHS would have the authority to amend or terminate the agreement in the event there is other demonstrable evidence indicating that child safety, permanence, or well-being was being adversely affected by the transfer agreement.

The link to the performance review would ensure accountability and strengthen the connection to outcomes. It also provides states with needed resources to direct to program improvement—the foundation of the new outcomes-based performance review.

Cash Flow

Cash flow to states would be specified in the plan. By agreement with HHS, states could adopt either a “retrospective claims” approach or a “prospective claims” approach. Under a retrospective claims approach, states would submit claims to

HHS as they normally would. The difference between the amount claimed for foster care and the amount projected in the approved baseline would be made available to the state in the next fiscal year. Under a prospective approach, states in conjunction with HHS would project total revenue for the fiscal year. In turn, HHS would make quarterly payments to states.

Risk Sharing

Risk sharing refers to how differences between the baseline and actual foster care utilization are resolved. When states spend less revenue on foster care than anticipated in the baseline, states will retain the revenue as part of their transferability agreement. When foster care utilization and expenditures exceed the baseline, states can continue to claim reimbursement from the federal government for foster care in the usual way. However, they are at risk for the dollars subject to the transferability agreement.

In the event that foster care utilization climbs above the level specified in the baseline and approved in the plan, the state in conjunction with HHS would activate stop-loss provisions. These provisions include the following features:

- A state's ability to make foster care claims on behalf of children not covered by the transferability agreement is unaffected.
- Costs up to the baseline are eligible for federal reimbursement at the applicable match rate.
- Costs related to changes in the utilization of foster care above the baseline, on the part of children covered in the transferability agreement, that are due to rising admission levels would be shared with the federal government at the existing rate of federal participation (please see the effective rate of federal participation in the "delinking" section below).
- Costs related to changes in the utilization of foster care above the baseline that are due to slower than projected rates of discharge would be shared with the federal government at the existing rate of federal participation (please see the effective rate of federal participation in the "delinking" section below).

If foster care costs exceed projections, states are at risk for the full cost of the IV-B services up to the amount advanced prospectively to the state under a transfer agreement.

Further Explication and Examples of Reinvestment

For purposes of clarity, examples shown are for a one-year time period, but most likely these would be multi-year agreements and baselines.

• Prospective Transferability Example

State X has pioneered a flexible, individually tailored, case management linked array of in-home parent education, teaching homemaker and family preservation services, known as the ABC Program (for purposes of this example). The State, through experience and analysis has determined that investment in these IVB type services prevents the need for out of home care in many situations and reduces the time necessary for out of home care in others. They have concluded that such investments will achieve directly at least dollar for dollar offset in IVE type expenditures for out of home care.

State X, which has a 50% FMAP, reflects IVE expenditures for 1999 as follows:

Figure 1

State	Federal	Total
\$100M	\$100M	\$200M

For the Year 2000, the state and the federal government negotiate a baseline for State X reflecting a 5% increase in expenditures so that IVE outlays are projected to be as follows:

Figure 2

State	Federal	Total
\$105M	\$105M	\$210M

State X opts to enter into a transferability agreement and proposes to reinvest the amount that would be otherwise required to finance the growth in IVE costs

of \$10 million (\$5million State and \$5 million Federal) into expanding their new array of IVB like services. They further agree to meet all statutory and regulatory outcome measures. They fully expect, and are willing to risk the following outcome.

Figure 3

	State	Federal	Total
IVE	\$100M	\$100M	\$200M
ABC Program	\$5M	\$5M	\$10M
Total	\$105M	\$105M	\$210M

The net effect on this proposal and its successful implementation would be to enable states to use funds that would otherwise be required to finance out of home placement to underwrite preventive services that would avoid and/or shorten out of home stays for children. It would achieve the important public policy goals of strengthening and preserving families in a manner that is cost neutral to the Federal and State governments while at the same time preserving the basic entitlement program for children.

EXPLICATION OF RISK

As with any responsible strategy of this nature, there are certain risks to be considered. There is the possibility that the proposal of State X, when implemented, will bring even superior programmatic and financial benefits than expected. Conversely, there is also the "risk" that State X's proposal will not achieve any of the anticipated benefits.

The following two (2) figures explicate the consequences of these two scenarios. However, there could be other examples where caseload trends are not as stark as these examples.

State X has reduced the year 2000 out of home placement costs further than anticipated while at the same time met all specified child welfare outcomes. *Figure 4 demonstrates the results and consequences.*

Figure 4

	State	Federal	Total
IVE	\$95M	\$95M	\$190M
ABC Program	\$5M	\$5M	\$10M
*Available for Additional Investment In Year 2001	\$5M	\$5M	\$10M
Total	\$105M	\$105M	\$210M

In the event that none of the desired effects of the reinvestment strategy materialized, the results and consequences of this are reflected in Figure 5. Basically what has occurred in this scenario is that upon approval of the reinvestment strategy outlined in Figure 3, State X at the beginning of the Year 2000 enters into obligations totaling \$10 million in the form of contracts with community-based organizations and hires staff for expanding their array of IVB type services. At the end of the year, however, the State has expended \$210 million on IVE type services and an additional \$10 million on the IV-B services indicated above.

Figure 5

	State	Federal	Total
IVE	\$105 million	\$105 million	\$210 million
ABC Program	\$10 million	\$0	\$10 million
Total	\$115 million	\$105 million	\$220 million

Federal government continues to match IVE growth at any level.

SUMMARY OF RISK

1. There is no risk to the federal government (other than its continuing obligation to finance growth under an existing entitlement program) beyond the baseline established for a particular state in a given year.

2. States are at risk to lose federal matching funds on reinvested or transferred amounts (and be liable for the full amount of contractual or other funds invested in the IVB like services) in the event and to the extent IVE expenditures exceed expectations.

3. The entitlement remains intact and the federal government's obligation to reimburse states for qualified IVE expenditures at the established State FMAP rate remains.

OTHER CONSIDERATIONS AND OPTIONS

1. The basis for the reinvestment or transfer plan may be on other than general projected growth in total expenditures. The plan may be targeted to special populations, cover some fraction of growth, or existing expenditures or even some combination of the preceding.

2. States can clearly take steps to mitigate risk by modulating, sequencing and carefully monitoring the rate of expenditures of reinvested funds while at the same time tracking expenditure patterns for IVE services.

3. Nothing in this proposal detracts from the oversight and regulatory authority of the Federal Government and its ability to require a plan of correction, or terminate an agreement for cause, in the event that a State fails to achieve specified outcomes during the course of implementing a transfer agreement.

- **Retrospective Transferability Example**

State Y thinks it knows how to reduce the rate of entry into foster care and reduce its length of stay, without compromising child safety. Its transferability plan is based on tested practice and sound planning.

State Y which has a 50 % FMAP reflects IV-E expenditures for 1999 as follows:

Figure 1

State	Federal	Total
\$100M	\$100M	\$200M

For fiscal year 2000, the federal government and the state negotiate a baseline reflecting a 5% increase in expenditures so that IV-E outlays are projected as follows:

Figure 2

State	Federal	Total
\$105M	\$105M	\$210M

State Y decides to front the money necessary to produce a reduction in foster care caseload and related cost. At the end of fiscal year 2000, the state has achieved actual foster care costs as follows:

Figure 3

State	Federal	Total
\$100M	\$100M	\$200M

In fiscal year 2001, the state receives an additional \$5 million in Title IV-B funding, representing the difference between the federal share baseline of \$105 million and the actual federal share of \$100 million. This amount (plus the equivalent state savings—available in 2001) can then be used to invest in strategies and services designed to produce further savings and better outcomes for children.

If the state fails to achieve federal costs below baseline then the federal government pays its usual 50 % share of the full amount, including any overage.

Other Points on Transferability

- **Issues for the Out Years**

The intent of both the prospective and retrospective transferability approaches is to allow states to maintain their reinvested funds in the baseline and to continue to use them in the out years.

- **Adoption Assistance**

Adoption assistance payments are outside any transferability agreement and would be reimbursed as per existing rules, notwithstanding changes in the rates of reimbursement that arise as part of the delinking provisions of this proposal if adopted (see delinking below).

- **Training and Administration**

Title IV-E reimbursements for Administration and Training are outside the transferability agreement. That is, reimbursements for those activities would continue on an open-ended basis, notwithstanding changes in the reimbursement rates tied to the delinking provisions, if adopted (see delinking below).

BASIC ELEMENTS OF DELINKING

- **Delinking**

Basic Policy

Eliminate income eligibility as a condition of receiving federally financed foster care and adoption assistance. Consequently, all children served by the state in foster care or subsidized adoptive placements would be Title IV-E eligible and states could claim federal reimbursement on their behalf. This policy would eliminate state and federal costs associated with eligibility determination.

Establishing the Rate of Federal Participation

A new federal participation or match rate would need to be established as the basis for determining the federal share of costs. APHSA is in the process of developing options on how to determine the new match rate in an equitable manner.

Training and Administration

Since states claim for training and administrative costs based on Title IV-E eligibility, the delinking provisions would have an impact on how federal participation is carried out in the future. For training and administrative expenditures, a new match would need to be established.

Subsidized Guardianship

APHSA currently has policy adopted in July of 1997 advocating for the authorization of federal participation in a state option to fund private guardianship or other legal permanency arrangements with kin for children who otherwise would have remained in long-term foster care. The rate of federal participation would be equivalent to the rate established for the adoption assistance program.

Chairman JOHNSON. Thank you. We certainly will work with you on those things. The maintenance of effort issue is extremely important to write correctly. Ultimately, we need more money. And we certainly can't afford to create seepage. Ms. McCullough.

**STATEMENT OF CHARLOTTE MCCULLOUGH, CHILD WELFARE
CONSULTANT, CHEVY CHASE, MARYLAND**

Ms. MCCULLOUGH. Madam Chairman and Members of the Committee, I appreciate the opportunity to be with you today. Until very recently, I was a senior member of the Child Welfare League of America. And for the last 5 years, my job was director of the Managed Care Institute. In that capacity I was able to track, and analyze, and sometimes shape some of the managed care privatization and child welfare initiatives across the country.

Some of what I am going to talk about today is going to be overlapping with what the discussion from the GAO. But I think it's

important because we looked at different initiatives and found similar complimentary findings in the various studies. I believe there are lessons learned from the state and local experiences that can be helpful in guiding this discussion.

It's important to also point out that not only is it hard to track these initiatives, it's hard to even know what to call them. In many of these tracking projects, they're called privatizations, sometimes managed care, sometimes performance-based contracting. So, we're going to look at the challenges, what's going on currently, and how that might impact our discussion about future Federal finance flexibility.

According to all of the studies that have been done, over half of the states currently have one or more of these initiatives under way. I looked at 47 initiatives that were developed in 29 states. In most of those initiatives, the public agency was partnering in new ways with the not-for-profit agency. Often they were sharing financial risks with that agency and allowing them to manage and deliver the services. The goal there was to use the dollars flexibly to be able to get better outcomes for kids and families.

There was great variability in the scope of the initiatives that I tracked, just as there is in the GAO report. All toll, we counted approximately 115,000 children currently in the child welfare system that are affected by these plans. There is also great variability in the financial risk share arrangement and in how that rate was determined. Over half of the states that we tracked are participating in the Title IV-E waiver and are using that as a backdrop for their finance reform.

While some of the results of these initiatives appear to be very promising, I think there were some challenges that we can also learn from that were not addressed by these states simply by the introduction of financial flexibility. First and foremost among those, and we heard this earlier, is the lack of data at the state level to currently plan and price these initiatives, to track outcomes, to track utilization, and most importantly, to see how much it costs linked with outcomes and utilization. I agree that a lot of attention needs to be placed on improving the states' capacity to track those outcomes. And one option might be to enhance the SACWIS match back to 75% to allow states the opportunity to add the features they can not currently use in their systems.

The second challenge, states have found they can't predict utilization with any degree of certainty. In fact, it's not just bad news that drives up child welfare utilization. In many states, improving the service system, increasing flexibility, making it more friendly, they found an unpredictable increase in utilization. That uncertainty that states face would be one issue that would have to be addressed as they move toward embracing any of the flexible funding proposals under consideration.

Third, the state can lose revenue under these models, Federal revenue, just like they can in the current system. If their plans succeed, then the Federal share diminishes the state's role, increases in terms of the percent of the case rate or capitated amount that the state is responsible for.

Fourth, until very recently, states were not able to access the training dollars needed to ensure a skilled work force. While we are

turning over many of the public agency functions to private agency staff, they found it very difficult to access those training dollars. And here I want to really thank the Committee. I understand that last night the bill that was being marked up by the Full Committee, you addressed the training issue. And I really appreciate that. And I know the states will.

And fifth, many of these managed-carelike initiatives in child welfare still had to contend with duplicative inefficient eligibility and reporting requirements that increased their administrative costs and reduced the amount of dollars available on the street.

So, what should we do? I think there are a number of options. I think it is time for us to take some steps to make the system more efficient, more effective, and more accountable. I believe that one of the options that we should seriously look at is improving and modifying the current IV-E waiver. I agree totally that the existing waiver is tightly controlled. Experimental design needs to be replaced by a more effective system. The application process needs to be streamlined. States should not be discouraged from proposing broad scope initiatives. And there should be no restrictions on replicating waivers. They should be allowed to propose a prospective payment methodology once approved for a waiver, which would address some of the cash flow problems that are striking in these initiatives. It also allows them front-end funding to be able to develop new initiatives. The Children's Bureau should work with the states to reduce the duplicative reporting requirements that currently exist. And I believe the gateway—the waivers should be a gateway to ongoing flexibility once you have demonstrated good outcomes and cost-effective models.

I am not clear why the proposal under consideration could not be just one waiver option, and by doing that, being able to include some of the futures of the previous APHS, a proposal on the transferability. It seems as if that could be a waiver option.

Finally, I think we just need to be aware that the fiscal restructuring in any one system, including child welfare, is a necessary step. But it's not a sufficient step to protect children to ensure permanency. What more and more states are doing is looking for integrated systems of care that cut across behavioral health. They're using their Medicaid and mental health dollars. We need to be able to support those efforts. The biggest gap is currently in not addressing the SED needs, a population which may be a small child welfare population, but with incredible needs in cost. And finally, the substance abuse treatment needs of parents of kids in care, I would urge Congress to certainly invest in and act to support the Child Protection and AOD Partnership Act of 2000.

And beyond that, I concur with what previous people have said. We still do not know with any great degree of certainty what's working. I believe additional research is needed to tease out those elements under the existing financing contract proposals that are under way to see what is actually working well and holds the most promise for future. Thank you.

[The prepared statement follows:]

Statement of Charlotte McCullough, Child Welfare Consultant, Chevy Chase, Maryland

My name is Charlotte McCullough and, for nearly fourteen years, I had the privilege of serving as a senior staff member of the Child Welfare League of America (CWLA), the oldest and largest child welfare membership association in the country. For the last five years I was director of CWLA's Managed Care Institute. In that capacity I had the opportunity to shape, track, and report on state efforts to change financing and service delivery to get better results for children and families. From that experience and from listening to hundreds of public and private agencies describe their successes and challenges, I believe there are certain lessons learned at the state level that can help inform the discussion about federal finance reform. I am now an independent child welfare consultant working with a number of states, private agencies, universities, and CWLA.

My testimony today is intended to describe the changes that are currently occurring at the state or local level and to place some of the challenges found in these new initiatives in the context of the broader discussion about federal finance reform for child welfare. I applaud the Committee for addressing this critical issue and, like most child advocates, I agree it is time for thoughtful finance reform.

As a backdrop for today's discussion, it is important to remember there are four principal ways that child welfare administrators can manipulate and manage their resources to get better results for the children and families they serve. They can:

- Prevent the escalation of problems that cause initial entry into the foster care system;
- effectively and efficiently manage the care when children enter foster care to ensure that children and their families get the services they need, when they need them, no more and no less;
- achieve permanency sooner; and,
- prevent re-abuse and re-entry.

Many states are now testing new methods of financing, managing and delivering child welfare services with those four approaches in mind. They are:

- 1) Introducing new financial incentives and managed-care principles into their contracts with nonprofit providers—often sharing financial risks;
- 2) Using Medicaid and other funds in combination with child welfare funds to stretch limited prevention and therapeutic dollars; and,
- 3) Choosing to participate in the Title IV-E waiver program.

None of these single approaches, or the combination of them, will end the discussion about the need for broader reform in the financing of child welfare and related children's services. But each of them could provide valuable insights into what is working and not working in the current system. I will highlight challenges and opportunities in each of those three areas.

I. New Finance and Service Delivery Models Being Tested in Child Welfare

There have been three national efforts to track and describe the various child welfare managed care or privatization initiatives across the country. The CWLA Managed Care Institute's (MCI) Tracking Project has been collecting, analyzing, and reporting national data since 1996, describing various child welfare management, finance, and delivery changes. In addition, in 1998, the GAO completed a managed care in child welfare survey of state child welfare directors and 43 local directors. Site visits in four locations—Kansas, Massachusetts, Boulder County, Colorado, and Sarasota County, Florida were conducted. Georgetown University conducted the third study of child welfare managed care efforts as part of a broader 5-year Health Care Reform Tracking Project (HCRTP), funded by the Center for Mental Health Services (CMHS). The last HCRTP child welfare survey occurred in 1997–1998.

Despite the fact that each project counted different initiatives and gathered different data to describe the efforts, there is a striking degree of consensus on broad findings across the projects and on what the findings mean.

Trends in Child Welfare Finance & Management Reform

- Managed care or privatization efforts continue to increase in number in the child welfare field. In all of the separate national surveys at least half of the states have one or more such initiatives underway. (CWLA reported on 47 initiatives in 29 states; the GAO reported on 27 initiatives in 13 states, and the Georgetown project identified 25 state and community child welfare managed care initiatives.)
- Public purchasers in most of the current initiatives increasingly rely upon private contractors to manage and deliver child welfare services and share in financial risks and rewards. The most common arrangement is a case rate. Under a case rate, a contractor is given a sum of money for each case referred. Those funds are then

used flexibly by the contractor to pay for all services included in the plan. Risk is currently being shared with nonprofit agencies, for-profit agencies, and local public entities.

- In the privatized risk-sharing arrangements, it appears that contractors are often expected to supplement the contract rate with funds from other sources. In some instances, financial bonuses and penalties are being linked to performance in key outcome areas. Often the contract does contain one or more risk-adjustment mechanisms to protect the contractor from catastrophic losses.

- Various funding sources are used to support the initiatives with the core funding coming from child welfare. Many initiatives also use some Medicaid, mental health and substance abuse block grant funds, TANF, and some education and juvenile justice funds.

- There is great variability in the scope of the initiatives. Overall, it is estimated that nationwide between 10–15 % of the children and families served by child welfare are currently affected by these managed care or privatized models. For example, in the CWLA survey, 42 of the 47 initiatives provided estimates of the number of children to be served annually; the total in 1998 was 114,243.

- There are many different structural designs for the initiatives and many initiatives have multiple different design elements. However, it appears that the dominant model is a nonprofit lead agency operating under a risk-sharing contract with a state or local public agency.

What Are the Results to Date?

Since the majority of initiatives had been underway less than 12 months at the time of the last surveys, it is too soon to determine long term results for the children and families served, or to determine which of the various models holds the most promise for child welfare. Despite the lack of definitive data, many of these initiatives do show promise. State administrators cite the following benefits of the new contracting practices:

- 1) True public/private partnerships are created where the safety and well-being of children and the stability of families is a shared responsibility.
- 2) The whole system becomes more accountable and outcome-driven.
- 3) Creativity and innovation at the local level and community ownership is stimulated.
- 4) Financial incentives are aligned for the first time with programmatic goals.

What Are Greatest Challenges?

Despite the potential of these new methods of contracting for services, all of the national tracking efforts have also identified many challenges for both public agencies and their new private partners. I would like to summarize a few of the major barriers that should be addressed by any of the proposals under consideration.

1. Lack of data to plan new approaches, monitor costs, track outcomes, and manage risks

In order to plan a new finance system and develop at-risk contract arrangements, states and contractors need to analyze accurate fiscal data that show what it costs to deliver a unit of service and what it costs over the life of a case in the current system. Without data on current utilization and outcomes linked to cost, it is very difficult to design and price a managed care or privatized reform initiative. Yet, most states simply do not have the capacity to track the services used, the outcomes, and the costs to serve an individual child and family over an episode of care. Many states cannot even track and report accurate aggregate costs that are linked to utilization and outcomes.

The lack of data and technology to support it becomes more acute during implementation. Quality systems must be data-driven. Public child welfare agencies and private contractors must have access to real-time, client-level data to adjust, and monitor at-risk contracts, track service use, and effectively monitor fiscal performance and child and family outcomes. According to GAO findings, public child welfare officials overwhelmingly agreed that the inadequacy of their current management information system was one of the biggest challenges—if not the biggest challenge—they faced as they implemented and monitored their new at-risk finance initiatives.

Having access to accurate data is necessary not only to support current efforts but also to support the states in collecting and managing their resources under any future child welfare finance arrangement. If states are hard pressed to gather data today to design and price their contracts with providers, how can a state have confidence in the data used to establish the 5-year baseline called for under the proposed flexible funding proposals? *Regardless of the flexible funding option decided upon, new investments are needed to support data collection today and in the future.*

To enable all states to begin to collect and manage utilization and cost information, Congress and HHS should reinstate an enhanced match for SACWIS adaptation to allow states to create added SACWIS capacity. When the service delivery system includes a greater role for private agencies in managing care and resources, it is reasonable to also allow them access to funds to support the development of their capacity to report quality, utilization, and fiscal data to state SACWIS systems.

2. Inadequate cash flow and lost revenues for states if plans succeed

Cash flow can become a problem for both the public agency and the nonprofit contractor under managed care financing arrangements. The question facing both public purchasers and providers is how can prospective payments—the best option for front-end flexibility—be balanced with the retroactive service reimbursement methodology required by Title IV-E and often by state statutes? One mechanism states have used is to have the state advance general revenue dollars and later replace the advances with reimbursement from Title IV-E, Medicaid, or other sources. This assumes a state has an adequate base of general revenue from which to draw. *The cash flow challenges could be better addressed under a modification of the Title IV-E waiver program to allow states to propose prospective payments.*

In addition to the problems with cash flow, states can lose federal dollars if their new initiatives succeed. Under the current system, the prohibitions against the use of Title IV-E funds for services other than out-of-home care may increase the state's liability for funding a greater share of any at-risk contracts. This risk increases over time as the managed care effort improves performance. For example, if the contractor does succeed in reducing placement rates or shortening the length of stay in foster care through a host of new service interventions, the state's portion of the contract rate will increase as the federal share decreases. When this happens, the state may realize savings in its out-of-home care costs; however, these savings may be more than offset by the state's obligation to pay for non-federally reimbursable services under the contract rate. *The American Public Human Services Association (APHSA) and other past proposals for transferring unused IV-E funds into IV-B could help to address the problem of being penalized for good performance.*

3) Unpredictable utilization with the introduction of new approaches

We can't just look to population and poverty trends in a community and forecast future patterns of child welfare utilization with a great degree of certainty. While we know that factors in the economy may drive up demand, there are also other problems outside the child welfare system—as the crack cocaine epidemic in the 1980s demonstrated—which cause less predictable but dramatic strains on the child welfare system. And, as some states have discovered, improving practice and creating a friendlier child and family service system may also result in unanticipated increases in the demand for services.

As states transition to "community-based" or privatized service delivery systems they must be prepared for these unexpected consequences. For example, in some states, the public agency is separating child protective service (CPS) intake and investigations from the rest of the service system. Most of the responsibility for managing funds and services is being contracted to the private sector with the public agency retaining control over CPS. Public agencies then focus their efforts on improving CPS—by lowering caseloads and improving assessments to better identify, protect and serve at-risk children and families. As a result, they have found far more children and families in need of services than in the previous system. During the investigation, once a child and family is identified as needing ongoing services, the case may be transferred to the private contractor to manage. This is a success scenario—children and families are getting the services they need but didn't previously receive—but it may result in added costs to the state or the contractor depending on the risk-sharing arrangement.

Over time if more and more states move to these new public/private risk-sharing partnerships and split CPS from service delivery, it is hard to predict what the overall impact will be on child welfare utilization and costs. This very uncertainty is an important factor to consider in the flexible funding proposals under consideration today. Do we know how to calculate the potential impact of system changes—like privatization or managed care or other reforms—on a state's caseload and budget? Would the state have the capacity to track utilization and costs "real-time" to see an upward trend before it was too late? These would be important considerations for states interested in participating in any proposed flexible funding demonstration.

4) An inadequately equipped workforce

Staff roles, in both public and private agencies, change dramatically under these at-risk or privatized contracts. Most designers of current initiatives have failed to

build in adequate time or resources to ensure that all workers were prepared to succeed in their new roles prior to implementation. For example, under current privatized, at-risk models, some public agency staff may step back from their traditional direct case management and service provision roles to contract monitoring and quality oversight. They need training to develop the capacity to effectively monitor at-risk contracts and ensure that legal protections are maintained. Private agency staff need training to develop the knowledge and skills to create and implement new case and utilization management protocols, begin assuming duties long held by public caseworkers, and manage risks they barely comprehend. At a time when some systems are being turned upside down and roles are dramatically shifting, training is essential.

Currently some states have experienced significant problems in accessing and using IV-E training funds to provide private agency staff training. The problem appears to be related to federal regulations that have served to narrow the focus of allowable activities, and limit the availability and accessibility of training resources beyond what was intended by statute. States commonly confront differing interpretations of what is allowable, which entities are eligible, and at what level of reimbursement. *Regardless of the flexible funding proposal chosen, Congress and HHS should clarify language and provide access to training funds, at the enhanced 75% match to ensure that both public and private workers are prepared for their new roles and responsibilities.*

5) Duplicative and inefficient eligibility and reporting requirements

States and providers operating under managed care financing arrangements still must contend with federal eligibility rules and reporting requirements that are redundant, costly, and difficult to manage. The problem becomes even more acute when states try to “blend” or pool funds across multiple funding streams. The magnitude of paperwork required for eligibility and encounter reporting—in the absence of sophisticated technology—limits access to needed services. The result is higher administrative costs and fewer resources available to invest in service improvements or expansion.

APHSA and others have proposed a review of current IV-E rules and regulations to make the program easier and more cost-effective to manage. Among the recommendations that merit a full discussion is the de-linking proposal that would eliminate income eligibility as a criteria to determine who among the children in the foster care system are eligible for federally reimbursed foster care and adoption assistance under Title IV-E. Instead all foster care children would be Title IV-E eligible. In order to offset increased costs to the federal government for covering all children the APHSA proposal calls for the federal reimbursement rate to be adjusted proportionately in each state. The challenge will be agreeing to the federal reimbursement rate adjustment under such a proposal.

6) Lack of research and technical assistance to guide states in planning new approaches

While the federal role in tracking, supporting, and monitoring state managed health care efforts has expanded in recent years, no comparable role has emerged for these new managed care efforts in child welfare. According to the 1998 GAO report, the Administration for Children and Families (ACF) has had limited capacity to provide formal guidance or technical assistance to states wanting to go in the direction of managed care financing in child welfare. Research is needed to determine which elements, if any, of the new finance models currently being used in states and local communities might be most promising in improving quality and cost-efficiency. *Building on the past and current efforts of the GAO and the work of national organizations, there should be a 5-year plan for tracking and analyzing child welfare managed care/privatization efforts, with a special emphasis on assessing outcomes under at-risk contracts with those outcomes required under ASFA.*

Before promoting any one approach as the solution to child welfare finance problems, it is important to proceed with caution and glean lessons from different state and local experiences. The “demonstration” language in the proposal under discussion today is a step in the right direction. We need to demonstrate the effectiveness of new strategies before embracing a new model. Likewise, there is wisdom in limiting the number of demonstrations to first determine whether the approach is getting the desired results.

II. Using Multiple Funding Streams to Enhance Child Welfare

Increasing flexible funding in the child welfare system is a necessary but insufficient step to ensure child safety, well-being and permanency. Managed care models

and other fiscal re-structuring simply will not guarantee access to all the services needed by child welfare populations. The biggest gap lies in the behavioral health area. To address this challenge, states need to be able to foster interagency and inter-system collaboration between other adult and child-serving systems to increase and enhance overall behavioral health capacity.

States are increasingly trying to develop comprehensive programs and funding strategies that include accessing Medicaid, TANF, and other funds to supplement their limited child welfare prevention and treatment dollars. This is often a monumental task—especially with the advent of managed care for behavioral health care. To date, we do not know the full impact managed behavioral health care on access to appropriate mental health and substance abuse services by children and families in the child welfare system. However, the national health care reform tracking project (HCRTP) does shed light on some coordination and financing issues:

1) When the boundaries are not clear and coordination is lacking, there is a great potential for duplication of effort, fragmentation, service gaps, cost-shifting, and disagreement about payment responsibilities between the child welfare systems and their behavioral health counterparts.

2) States are rarely able to track the impact of system reform efforts in one system on reform efforts in another system. Again, part of the problem is a lack of technology to track costs, utilization, and outcomes for individual children across multiple child-serving systems. Allegations of cost shifting abound.

3) Children in the child welfare system and their families have higher instances of mental health and substance abuse treatment needs than other children and families of similar socioeconomic backgrounds. However, the needs of this population are not being adequately addressed in the design and pricing of most Medicaid managed care plans.

These findings cause concern in light of the timeframes contained in ASFA for making decisions about a child's permanent placement. The bottom line is that without adequate and appropriate behavioral health services to meet the needs of children and families served by child welfare, ASFA is not likely to promote, nor achieve, safety and permanency for a large percent of the child welfare caseload. States have to better understand and address the behavioral health care needs of the children and families who come to their attention. Current challenges relate to the following facts:

1. The substance abuse treatment needs of abused and neglected children and families are not being met.

Statistics regarding the impact of substance abuse on children and families are now well documented and staggering. A major factor in child abuse and neglect each year, substance abuse is associated with the placement of at least half of the children in the custody of child welfare. It is also highly correlated with longer lengths of stay once placed and with reduced reunification rates. Yet, less than one-third of the nearly 67% of parent caregivers who require treatment currently receive it. *Congress should act to address the substance abuse treatment needs of child welfare populations by passing and funding S.2435, the Child Protection/AOD Partnership Act of 2000.*

2. The mental health treatment needs of abused and neglected children and families are not being met.

In contrast to what we know about the issue of substance abuse and its impact on children and families and the systems that serve them, we have little empirical knowledge about the scope, nature and treatment of mental health problems in child welfare populations. However, it is estimated that it is children with serious emotional disturbance—an unknown but small percent of the overall foster care population—who may consume the vast majority of both child welfare and child mental health resources. Even less systematic research has focused on the prevalence and impact of parental mental illness on child abuse and neglect and placement in the child welfare system.

Congress and HHS should support coordinated research on the mental health needs of children and families served by child welfare. The findings should guide future policies and result in opportunities for demonstrations to test and promote model approaches to cross-system child welfare and mental health policy, practice, and funding.

3. Children are being placed in foster care solely for the purpose of accessing needed treatment services (where no abuse or neglect is involved).

Although the actual numbers are elusive, it appears clear that some children are placed in the custody of public child welfare agencies (in the absence of any finding

of abuse and neglect) when parents can find no other means of accessing needed treatment services. Some states have enacted legislation barring the child welfare agency from seeking or accepting custody of children solely for the purpose of securing treatment services, but this is clearly not the case in all states. These practices, regardless of the scale of the problem, must cease.

Congress and HHS should ensure the availability of services to children with mental health needs to prevent entry into the child welfare system. At a minimum, states should be required to review policies and practices to ensure that children are not entering foster care simply because it was the only means of accessing behavioral health care services.

III. Challenges and Opportunities Under The Title IV-E Waiver

To date there are 30 waivers in nearly half of the states and the District of Columbia. Collectively these demonstration projects are aimed at reducing the number of children in foster care and the length of stay, reducing the use of restrictive and costly placement settings, and reducing re-abuse and neglect and re-entry into foster care.

The Child Welfare Waiver Program has allowed participating state and local agencies to use their federal resources differently and to test innovative ways to both protect children and preserve families. However, many observers note that the program has become more restrictive over time. There appears to be some federal ambivalence about how the waivers are to be used and a narrowing of the purpose and potential of the waiver. The different terms used to describe the waiver program are telling. Is it a "demonstration," i.e. a five-year project intended to test, under a rigidly controlled experimental design, innovations in a part of the service array? Or can the waiver be a tool to test how financial flexibility could fundamentally change the system? Is it intended for practice innovation or a platform to support broad system and financial reform?

The waiver program, as currently developed, appears to be achieving some success but there are critical issues that must be addressed if the program is to achieve maximum benefit for participating states. Many of these issues are being raised in the waiver modification proposal under discussion today.

I strongly support a modification of the waiver program and encourage Congress to consider include the following points:

1) *The tightly controlled experimental design requirements should be replaced by less rigid but sound methods of ensuring effective evaluations.*

2) *The application process should be streamlined and states should be allowed to broaden the size and scope.*

There has been a stated preference for "small" demonstrations" in limited areas of child welfare practice and states were strongly discouraged during the application process from going statewide. Up to five states have withdrawn their waiver proposals because they determined the process was too complex, and time consuming when balanced against potential benefits of a project with limited size and scope.

3) *Existing waiver projects should be allowed to expand*

Participating states should have the ability to expand their efforts to cover additional children and families or add geographic areas of the state during the waiver period without having to go through a full application process and rigorous expansion of the evaluation.

4) *The program application period should be extended beyond 2002*

As the program goals are clarified and some of the current barriers removed, it is likely that additional states will see the merits of the waiver. For those states that have not yet applied and for existing waiver states to propose new projects, the waiver application period should be extended beyond 2002.

5) *There should be no restrictions on replicating all features of waivers found in other states; and no limits on how many waivers a state may have.*

6) *The waivers should be a gateway to continuing flexibility.*

Once a state has demonstrated improved outcomes and a cost-effective, cost neutral model, the state should not be required to return to business as usual after the waiver demonstration period ends. Instead the state should be allowed to retain the flexibility and expand the program, operating more like certain Medicaid waivers.

Chairman JOHNSON. Thank you very much. We're going to hear from Kathleen Kearney, the Secretary of the Florida Department of Children & Families. And then we're going to go vote on one pro-

cedural vote. We have only one vote. And then we'll be back promptly.

**STATEMENT OF HON. KATHLEEN A. KEARNEY, SECRETARY,
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES, TAL-
LAHASSEE, FLORIDA**

Ms. KEARNEY. Good afternoon, Madam Chair and Members of the Committee. It's wonderful to be back with all of you again. I would like to really limit my remarks, in light of your pending vote, to the addendums, to the attachments, to my testimony.

And I'll begin first with a real-life example that we see every day, which is under a child's journey through the child protection system, an analysis of multiple funding streams. This example is one that we see in about 80% of our cases that come in on our Florida Child Abuse Hotline. You will see that about 80% of our cases are, in fact, substance abuse involved. And Jason's case is no exception. You will see in this particular example, which is very typical, Jason, a newborn, there is a call that comes in on the Child Abuse Hotline that indicates that there are some concerns that a neighbor has about this particular child. Mom is not really paying very adequate attention to the child. But there is not enough information at that time for the Child Abuse Hotline to accept that case for further investigation. There are concerns. But it is not accepted and actually investigated. Later on, a call comes through that indicates that mom is, in fact, doing drugs. Mom is on the street. Mom is running around. Mom is not taking care of the child. There is enough information at that time for the case to be accepted. And we do investigate. However, in our state, as in most states, that would not be sufficient in and of itself to have the matter under the jurisdiction of the court with the filing of a Dependency Petition. But preventative in-home services would be offered to the family. You can see in Jason's case that those services really were not effective. Why? Because we don't have enough of them. We have long wait lists for those services that do exist for prevention to keep a child in the home. And safety certainly was not ensured in Jason's case. Jason was ultimately removed when mom failed to continue her treatment efforts. And if you follow the diagram through, you will see next to all of the services that would have been provided, the various Federal funding and state funding streams that go into providing these specific services. We even have, luckily in Florida, a Medicaid situation now where we can get a comprehensive assessment for children that are brought into foster care. But you can see the complexity of all of this, especially as it goes all the way through, Jason ultimately ending up in a termination of parental rights situation and adoption.

Imagine now that you are a 22-year-old caseworker and you must now fill out all of the necessary paperwork in order to ensure that those Federal funding sources are, in fact, covered so that you are reimbursed for them. Now, also assume that you have a caseload of 65 cases, which is the average right now in Florida, rather than 18. Shortly before I came here, I was beeped by my office to be told that there was a child in Broward County, that's Fort Lauderdale, that was tortured, and a foster care worker had not adequately done a reunification home study to return this child home.

And the child had unsupervised visits with mom. The worker didn't know that mom had a boyfriend. That boyfriend subsequently abused that child. The excuse, the reason that was given, I have too much paperwork, I can not afford to do direct services. And yet, that is what you, as Members of Congress, that is certainly what the public expect the money is being spent on, not on administration, but, in fact, on direct services. I can tell you that it concerns me every night when I go to bed that that is not occurring.

You will see also in the graphs that I have provided to you, there is a pie chart under Exhibit B that shows you the breakdown in Florida of the funding sources. You will see in the purple the Title IV-B and Title IV-B Prevention, which is exploded, meaning it comes out. The Federal share for Florida for prevention under Title IV-B is \$1.7 million. You will note how much exists in Title IV-E, out-of-home care.

Florida strongly would support the ability to have flexible funds. We strongly support the transferability to be able to transfer. However, you will see in my detailed written testimony concerns that I have about all of the proposals. We do feel that the first proposal, the flexible funding, like Mr. Waldman, we wish would be extended beyond just five states. We believe it's an excellent proposal. And you will see a full breakdown of those issues as I understand them from the letter I received from the Chair.

The last comment I'd like to make is on Exhibit C, so that you are aware, this is a breakdown of the calls that come into the Florida Child Abuse Hotline. The green are those where you would find actual allegations of abuse and neglect where court involvement could take place. In Jason's case, that was the third call that came into the hotline. The blue are cases not accepted for investigation, approximately 24%. You will see that would be the first call into the hotline on Jason. The area I'd like to highlight for you is red, which is the area where there are findings but there may not be enough evidence to go into court, there may not be enough evidence for removal or evidence even to warrant services being put in place. Out of that red group, one half eventually will move into the green group and will eventually have another call into the hotline just as Jason did, ultimately resulting in his removal. It is a very serious situation. And we thank the Committee for your attention to this matter.

[The prepared statement and attachment follows:]

Statement of the Hon. Kathleen A. Kearney, Secretary, Florida Department of Children and Families, Tallahassee, Florida

Good afternoon Madam Chair and members of the Human Resources Subcommittee. My name is Judge Kathleen A. Kearney, and I am the Secretary of the Florida Department of Children and Families. It is a pleasure to be asked to testify again before this Subcommittee about the need for flexibility in our Title IV-E federal funding program

The interest of this Subcommittee in these issues is deeply appreciated. Given this Subcommittee's leadership in developing the recent landmark child protection reforms under the Adoption and Safe Families Act (ASFA), I have every confidence that you will continue to ensure that child safety is always the priority consideration of states and the individual professionals who perform this work.

I would like to make some general comments as to why more state flexibility in federal financing would produce:

- Better outcomes for children and families;
- A more "child focused" rather than "system focused" delivery of social services.

I have brought a typical example here for you today of "A Child's Journey Through the Child Protection System." (See Exhibit A). In every child protection case, there are six different potential federal funding sources depending on the services and whether or not the child is IV-E eligible.

I have attached a second chart, "An Analysis of Federal Funding Sources," (Exhibit B), which shows Florida's federal funding, and the overall small percentage that is actually available for prevention. It is our belief that the federal partnership for protecting children needs to provide far greater opportunities and incentives to support and preserve families, as long as it is safe for the child to remain in the home. There must be clear options at the earliest possible stage of intervention for assisting families when they are in crisis with the right supports and services.

There are current caps on Title IV-B funding for in-home services and a prohibition against using Title IV-E to fund in-home interventions. It is well known and documented that the cost of out of home care will usually exceed the cost of in-home interventions.

A third chart, "Calls to Hotline" (Exhibit C), has been submitted which reflects the total number of calls to the Florida Child Abuse Hotline in State fiscal year July 1, 1998 through June 30, 1999. Florida received a total of 182,691 calls answered by the Hotline alleging child abuse and/or neglect.

Findings were as follows:

- 24 percent of calls did not meet criteria for investigation; i.e. did not meet Florida's statutory definition of abuse and/or neglect;
- 38 percent of calls were investigated, but found to have not enough evidence to classify the behavior as abuse and/or neglect under Florida law;
- 38 percent were investigated and were found to meet these statutory criteria for abuse and/or neglect.

It must be noted that of the 38 percent of calls investigated that initially are classified as having not met statutory criteria for abuse and/or neglect, approximately one third are referred again for *new* allegations of abuse that were founded.

It is believed that had more effective front-end prevention services been in place, there would have been fewer instances of abuse and neglect that would require the removal of children from their homes.

The funding sources as currently framed are not child focused. They are skewed toward placement of children in foster care. They are burdensome. Every specific type of activity has to have an accounting code that tracks to the federal funding source. To add to the complexity, there are different federal match rates, and some activities will require documentation of local matching dollars. Simply stated, the current patchwork of funding sources is a budgeting nightmare that impacts our workforce at every level. Counselors are forced to sacrifice direct fieldwork with children and families in order to complete paperwork required by the federal government to ensure funding for the services they are attempting to provide. These efforts and the rigid "siloed" funding streams divert attention and resources from the real needs of children and families.

My comments on the three different options proposed in the draft legislation are set forth as follows:

ANALYSIS OF PROPOSALS

Proposal 1: Optional Program to Create Flexible Funding

This proposal provides the most flexibility and includes built in incentives to invest funds in prevention services. Comments on the specific proposals are as follows:

- a) Establishment of a three-year baseline and projection of estimated Title IV-E spending in the next three-year period. States would draw down equal quarterly payments each year and would not have to recalculate Title IV-E eligibility.

Assuming that a reasonable population growth could be factored-in, this would mitigate current concerns with respect to this option. If the out years did reflect a growing population, the quarterly payments could not be "equal" over the entire three-year period.

The elimination of the need for ongoing eligibility calculations would be very beneficial. This is a time consuming process.

There should be consistent performance expectations at the federal level that are factored in to the three-year projection, particularly related to length of stay. A consistent approach at the federal level in terms of funding limitations for poor state performance on foster care lengths-of-stay would potentially achieve more equity in federal funding across states. Although Florida would hope not to be disadvantaged by such provisions, we believe that Title IV-E funds should not continue to flow for

length of stay averages that reflect poor state performance. Length of stay performance improvements should be factored into the projected expenditures. Selecting this option should not inadvertently penalize states. A similar method for containing Title IV-E payments related to average-length-of-stay would need to be developed for states that do not participate in this demonstration.

It is our assumption that this new federal payment option would allow the state the flexibility to establish case rate methods of reimbursement, which combine maintenance and case management (administrative) costs. The current work effort involved in documenting the six separate federal claims under title IV-E each quarter (maintenance, administrative, and training) is very complex and cumbersome. The quarterly payment method would be a significant improvement in this program.

States that currently have demonstration waivers should be allowed to discontinue the waivers if selected for participation under this option.

b) States could renegotiate the baseline amount after the first year if they demonstrate that estimation errors were made.

It would be beneficial to states to have an option for demonstrating the need to adjust the projections. There should be some standard factors that are used to allow for adjustments, such as an increase in the state's per capita reporting rate. Adjustments should not be allowed for increased number of children in care as the result of increases in overall length of stay.

c) States would be required to sign a legally enforceable document obligating them to guarantee services for the same group for whom the state was obligated to provide services before they embarked on the program.

This is a reasonable expectation. However, our experience with the documentation effort for TANF funds regarding "maintenance of effort (MOE)" is not one that we would want replicated. The TANF requirements for MOE are extremely cumbersome and complex.

d) With the exception of flexibility in spending, states would still be subject to all provisions of the current Title IV-B and Title IV-E statutes, including the new accountability system recently established in federal regulations.

As Florida currently uses funds from the Title IV-B capped grant to fund the maintenance payments for children who are not Title IV-E eligible, this provision would be very beneficial. The flexible spending between these two federal programs would afford states more opportunities to provide a continuum of services to children that, when appropriate, would allow more placement diversion services and options.

It is not clear how the current requirements of the IV-B grant in terms of 20% of expenditures dedicated to prevention, 20% for family preservation, 20% for reunification services, 20% for post-adoption support, and 20% for other services would be applied. This grant is currently very complex to administer and diminishes the opportunities for demonstrating effective prevention and placement strategies.

The accountability system requirements appear to be based on good practice.

e) States would have the right to return to the open-ended entitlement system at the beginning of any fiscal year.

This is a good option for states to have, as long as it provides equal incentives/disincentives for performance. For example, if a state's length of stay were increasing, one method of reimbursement should not be advantageous to any state.

f) States could include in their flexible funding grant all three federal foster care baseline streams under Title IV-E (maintenance payments, administrative, and training), all three adoption streams, or both.

This would be very beneficial to states. Florida is in the process of establishing a community-based child protection system through the use of contracted service providers. It is hoped that the matching rates for training would be equalized for the training of private provider staff. Additionally, it would also be helpful to consolidate state match criteria for Title IV-E and Title IV-B. It would be difficult to continue to account for different types of local match if these two federal programs were combined.

g) During the fifth year, and near the end of all subsequent five-year periods, states would have the option of continuing to receive their federal funds in a flexible grant. States would always be guaranteed the amount of money in the baseline for five years. In each case, the baseline would be proposed by the state and approved by HHS, with the Secretary having the power to accept, reject, or propose modifications. Once the baseline was agreed upon, states would have 5 years of guaranteed funding at a fixed

amount each year. States would always retain the option to return to the open-ended entitlement system at the beginning of any fiscal year.

This provision was incorporated in the original position paper submitted to me from the Subcommittee with my invitation to testify. This is a good provision. Given the serious nature of the work required to protect children from abuse and neglect, it is imperative that the states be allowed to retain the option to return to the open-ended entitlement program if such a system proves to be more effective in keeping children safe from harm. This provision has subsequently been modified by the draft legislation. It is my opinion that the time limitation imposed by the draft legislation is unnecessary.

h) States would be required to maintain state and local funding at the current level.

It is unclear what is meant by this provision. If it is meant to establish a state "Maintenance of Effort" requirement, please see comments referring to same set forth above.

Proposal 2: Transferring Funds to Achieve Flexibility

Florida strongly endorses the concept of transferability. However, it appears that this proposal leaves intact the current Title IV-E entitlement structure and will not provide the flexibility or incentives set forth in Proposal 1 described above. Florida would need to conduct further analysis to determine if the transfer of funds option would provide the desired outcomes anticipated.

Proposal 3: Waiver Modification

Florida was the recipient of a statewide demonstration waiver in late 1999, which is designed to help implement community-based care. We are required to identify matching control sites as part of the evaluation of this waiver. Extensive data collection and analysis will need to be conducted in non-waiver sites to document differences. We are strongly in favor of an evaluation component, however, the current waiver requirements result in duplication of efforts and delay needed reform.

This proposal calls for several changes to Section 1130 of the Social Security Act:

- Eliminate all restrictions on the number of waivers;
- Reduce or eliminate the research and evaluation requirements;
- Eliminate the restriction on the number of states that can conduct waivers on any given topic;
- Eliminate the limit on the number of waivers a given state could have;
- Allow states that have met the terms of their waiver agreement to extend them indefinitely.

Florida strongly supports these changes and encourages Congress to, at a minimum, enact this legislation during this current session. It will be of great benefit to all states if such action is taken. Furthermore, those states participating in a current demonstration waiver should be permitted to opt out of that waiver in favor of the more flexible program envisioned by these proposals.

Thank you for providing me with the opportunity to offer comments to you on this very important legislation. Florida would certainly compete for an opportunity to obtain more flexibility in this critically important federal program for abused and neglected children. You are to be commended for your continued efforts to protect the most vulnerable among us -our nation's children.

Respectfully submitted this 20th day of July 2000, in Washington, D.C.

Exhibit A.

*A Child's Journey Through the Child Protection System
An Analysis of Multiple Funding Streams*



Child Protection Action Taken	Revenue Source
1. Neighbor calls hotline with concerns about Jason, a new born. Mother has different men coming and going from apartment. There is loud music at night. Mom is young and immature. Hotline refers caller to Healthy Families.	<ul style="list-style-type: none"> ▪ State Tobacco Settlement ▪ Child Abuse Prevention and Treatment Act ▪ Community Based Family Resource Grants ▪ Promoting Safe and Stable Families (Family Support)
2. Hotline receives another call, months later, from relative who is concerned that Jason's mom is using drugs and neglecting Jason. Investigation is initiated.	<ul style="list-style-type: none"> ▪ Temporary Assistance for Needy Families (TANF) ▪ Funded and allocated to all sources by Random Moment Sampling or time study methodology (IV-E Admin. Claim).
3. Some neglect is found, and intensive in-home services are put in place.	<ul style="list-style-type: none"> ▪ Social Services Block Grant ▪ General Revenue-Maintenance of Effort (TANF) ▪ General Revenue, Tobacco Settlement ▪ Promoting Safe and Stable Families (Family Preservation)
4. Substance abuse assessment and treatment are arranged.	<ul style="list-style-type: none"> ▪ TANF funding through Alcohol, Drug Abuse and Mental Health ▪ General Revenue ▪ Substance Abuse Block Grant ▪ Medicaid
5. Mom stops treatment and home situation deteriorates. Jason is removed and placed in emergency shelter <ul style="list-style-type: none"> ▪ Board Payments ▪ Protective investigator and services counselor working the case. ▪ Child Welfare Legal Services. 	<ul style="list-style-type: none"> ▪ Title IV-E, Title IV-B, subpart 1, Social Services Block Grant and Title IV-A/Emergency Assistance (the fund source driven by child's eligibility). ▪ Funded and allocated to all sources by Random Moment Sampling or time study methodology ▪ Title IV-E General Revenue, Tobacco Settlement and Social Services Block Grant
6. Jason and family receive special Comprehensive Assessment.	<ul style="list-style-type: none"> ▪ Medicaid
7. Parent referred for substance abuse treatment and mental health services	<ul style="list-style-type: none"> ▪ TANF funding through Alcohol, Drug Abuse and Mental Health ▪ General Revenue ▪ Substance Abuse Block Grant ▪ Medicaid
8. Jason placed in foster care, and receives ongoing counseling services. <ul style="list-style-type: none"> ▪ Foster care counselor ▪ Licensure activities ▪ Board and care payments to the foster parent ▪ Child Welfare Legal Services 	<ul style="list-style-type: none"> ▪ Funded and allocated to all sources by Random Moment Sampling or time study methodology ▪ Funded and allocated to all sources by Random Moment Sampling or time study methodology ▪ Title IV-E, IV-B, subpart 1, General Revenue, Tobacco Settlement, Social Services Block Grant, Title IV-A/Emergency Assistance ▪ Title IV-E, General Revenue and Social Services Block Grant
9. Mom again quits treatment, fails to meet terms of case plan. Termination of parental rights proceed. <ul style="list-style-type: none"> ▪ Adoption counselor ▪ Child Welfare Legal Services 	<ul style="list-style-type: none"> ▪ Funded and allocated to all sources by Random Moment Sampling or time study methodology. ▪ Title IV-E, General Revenue, Tobacco Settlement and Social Services Block Grant.
10. Placement and supervision of Jason in an adoptive home. Adoption finalized. <ul style="list-style-type: none"> ▪ Adoption Counselor ▪ Supportive services to the adoptive parent ▪ Maintenance Adoption Subsidy 	<ul style="list-style-type: none"> ▪ Funded and allocated to all sources by Random Moment Sampling or time study methodology. ▪ Promoting Safe and Stable Families (Adoption Support) ▪ Title IV-E, General Revenue

Exhibit B.

**An Analysis of State and Federal Funding Sources for Child Protection
(Prevention Funding Exploded)**

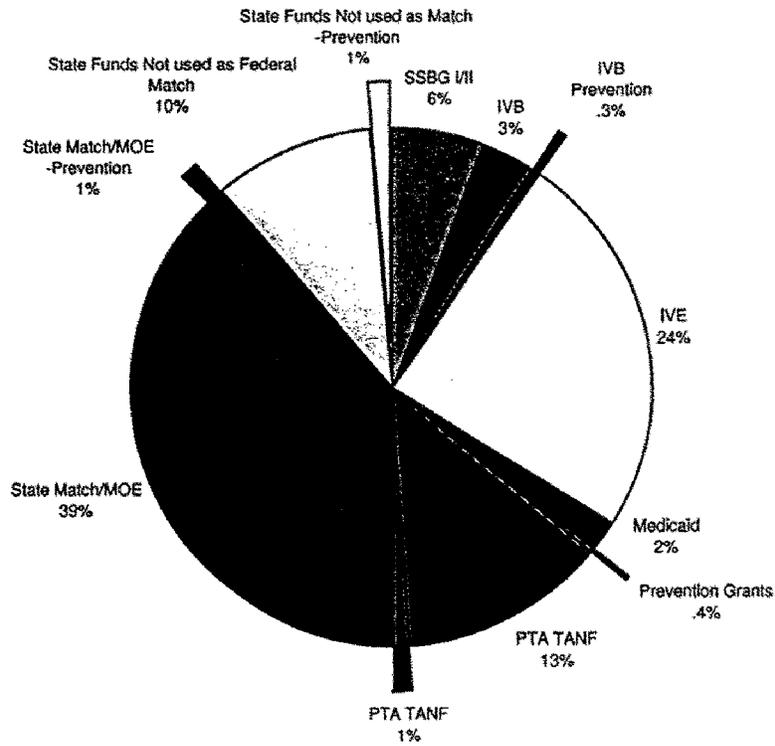
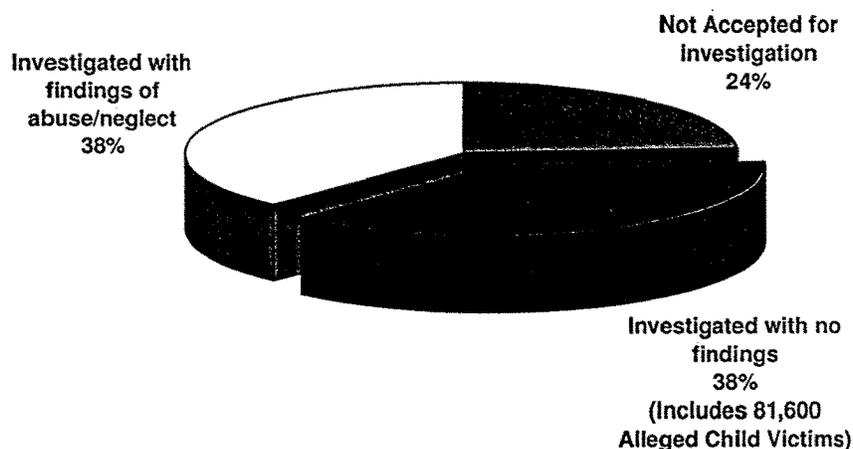


Exhibit C.**Calls to Hotline
182,691 Calls Answered Alleging Child Abuse/Neglect in FY 98-99**

Chairman JOHNSON. Thank you very much. We will adjourn briefly for the vote. It will take about 10 minutes. Thanks. Unfortunately, Mr. Cardin has a markup in another Subcommittee. Those two votes, as it turned out, did delay us. Mr. Wentworth.

**STATEMENT OF ROBERT WENTWORTH, SENIOR MANAGER,
MASSACHUSETTS DEPARTMENT OF SOCIAL SERVICES, BOS-
TON, MASSACHUSETTS**

Mr. WENTWORTH. Madam Chair and Members of the Subcommittee, I am a senior manager at the Massachusetts Department of Social Services, the children's protective services agency in that state. My responsibilities include oversight of the residential placement service system for over 2,100 children and adolescents in the care or custody of the Department. I appreciate this opportunity to testify about proposals under consideration by this Committee to increase the amount of flexibility states have in using their IV-E dollars. In my testimony I will focus on our experience in implementing flexible funding mechanisms in the purchase of residential and aftercare services for adolescents through the Massachusetts Commonworks Program.

The Massachusetts Commonworks Program provides a continuum of services for adolescents who require residential treat-

ment. Currently serving about 55% of the total residential care population, Commonworks provides an integrated, comprehensive array of services for adolescents and their families through six networks of private providers, each under the management of a non-profit Lead Agency. These are children with severe behavioral and emotional problems, often complicated by other handicapping conditions, who can not be safely maintained in a less restrictive, family like setting. The key objective of the Commonworks Program is to help these youth to achieve their permanent plan as quickly as possible.

The Department's goals are to improve access to necessary and appropriate services, to ensure that services are consistently delivered according to the highest standards of quality, and to find cost savings that can be reinvested in the system to serve more children within budgetary constraints. Managed care mechanisms and processes are employed in this carve out to help us achieve these goals through a funding structure that permits greater flexibility in purchasing services that best meet individual client needs.

The Department pays a monthly case rate to the Lead Agency for each youth in placement, and a separate lesser monthly case rate to support up to 6 months of aftercare services for youth who have been discharged from placement. Incentive payments are provided for successful outcomes, such as discharge from placement, and if the youth does not return to placement within 6 months of discharge. The Lead Agency subcontracts with providers who operate programs of varying levels of restrictiveness from staff secure residential schools to smaller community group homes and specialized foster care. Youth enter the system at the highest level of care, transition to less restrictive settings or return home as they progress in treatment. During the transition and aftercare period, family support and wraparound services are purchased to support the discharge plan.

The Department pays a separate administrative fee to the Lead Agencies for the employment of highly trained and experienced care coordinators, educational coordinators, and support personnel.

Each Lead Agency has fiscal liability for up to 3% of costs that exceed the case rate, and may retain as profit up to 3% of revenue earned for costs that fall below the case rate. This risk corridor is calculated annually. Earnings are achieved primarily by ensuring youth are progressing in treatment and moving to less restrictive and less costly placement settings. The Lead Agency can purchase whatever additional services are needed to support the placement by drawing on the funds that have accumulated in their service accounts. This model provides greater flexibility in the purchase of services to meet the individual needs of youth than when the Department purchases placement services directly through unit rate contracts with providers.

Savings accrued beyond the 3% are reinvested in program development to address service gaps in the regional systems of care. Prior to the Commonworks Program, the Department never had access to reinvestment dollars. But over the past 2 years, Commonworks has generated more than \$2 million for Regional program development initiatives.

Intensive case management coupled with funding mechanisms that incentivize positive outcomes and provide greater flexibility in the purchase of services has resulted in a 6% recidivism rate for planned discharges and a significant decrease in the percentage of youth who are placed in the most restrictive settings.

While the average case rate paid for service is substantially less than the average rate paid by the Department for non-Commonworks placements, when the administrative costs associated with delivering better outcomes are factored in, Commonworks is not less expensive. Over time, however, it is anticipated that the cost per youth may actually decrease as a result of continued shortened lengths of stay in high cost residential placements and further use of wrap around and support alternatives to maintain youth in less restrictive, less costly, permanency placements in the community.

In order to move the system forward it is our intent to integrate the currently bifurcated system of placement services and aftercare community support services by developing a blending capitated rate. This will provide even greater flexibility and an increased incentive to provide intensive wrap around and family support services early in the youth's placement. The proposals under consideration by this Committee will provide Massachusetts with the tools needed to promote further creativity and innovation in our system and will result in earlier achievement of permanency for youth in residential placement. Thank you, Madam Chair.

[The prepared statement follows:]

**Statement of Robert Wentworth, Senior Manager, Massachusetts
Department of Social Services, Boston, Massachusetts**

Members of the Subcommittee:

I am a senior manager at the Massachusetts Department of Social Services, the children's protective services agency in that state. My responsibilities include oversight of the residential placement service system for over 2100 children and adolescents in the care or custody of the Department. I appreciate this opportunity to testify about proposals under consideration by this committee to increase the amount of flexibility States have in using their IV-E dollars. In my testimony I will focus on our experience in implementing flexible funding mechanisms in the purchase of residential and aftercare services for adolescents through the Massachusetts Commonworks Program.

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The Department's goals are to improve access to necessary and appropriate services, to ensure that services are consistently delivered according to the highest standards of quality, and, to find cost savings that can be reinvested in the system to serve more children within budgetary constraints. Managed care mechanisms and processes are employed in this carve out to help us achieve these goals through a funding structure that permits greater flexibility in purchasing services that best meet individual client needs.

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of restrictiveness from staff secure residential schools to smaller community group homes and specialized foster care. Youth enter the system at the highest level of care, transition to less restrictive settings or return home as they progress in treatment. During the transition and aftercare period, family support and wraparound services are purchased to support the discharge plan.

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Savings accrued beyond the 3% are reinvested in program development to address service gaps in the regional systems of care. Prior to the Commonworks Program, the Department never had access to reinvestment dollars. Over the past 2 years, Commonworks has generated more than 2 million dollars for Regional program development initiatives.

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In order to move the system forward it is our intent to integrate the currently bifurcated system of placement services and aftercare community support services by developing a blended capitated rate. This will provide even greater flexibility and an increased incentive to provide intensive wrap around and family support services early in the youth's placement. The proposals under consideration by this committee will provide Massachusetts with the tools needed to promote further creativity and innovation in our system and will result in earlier achievement of permanency for youth in residential placement.

Chairman JOHNSON. Thank you very much, Mr. Wentworth. Ms. Allen.

STATEMENT OF MARYLEE ALLEN, DIRECTOR, CHILD WELFARE AND MENTAL HEALTH, CHILDREN'S DEFENSE FUND

Ms. ALLEN. Good afternoon, Chairman Johnson. I am MaryLee Allen, Director of Child Welfare and Mental Health at the Children's Defense Fund. I really appreciate your invitation to testify today on behalf of the Children's Defense Fund.

I am particularly pleased to be here because of the leadership that you personally have shown over almost two decades now in advocating on behalf of the children in the child welfare system as well as the children who are at risk of placement in the system. Today, CDF certainly shares your commitment to find ways to increase investments in preventive, reunification, and post-adoption and other post-permanency services for abused and neglected children. We also share your concern about the fact that the vast ma-

jority of Federal child welfare dollars are spent on the placement of children outside of their families, without equivalent investments in services for children and families.

As you know, these are not new concerns for CDF. More than 20 years ago in *Children Without Homes*, CDF highlighted the fact that Federal funding patterns in child welfare act as disincentives to the development of strong family support programs. Many a time since then, we have appeared before this Subcommittee to make a case for increased investments in preventive and reunification services to put such funding at least on an equal par with funding for out-of-home care. But as you well know, despite progress in other areas, there has been relatively little progress in this area.

Today, however, is a new day. I believe that we have an unprecedented opportunity. The Congressional Budget Office is projecting a 10 year Federal on-budget surplus of \$2.1 trillion, a \$102 billion on-budget surplus for next year alone. We can no longer ignore the imbalance in funding or the needs of hundreds of thousands of our country's most vulnerable children. It's time to make new investments in prevention, reunification, and post-permanency services.

You are proposing that this can best be done and best be achieved by conditioning increased flexibility in funding on states opting for a cap on foster care and/or adoption assistance funds.

As you know, CDF does have some serious questions about this approach. We believe, however, that the best way to resolve a long-standing debate about the effectiveness of such an approach is to proceed with the small number of flexible funding pilots that you have proposed. They should teach us a lot about how such flexible funding proposals will impact outcomes for children and families and increase investments in services. To truly learn from the pilots, planning and monitoring provisions need to be added to the draft that's in an initial stage now. We also want to continue to work with the Subcommittee to make the pilots more workable and somewhat simpler. CDF's support for the pilots arises from our understanding that the individual entitlement to services and the individually enforceable protections in current law will be maintained and that there will be a strong maintenance of effort provision.

We believe that a maintenance of effort requirement is essential, as you have mentioned earlier today, to ensure that flexible dollars are not used to reduce Federal, state, or local spending for child welfare services. We are pleased that it's included in the proposal. Children need more, not less. We also are pleased that you have attempted to address the income eligibility test in IV-E as well and begun the process of trying to look at what might occur if, in fact, we de-link income from funding in that particular area.

While we're learning from the pilots, however, CDF recommends that the Subcommittee also take a number of long and short-term actions that are outlined in our written statement. I think in the long term, as we continue the debate about some of the strategies being proposed today, that we will be well served by stepping back and putting aside the existing programs. We should consider starting fresh. We should ask what we would do if we were to design a new system today. What would it look like in terms of the Fed-

eral Government's obligations to some of our most vulnerable children and families?

In the short term, however, there are some very specific actions that CDF believes can and should be taken to expand investments up front immediately for prevention, reunification, and post-permanency services. They all would give states increased flexibility in their use of funds and would also help ensure that the goals of the Adoption and Safe Families Act (ASFA) were realized for children and families. I'd like to mention quickly just three of them.

First, CDF recommends that the Title IV-E Foster Care Program should be amended to allow, in addition to the current reimbursement for room and board payments, for reimbursement for services for up to 15 months for families who come to the attention of the child welfare system. States should be reimbursed for services to children and families whether or not the children end up in foster care. Certainly Judge Kearney talked earlier this afternoon about the cases of calls coming into the hotline for whom there are often no services with which to respond. These dollars could be used for services in situations like those. This recommendation builds on some of the same assumptions that underlie your flexible funding proposal. If states make investments when problems first come to the attention of the system, children will benefit and the need for more costly out-of-home care may be able to be reduced over time.

Second, the Title IV-E Foster Care and Adoption Assistance Programs should be amended to allow states to claim reimbursement in both programs for up to 18 months for post-permanency services. These would help to ensure that children who are adopted, placed permanently with kin, or are returned home, remain in those families—that those placements really are permanent. It's very troubling when you consider that the reentry rates in many states for children discharged from foster care are often 20 to 28% or higher. We are not ensuring permanence for those children.

And one last example. We seriously urge the Subcommittee to consider expanding treatment for families with alcohol and drug problems. Judge Kearney mentioned, I think, that the percentages are 70 or 80% in her state. And sadly in many other states you see that same pattern. An estimated 75 to 85% of the families who come to the attention of the child welfare system are facing challenges with substance abuse. We ask the Subcommittee to consider action on the Senate's bipartisan Child Protection and Alcohol and Drug Partnership Act. S. 2345 would provide flexible funding to states where the child protection and alcohol and drug agencies apply together and commit to joint activities that will increase and improve treatment services for these families.

We really appreciate the opportunity today to make recommendations to increase funding for preventive, reunification, and post-permanency services and to increase flexibility in funding as well. CDF looks forward to, and hopes that we'll have the opportunity to, work with the Subcommittee on the flexible funding pilots and other short and long-term actions to increase states' capacity to promote safety and permanence for children. Thank you.

[The prepared statement follows:]

**Statement of MaryLee Allen, Director, Child Welfare and Mental Health,
Children's Defense Fund**

Good afternoon Madam Chairman, and other members of the Subcommittee on Human Resources. I am MaryLee Allen, Director of Child Welfare and Mental Health at the Children's Defense Fund. The Children's Defense Fund (CDF) is a privately funded public charity dedicated to providing a strong and effective voice for all the children of America. As we seek to Leave No Child Behind, CDF pays particular attention to the needs of poor and minority children and children with disabilities. CDF has been working since the mid-1970's on behalf of children who are at risk of placement in the child welfare system or who are already in care. CDF has never taken government funds.

I appreciate your invitation to testify today on behalf of CDF at the Subcommittee's Hearing on Increasing State Flexibility in the Use of Federal Child Protection Funds. I am particularly pleased to be here Madam Chairman because of the important leadership you have provided over almost two decades on behalf of children at risk of placement in the child welfare system or who are already in care. You and other members of the Subcommittee have worked diligently with CDF and others to pursue reforms on behalf of older youths aging out of foster care, to increase services to promote safety and permanence for children, to improve data collection and tracking, and to encourage states to demonstrate the types of reforms they want to undertake with increased flexibility in federal funding.

I am here today because CDF shares your commitment to increase services to prevent children's removal from their families, to encourage timely reunification in cases where temporary removal is necessary, and to promote post-adoption services—all goals that you have stated are central to the flexible funding proposals you are preparing to introduce. CDF also shares your concern that the vast majority of state and federal child welfare dollars are provided for the placement of children outside of their homes, without equivalent investments in alternative services.

Taking A Look Back in Time

As you know, these are not new concerns for CDF. More than 20 years ago, in *Children Without Homes: An Examination of Public Responsibility to Children in Out-of-Home Care*, we highlighted the fact that federal funding patterns act as disincentives to the development of strong family support programs. At that time there was no federal child welfare money specifically targeted to developing alternatives to out-of-home placement for children.

From the very beginning of the debate on what became the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272), CDF testified about the need for funding for preventive and reunification services that was on an equal par with funding for out-of-home care. We made the case for services to children and families to prevent crises from intensifying and requiring removal of children from their families and to help children be reunified safely with their families. While the Ways and Means Committee agreed to take some important first steps in that direction, the Congress did not. Instead, CDF and others worked to include a stopgap measure in the Adoption Assistance and Child Welfare Act. That measure provided for a cap on foster care funding if funding for child welfare services grew to a certain level. In such a case, states would be allowed to transfer funds under the cap that they would not need for foster care to the Title IV-B Child Welfare Services Program. States also had the option to use such a system even if child welfare services funding levels did not grow to the amount anticipated.

After enactment of the Adoption Assistance and Child Welfare Act, CDF returned to Congress on numerous occasions to suggest other ways to increase resources available to states for services to prevent placements, reunify children in foster care with their families, and provide post-adoption services so children can remain with permanent families. Yet here we are still discussing proposals similar to those first introduced almost 20 years ago.

As you well know, little progress has been made in leveling the playing field between funding for prevention, reunification, and post-permanency services, and funding for out-of-home care. The use of federal Title IV-E administrative funds for numerous activities related to the placement of children in foster care and the ongoing monitoring of their cases has helped some. The Promoting Safe and Stable Families Program, first enacted in 1993 and expanded slightly in 1997, has stimulated important innovations in states to increase family support services and to promote reunification and adoption services, but its funding level of \$295 million this year is still only a very small piece of the total funding for child welfare. Some funds from the Child Welfare Services Program also can be used for preventive services. The program, however, currently funded at \$292 million, still below its \$325 million

authorized funding level, has seen virtually no growth since 1981 when measured in constant 1997 dollars. These dollars are supplemented by the very small Community-Based Family Resource Program and parts of the Child Abuse Prevention and Treatment and Adoption Opportunities programs, all under the jurisdiction of the House Education and Workforce Committee. These programs together total less than \$100 million and also have grown very little over the past decade.

Unfortunately, this same pattern of inadequate funding for prevention is repeated in the states. In its 1999 report, *The Cost of Protecting Vulnerable Children: Understanding Federal, State, and Local Child Welfare Spending*, the Urban Institute noted that relatively little state money is being spent on prevention. In analyzing state expenditures, it found that for every \$1 states spend on prevention, child protective services, and case management services, states spend over \$3 covering out-of-home placements, adoption, and administrative costs.

There is clearly a need for new investments in prevention, reunification, and post-permanency services. The challenge is how best to make the greatest gains for children and families. In my time this afternoon, I would like to do three things. First, review with you some core principles that CDF believes should be reflected in any changes in federal law that are made to increase the capacity of state and local agencies and the courts to improve child safety, permanence, and well-being. Second, outline several steps that CDF urges Congress to take to enhance services to protect children, support families, and provide families (birth, kin, and adopted) the post-permanency supports they need to remain together and to prevent children from re-entering foster care. Third, I would like to raise several questions that CDF hopes can be answered as states move forward with the flexible funding pilots that are being proposed.

Promoting Child Welfare Reform Principles

As Congress continues working to find the best ways to ensure safety and permanence for children and to increase investments in prevention, reunification, and post-permanency services, including post-adoption services, CDF believes that the following principles should be reflected in any child welfare reforms:

- **A focus on child outcomes.** The goals for any new child welfare reforms must be improved outcomes for children and families. It is risky to provide incentives to states to reduce out-of-home care without also looking at what such reductions will mean for children and families. We must always ask how proposed changes will result in improved outcomes for children. In assessing outcomes, it is important to recognize that in some cases the changes proposed may increase the likelihood of improved outcomes for children and families in the future even though they do not immediately result in improved outcomes.

- **An assurance of appropriate protections, services, and supports.** Federal leadership in promoting protections and accountability for children has been extremely important and must be maintained. It has prompted protections at the state and local levels and provided opportunities to ensure that these protections were actually provided to children.

- **An individual entitlement to services.** Whatever the reforms proposed, it is critically important that otherwise eligible children remain entitled to receive assistance under the Title IV–E Foster Care and Adoption Assistance Programs. When child tragedies occur in states, economic conditions worsen, or other unpredictable situations arise and caseloads grow, CDF believes that the assurance that these children will be protected must be a shared federal and state responsibility.

- **Increased capacity to promote safety and permanence.** As I will discuss further below, increased resources are needed to provide incentives to state and local agencies and courts so that they can improve their capacity to provide adequate services, trained and committed staff, and efficient responses. This will require a range of strategies. While some states will move in these directions if they are given increased flexibility, many more may not. Unless other types of incentives are provided, the status quo will likely be maintained in these states.

- **Up-front assistance to help increase capacity.** States need expanded resources to increase the capacity of their systems to better meet the needs of children and their families so safety can be paramount and timely permanency decisions made. It is not sufficient to provide states with incentives only after progress is achieved. Up-front investments are needed.

Increasing Investments to Enhance Capacity

In order to truly expand investments for prevention, reunification, and post-permanency services, CDF recommends that the Subcommittee take action on both long-term and short-term strategies to improve the child welfare system's treatment of children.

Over the long term, CDF believes that it is time to re-examine the basic structure of current federal child welfare financing provisions to determine the appropriate role of the federal government on behalf of this especially vulnerable group of children and families. We urge the Subcommittee to replace the current system with a comprehensive system that is consistent with the above principles. For too long, despite broad dissatisfaction with the underlying premise of the funding system, reforms have tinkered around the edges. Any new broad reform should include the elimination of the current link between Title IV-E and welfare (AFDC or TANF), which certainly makes no sense from a child's perspective or from the perspective of those administering the system. The federal government's support for abused and neglected children should not be dependent on the income of the families where the abuse occurred. The Congressional Research Service has estimated that delinking foster care eligibility from AFDC would basically double the number of foster children nationwide who would be eligible for federal funds.

In the short term, while comprehensive reforms are being examined, CDF recommends that the Subcommittee proceed with the flexible funding pilots that Chairman Johnson has proposed, which are discussed more fully in the next section of my testimony, and also consider investments like those described below. These would help to increase the service, training, data, and tracking capacities of the child welfare system to better keep children safe and in permanent families. CDF believes that proposals like these will help states reduce appropriately the number of children in foster care and allow states to continue to receive federal Title IV-E funds after reimbursement for room and board is no longer needed. At a minimum, capacity should be increased in the following ways.

EXPANDED SERVICES

Alcohol and drug treatment

An estimated 40 to 80 percent of the children in the child welfare system are from families with alcohol and drug problems. Virtually every state is struggling to find appropriate treatment and services for this population. The bipartisan Child Protection and Alcohol and Drug Partnership Act of 2000 (S. 2345) would provide flexible funding to states where the child protection and alcohol and drug agencies apply together and commit to joint activities that will enhance alcohol and drug treatment for families who come to the attention of the child welfare system. We urge the Subcommittee to seriously consider service expansions for children and families with alcohol and drug problems.

Post-permanency services

Title IV-E Foster Care and Adoption Assistance programs should be amended to allow states to claim reimbursement for up to 18 months of post-permanency services to ensure that children who are returned home, placed permanently with kin caregivers, or are adopted do not re-enter the system. At the Working Conference on Child Welfare Financing in February 1999, organized by the Chapin Hall Center for Children at the University of Chicago, Child Welfare Commissioners from New York City, Los Angeles County, and Illinois all spoke to the importance of funding for after-care services to protect children and strengthen families of all types. In Illinois, some of the large increases in discharges from foster care were attributed to a new per-family grant available for services to support reunification services.

Data from the Multi-State Foster Care Data Archive, maintained by the Chapin Hall Center for Children, estimates that in 10 states (including California and New York and some of the other largest states) an estimated 21 to 28 percent of the children who were discharged from foster care re-entered care. Children do not achieve permanence when re-entry occurs at such a rate. There is also increasing concern that, in the haste of implementing the Adoption and Safe Families Act (ASFA), children will be placed inappropriately with adoptive families who do not have the supports they need to care for children with special needs, resulting in an increase in adoption disruptions. Post-permanency support in the Title IV-E Program would assist in all of these cases.

Preventive services

The Title IV-E Foster Care Program also should be amended to allow payment for services for 15 months for families who come to the attention of the child welfare system whose children are not in foster care and for families with children in foster care. This recommendation builds on the same assumptions that underlie the flexible funding proposal. If states make investments earlier, children will benefit and the need for more costly out-of-home care in the future should be reduced over time. To enable the expansion of family support and permanency services, funding should

be increased for the Promoting Safe and Stable Families Program, which must be reauthorized next year.

SUPPORT FOR THE COURTS

Increased resources for tracking, data collection, and other court improvements

Permanency for children cannot be accomplished without making investments in the work of the courts. States need continuing federal support for the State Court Improvement Program, which must be re-authorized next year. These projects have helped to improve the timeliness of court proceedings, the decisiveness of permanency hearings, and the preparation of attorneys. The bipartisan Strengthening Abuse and Neglect Courts Act (S. 2272) and TAKE CARE Act (S. 2271) also would make needed improvements in the courts by expanding funding for data collection, tracking, and expansion of the Court Appointed Special Advocates (CASA) Program. Representative Deborah Pryce, Senator Mike DeWine, and Mrs. Christine DeLay all spoke to the importance of this legislation at the Subcommittee's hearing in March of this year.

TRAINING

Training of public and private agency and court staffs

The goals of safety and permanence for children will not be realized without a skilled and qualified workforce. In some cases, specialized permanency units may have to be developed to take on one-time challenges and cope with backlogs of children making their way to permanent families. To help improve staff quality, Title IV-E training funds should be available at the 75 percent federal matching rate for training staff across child-serving systems and from public and private agencies who are working with families who have come to the attention of the child welfare system. It is not unusual in states for the majority of the foster care placements to be handled by private agencies. We applaud the Subcommittee's leadership in expanding training funds for court staff, a provision that was included in last year's Fathers Count Act of 1999, and we look forward to working with you to try to ensure passage of that provision in the Senate.

SPECIAL ATTENTION TO CHILDREN WHO ARE WAITING

Strategies to move children to permanent families

One time funding also should be provided to states that, following the mandates in the Adoption and Safe Families Act (ASFA), have identified large numbers of children as needing adoptive families or other permanent homes but do not have the resources necessary to move these children to permanent families. If a state can quantify how many children need help to get into specific types of permanent living arrangements, what kind of help they need, and how much it would cost, Congress should give the state a one-time grant to assist with the activities needed to move these children to permanent families. Such a one-time grant award could be made contingent upon the state providing some matching funds. These grants could help move large numbers of children to permanent families and reduce the number of children in care so that children entering the system in the future will be more likely to receive timely assistance and support.

PROMOTING INCREASED FLEXIBILITY IN CHILD PROTECTION FUNDING

CDF agrees that the flexible funding proposals being promoted should be tried on a pilot basis with a small number of states. In our view, they are certainly preferable to the child protection block grant proposals of the past because they maintain the individual entitlement for children and the individual enforceable protections for children who are entering the system or already in foster care. As envisioned, they also are likely to result in additional dollars for the states as well as additional flexibility.

We also believe that implementation of the pilots can help answer some of the larger questions that were raised by Chairman Johnson's April 2000 paper, "Promoting Flexible Funding in the Child Protection Program." Some of these questions also raise concerns that we urge the Subcommittee to address in the pilots as the bill is being finalized. These questions, and related concerns, are listed below.

1. What assurance is there that any new dollars will be invested in prevention, reunification, or post-permanency services?

While the rationale for increased flexibility is to increase funding for a range of alternative services to foster care, there does not seem to be any assurance that such investments would increase. States could use the dollars for any activities authorized under the Title IV-B and IV-E programs. For example, a state might decide to pay for foster care for more children from the juvenile justice system or to pay for more placements with expensive for-profit providers, rather than increasing investments in prevention or reunification services. There is not yet a provision in the draft bill that requires states to report on how funds are used so that there would be a way to determine what investments were made in prevention, reunification, and post-permanency services.

The current incentive in these proposals is for caseload reduction, rather than for increased investments in prevention and reunification services. In fact, if states use the dollars successfully for prevention, their base lines will decline and they are likely to have fewer dollars to invest in these services in the future. CDF does not believe that caseload reduction alone should be the goal of child welfare reform. An incentive to lower caseloads, without similar incentives to increase investments in prevention and reunification and post-permanency services, may likely place children at risk by returning them home prematurely or pushing them into the homes of relatives or adoptive parents who are not yet ready for them.

2. What room will there be for states to negotiate meaningful three- or five-year funding base lines if Congress already has established an overall funding limit for the new initiative?

This question encompasses two concerns. First, it was clear to us from the May 12 meeting held on the flexible funding proposals and subsequent conversations with state officials, that there are very few, if any, states that have experience in calculating multi-year funding base lines for child welfare programs that accurately anticipate future needs. This was certainly true for the five-year base lines originally proposed, and I suspect it is true for three-year base lines as well. The complexities of making such projections are highlighted by graphs that demonstrate the movement of children in and out of foster care and the unpredictability of the child welfare system. There is often significant variation month by month and year to year. In addition, specific events, such as the death of a child or other factors outside the control of the public system, can cause foster care caseloads suddenly to increase dramatically. The Department of Health and Human Services (HHS) also has limited expertise in computing such base lines.

Second, we do not understand how states that sit down with the Secretary of HHS to develop their base lines will actually have the flexibility to negotiate necessary base line increases. Congress will already have attached a price tag to this initiative, and the Secretary will be forced to keep the costs of the bill within those limits rather than accommodating all the requested increases from the states.

3. How will Congress ensure that any funds resulting from the increased flexibility will be used by states for the purpose of expanding services for children and families either in or at risk of entering the child welfare system?

CDF believes that it is important for Congress to ensure in any flexibility proposal that the increased flexibility actually results in increased expenditures and activities to assist children and families. There is a lot of consensus, we believe, that those seeking new reforms do not want to see states reduce their own expenditures in child welfare as increased flexibility of federal funds becomes available. A strong maintenance of effort proposal will help to protect against this and also help to ensure that these federal funds are not spent for non-child welfare purposes. We are pleased that the draft flexible funding pilots include a maintenance of effort provision and would like the opportunity to work with the Subcommittee staff to strengthen it further.

4. What are the political and practical barriers that will make it difficult for a state to revert to an open-ended entitlement if they experience unanticipated expenditures, most likely due to unanticipated caseload growth?

States that do not correctly predict their foster care growth trends will have to admit their errors in order to revert to the open-ended entitlement. They also will have to find alternative ways to make up the shortfall in funding for the year they were operating the pilot. How this is done could have serious implications for the safety, permanence, and well-being of the children involved. There also will likely be contracts with service providers that will have to be broken when services funded

with IV-E flexible dollars can no longer be funded with IV-E dollars. Once the state reverts back to the Title IV-E open-ended entitlement program, the use of federal Title IV-E funds will be limited to foster care or adoption assistance payments (room and board and related costs) only for certain eligible children. It is also important to flag the potential cost implications for such a proposal if all states decide at once to revert to the open-ended entitlement program.

CDF believes that the draft pilots will help answer many questions about the workability of the proposals, their costs, and the likelihood that they will result in significant increases in preventive and reunification services. We support the concept of flexible funding pilots for up to five states each and look forward to working with you and your staff to further strengthen the draft as you fully develop the proposal. For example, CDF believes that in both pilot states must be required to submit a plan for how flexible funds will be used and how these funds will increase the capacity of the child welfare system to expand prevention, reunification, or post-permanency services, or new attention to special needs populations. States also must have a system in place to track the progress made over time in expanding preventive, reunification, and post-permanency services.

MODIFYING THE NATURE OF THE DEMONSTRATION WAIVERS

The draft flexible funding proposal also makes several changes in the child welfare demonstration waivers that were championed by Chairman Johnson and other members of the Subcommittee in 1993. CDF supports, at least in part, several of the modifications proposed in the demonstration waivers.

We agree that HHS should not be allowed to impose arbitrary limits on the numbers of states that can conduct demonstrations on similar activities. Different adaptations of a similar activity in multiple states could be very helpful in documenting the potential for expanding the demonstration nationwide. For similar reasons, we also agree that there should be no limitation on the number of demonstrations that may be awarded in a single state. In such cases, however, we believe that it is important for a state to specify in its application how the multiple demonstrations within the state will complement each other. Similarly, states should be allowed to expand their demonstrations to reach additional children or additional parts of the state without having to submit full waiver requests.

Finally, we agree that the waiver provision should specifically allow states to extend the five-year waivers for additional periods of time. However, we do not believe that states should be allowed to do so if the demonstrations have harmed or had no benefit for children and families. We are concerned that the language in the draft flexible funding bill seems to allow unconditional extensions provided that the demonstration is being conducted in accordance with the waiver authority provided in law. We recommend that the extension not be for the indefinite period specified in the draft bill but instead be for two additional three-year periods. In some cases extensions will be necessary because five years is too short of a time in which to fully recognize the benefits of what is being demonstrated. In other cases, the extension may be important because the demonstration clearly yielded important benefits, and there is a legitimate desire to continue to allow children to benefit from these same activities in the future. We recommend a maximum of 11 years for the waivers because we believe that the regular renewals will keep the pressure on the federal government to determine whether the demonstration outcomes warrant changes in federal law that would extend similar activities to all states. If states can continue to implement their waivers indefinitely, with little subsequent review by HHS, HHS is apt to lose track of the benefits achieved, and these benefits will not then be extended to additional sites and additional children and families.

We also are very interested in learning more about the Subcommittee's plans to propose changes in the research and evaluation requirements for the child welfare demonstration waiver program. We agree that there are some adjustments that need to be made, but we also believe that it is essential to be able to document the impact of the changes in policy and practice that are being implemented in the demonstrations. We look forward to working with the Subcommittee more on this feature and other aspects of the modifications in the demonstration waivers.

Thank you for the opportunity to make recommendations as the Subcommittee examines ways to increase funding for preventive, reunification, and post-permanency services and to promote increased flexibility in funding. The Children's Defense Fund looks forward to continuing to work with the Subcommittee on both short-term and long-term child welfare reforms. We would like the opportunity to meet with Subcommittee staff to talk in more detail as they finalize language for the two state flexible funding pilots and modifications in the child welfare demonstration waiver program. We also ask that you consider seriously additional investments

to increase capacity in the states to better promote safety and permanence for children.

Chairman JOHNSON. Thank you very much. Mr. Geen.

**STATEMENT OF ROBERT GEEN, SENIOR RESEARCH
ASSOCIATE, URBAN INSTITUTE**

Mr. GEEN. Madam Chair, thank you very much for the opportunity to testify this afternoon.

I am Robert Geen, a senior research associate at the Urban Institute. I'd like to draw your attention to three critical issues facing the flexible funding demonstrations based on our past 4 years of research with the Urban Institute on child welfare financing.

First, as you have noted and many on the panel, the existing Federal child welfare financing structure is fundamentally flawed. The flexible funding proposals correct some but not all of the weaknesses of the current structure.

Second, enforcing a maintenance of effort requirement will be very difficult given the variety of Federal funds states use and the variety of agencies that provide child welfare services.

Third, the flexible funding demonstrations would likely alter states' use and support of relative or kinship foster care.

Let me elaborate on these issues. The most basic shortcoming of the present financing structure is that states have little financial incentive to reinforce child welfare goals as has been mentioned. If a state saves Federal dollars by shortening the time a child spends in foster care, the saving is returned to the Federal Government. The flexible funding demonstrations address this problem by allowing states to reinvest IV-E savings from shorter foster care stays into other parts of the child welfare system.

The Consolidation of Grants demonstrations would allow states to receive a block grant for foster care funds, adoption funds, or both. By permitting states to receive a block grant for foster care while leaving adoption and open-ended entitlement, the legislation may have an unintended consequence. States may have the financial incentive to make adoptive placements before making reasonable efforts to reunify children with their families.

A second shortcoming of the current system is that states must spend inordinate amounts of time and money determining what they can claim for Federal reimbursement. Currently, IV-E, as you know, is based on the eligibility of the child's prior care giver for Aid to Families with Dependent Children. In our research, one child welfare agency reported that it spent \$4 million a year to claim \$26 million in Federal funds. Another child welfare agency noted that they have 600 eligibility staff.

While the five states approved for the Consolidation of Grants demonstrations will receive relief from eligibility determination, other states will not. The historical reasons for linking IV-E eligibility to AFDC are no longer valid. The Federal Government has an interest in all foster children, not just those from impoverished homes. The Committee could provide relief for all states by providing Federal reimbursement for all children in state custody and reducing Federal matching rates accordingly.

Expanding on the second point about the variety of Federal funds used for child welfare, a flexible funding demonstration could encourage states to shift child welfare spending to remaining entitlements such as Medicaid or Supplemental Security Income. After all, IV-E represents less than half of the total funds that states expend on child welfare services. States always have the incentive to first seek out entitlement funding before expending block grant funds or state funds.

Multiple agencies provide a variety of service and interventions that may be considered child welfare. States use a variety of Federal funds to support child welfare. Thus, it is difficult to define what actually constitutes a child welfare budget for a state. And it will be even more difficult to ensure that a state maintains its historical investment. States could shift funding from child welfare agencies to other agencies that provide similar services and would likely appear to meet MOE requirements. I want to be clear, however, that this does not negate the need for an MOE requirement. Rather it argues for HHS to develop very specific and comprehensive regulations that include a non-supplantation provision.

On the third point about block granting IV-E would likely alter states' use and support of relative foster care. In January, HHS issued regulations requiring states to license relative foster parents based on the same licensing criteria used for non-relatives in order to receive IV-E reimbursements. Currently, based on a 1999 survey by the Urban Institute, 31 states and the District of Columbia use different licensing standards to improve at least some of their relative foster parents. This would no longer be possible under the flexible funding demonstration which would award all IV-E protections to both IV-E and non-IV-E eligible children. States then would have two options under the flexible demonstration. They could provide foster payments to all relative foster parents, which could significantly increase IV-E expenditures, or they could not maintain protective custody of children placed with relatives, which would make it difficult to ensure the safety of these kids.

In conclusion, despite its clear improvements over the current Federal financing system, implementing flexible funding for child welfare is not without risk. The main benefit of an entitlement is that states are protected from sudden increases in their caseload for issues beyond their control.

While the Consolidation of Grants demonstrations provide some protection for such a scenario by allowing states to opt out of the block grant in future periods, exiting the demonstration will entail both economic and political costs. In comparison, the Transfer of Funds demonstrations provide greater protection for sudden changes in caseloads since this proposal allows flexible funding but also maintains the IV-E entitlement.

Thank you. And I'll be happy to answer any questions you may have.

[The prepared statement follows:]

Statement of Robert Geen, Senior Research Associate, Urban Institute

Madam Chair, members of the Subcommittee, thank you very much for the opportunity to testify this afternoon.

I am Robert Geen, a senior research associate at the Urban Institute, where my research focuses on child welfare issues. Based on our past four years of research

on child welfare financing, I would like to draw your attention to three critical issues facing the flexible funding demonstrations that have been proposed to this Committee.

First: The existing federal child welfare financing structure is fundamentally flawed. It provides financial incentives that run counter to the goals of the child welfare system and requires states to invest considerable time and money to claim federal reimbursement. The flexible funding proposals correct some but not all of the weakness of the current structure.

Second: Enforcing a maintenance of effort requirement and non-supplantation provision will be very difficult given the variety of federal funding streams states use and the variety of agencies that provide child welfare services.

Third: The flexible funding demonstrations would likely alter states' use and support of relative foster care, or kinship care—a growing source of care for children in the child welfare system.

Let me elaborate on these issues.

Legislation addresses some but not all shortcomings of the current system.

The most basic shortcoming of the present federal child welfare financing structure is that states have little financial incentive to reinforce child welfare goals. For example, if a state saves federal dollars by shortening the time a child spends in foster care, the savings return to the federal government. Both the flexible funding demonstrations and the IV-E waivers address this problem by allowing states to reinvest IV-E savings from shorter foster care stays in other parts of the child welfare system, such as prevention or aftercare services.

The Consolidation of Grants demonstrations would allow states to receive a block grant for foster care funds, adoption funds, or both. By permitting states to receive a block grant for federal foster care funds while leaving adoption an open-ended entitlement, the legislation may have an unintended consequence. States may have a financial incentive to make adoptive placements before making reasonable efforts to reunify children with their families.

A second shortcoming of the current system is that states must spend inordinate amounts of time and money determining what they can claim for federal reimbursement. Currently, IV-E eligibility is based on the eligibility of the child's prior caregiver for Aid to Families with Dependent Children. In our research, one child welfare agency reported that it spent \$4 million a year to claim \$26 million in federal funds. Another agency reported that they have a staff of 600 to determine eligibility.

While the five states approved for the Consolidation of Grants demonstrations will receive relief from IV-E eligibility determination, states implementing the Transfer of Funds demonstrations or the waivers will not. The historical reasons for linking IV-E eligibility to AFDC are no longer valid. The federal government has an interest in all foster children, not just those from impoverished homes. This Committee could provide relief from IV-E eligibility determination for all states by providing federal reimbursement for all children in state custody and reducing federal matching rates accordingly.

The variety of federal funds used for child welfare makes the maintenance of effort (MOE) requirement problematic.

The flexible funding demonstrations could encourage states to shift child welfare spending to remaining federal entitlements like Medicaid or Supplemental Security Income. After all, IV-E represents less than half of the total federal funds that states expend on child welfare services.¹ States always have the incentive to first seek out entitlement funding before expending block grant funds.

Multiple agencies provide a wide variety of services and interventions that may be considered child welfare. In addition, states use a variety of federal funds to support child welfare services. Thus, it is difficult to define what constitutes a state's child welfare budget and even more difficult to ensure that a state maintains its historical investment. States could shift funding from child welfare agencies to other agencies that provide similar services and would likely appear to meet MOE requirements. I want to be clear, however, that this does not negate the need for a MOE requirement. Rather it argues for HHS to develop specific and comprehensive regulations that include a non-supplantation provision.

Block Granting IV-E would likely alter states' use and support of relative foster care.

Approximately 200,000 foster children are in relative foster care and this number is growing due in part to the declining number of nonrelative foster parents. In Jan-

¹ Geen, R., Boots, S., and Tumlin, K. The Cost of Protecting Vulnerable Children: *Understanding Federal, State, and Local Child Welfare Spending*. The Urban Institute, January 1999.

uary, HHS issued regulations for states to implement the Adoption and Safe Families Act. The regulations require states to license relative foster parents based on the same licensing criteria used for nonrelatives in order to receive IV-E reimbursements. Based on an 1999 Urban Institute survey, 31 states and the District of Columbia use different licensing standards to approve at least some relative foster parents.² Most states provide those relative foster parents with Temporary Assistance for Needy Families grants instead of foster care payments. This would no longer be possible under the flexible funding demonstrations, which would award IV-E protections to both IV-E and non-IV-E eligible children. States that implement flexible funding demonstrations will have two choices:

(1) provide foster payments to all relative foster parents, which could significantly increase IV-E expenditures and/or cut the supply of relative foster parents since not all may be able to meet licensing requirements, or

(2) not maintain protective custody of children placed with relatives, which could make it difficult to ensure the safety of those children.

It is also important to note that states' decisions on whether to include kinship care placements in their IV-E caseloads could significantly affect their baselines. States, at least initially, will have the incentive to move all kinship care placements into their caseloads to increase the size of their block grant.

In conclusion, despite its clear improvements over the current federal financing system for child welfare services, implementing flexible funding for child welfare is not without risk. The main benefit of an entitlement is that states are protected from sudden caseload increases due to factors beyond their control, for example a drug epidemic or a sharp downturn in the economy.

While the Consolidation of Grants demonstrations provide some protection for such a scenario by allowing states to opt out of the block grant in future periods, exiting the demonstration will entail both economic and political costs. In comparison, the Transfer of Funds demonstrations provide greater protection for sudden changes in caseloads since they provide funding flexibility but also maintain the IV-E entitlement.

Thank you again for this opportunity to testify and I am happy to answer any questions you may have.

The views expressed are those of the author and do not necessarily reflect those of the Urban Institute, its trustees, or its sponsors.

Chairman JOHNSON. I'd like to start by saying that a number of you have mentioned the complexity of the current system. And Judge Kearney, you gave a very good chart that shows how many sources have to be tapped. And I assume that for every source, a different set of papers has to be filled out. You know, I don't know why you're not up in arms. I read a memo from this little group in my hometown and a few adjoining towns that have a waiver and they are trying to do this and it described the number of problems they're having to deal with from the micro-level up. Why aren't you outraged? I mean, we desperately need the money for services. We all know that. We're squandering it at the administrative costs level. And we have a chance to make change. Now, I don't think my proposal goes far enough in making change, and particularly administrative change. I mean, we have got to do better than this. I think your testimony demonstrates that we've got to do something. And I appreciate some of the detailed comments made about the legislation, that is, you know, we always do work with you.

But I was very interested in Ms. McCullough's testimony where you testify that states were discouraged during the application process from going statewide. Now, in the eighties, I personally on this Committee put demonstration projects in place for statewide demonstrations. But I mean, what was the point? Why did you

²Leos-Urbel, J., Bess, R., and Geen, R. *State Policies for Assessing and Supporting Kinship Foster Parents*. The Urban Institute, (In Press).

want micro demonstrations? How much can be learned from micro demonstrations? How much do state reimbursement policies change when you have a micro demonstration? And all of these poor little notes that I was reading was all about this little thing, and that little thing, and this little funding, and that little funding. Can't you think bigger? You know, I need help now. And we ought to be able to do this in a way that both parties—that we can all agree on because so much of it isn't about children. So much of it is about government. And for a worker to have to do all that, boy, I don't blame her. I mean, at what point do you stop filling out papers for one child and move on to the next case?

So, you know, I'm sorry that more members weren't able to stay for all of the comments of the panelists because you all have a lot of experience. Although I certainly appreciate the concerns of the Children's Defense Fund, you know, I think we've got to be bolder.

Ms. ALLEN. I agree with that.

Chairman JOHNSON. You know, we've got to be much bolder than this bill. And one of the things that strikes me is the very, very conservative implementation of past authorities. And the implementation has been so conservative that the underlying problems don't get moved. So, you're always, you know, pressing against the same walls. And you're just, you know, stirring this chocolate syrup in the white milk in the small glass. You know, we've just got to find a way to at least force—allow states to merge funds, to strip out reports, and so on and so forth. We have an example in the regulations that the Department just proposed that were very forward looking on outcomes, very thoughtful. You know, why can't we use that work? So, I'm not smart enough to be able to ask the level of questions that I really need to be able to ask without more reflection when I hear so many comments. But I would just urge you to take back what you've heard from one another and the proposal as it now lies and really help us. We really have got to do better. If we just do this, we'll just have another series of demonstration projects. The fact that we aren't going to have good information from the bigger demonstration projects for 5 years—but on the other hand, we have so much micro evidence. I mean, there is no question but that we need to turn around the service preference here. So, you know, while GAO were sort of neutral about this, they're neutral because they're sort of research design people and there wasn't the proper design. I have never, ever run into anyone who has had experience with integrating services and trying to prevent and be more holistic and move kids through more rapidly that says that it was better the old way. So, we may not know exactly—have exactly the data to document. But have we ever? No. We have never even gotten a data system nationwide, you know, after 10 years. So, let's stop kidding ourselves and thinking that we can do this like you might do, you know, like you might be able to oversee the technology in our air traffic control towers, in which we have done a markedly terrible job, markedly terrible. But at least you can take an inventory and see it, you know. We don't fund it. We don't keep up with the pace of change. But at least you can see what you're doing. You can't do that. You'll never have that luxury here. But we do know that it is outright absurd, outright absurd. And furthermore, how can we afford 38% of the calls having to be

remade if we have any concern about our children? So, I think we just have to sort of take another stab. And we'll look forward to your help. We'll certainly take seriously some of the concerns that you had about this particular piece of legislation. But we do need to think much bigger. And we will have to have those ideas promptly. Thank you. I appreciate your participation.

[Whereupon, at 3 p.m., the hearing was adjourned.]

[A submission for the record follows:]

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1

30 July 2000

A.L. Singleton, Chief of Staff
 Committee on Ways and Means
 U.S. House of Representatives
 1102 Longworth House Office Building
 Washington, D.C. 20515

RE: PLEASE POST IN THE RECORD

RE: Ways and Means (HR-23) Human Res. Subcomm. "Hearing on State Flexibility w/ Federal Child Protection Funds"

Dear Committee Members:

Information re: Ways and Means (HR-23) Human Res. Subcomm. "Hearing on State Flexibility w/ Federal Child Protection Funds" was passed to me from one of the many viewers who have visited my site, <http://www.ExtraLove.com>, an advocacy site for children.

I never intended to become involved in such issues, however after launching the site for a Florida child in May, I have been contacted by parents nationwide -- many relaying horror stories of child abuse including pedophile activities that reach across our country.

Please visit the site. Links to news articles from the Miami Herald and other sources are provided, as are some contact names. All material may be freely dispersed and I urge you to do so.

Thank you.
 Hope Marcus
 Author, ExtraLove Tributes.com, a children's advocacy site

Enclosed:
 6 hard copies of information provided on PC formatted Word disk as required.

Press Articles—Some of Many

BROWARD Published Tuesday, July 11, 2000, in the Miami Herald

**Dad to court: Remove girl from shelter
 Petition claims child being held illegally, should go back to father**
 BY CAROL MARBIN MILLER
 cmarbln@herald.com

In an unusual move, the father of a 5-year-old girl held more than two years in an emergency shelter has asked a state appeals court to order her immediate release from state custody.

Paul Scott Abbott, whose daughter Ashleigh Danielle Abbott was removed from her father's home by state officials in April 1998, filed a habeas corpus petition Monday before the Fourth District Court of Appeal in West Palm Beach. The petition claims Ashleigh is being held illegally and should be released back into her father's custody.

Ashleigh currently lives at the Children's Home Society emergency shelter in Broward. Seven different judges have been assigned to hear her case, and Ashleigh as yet has never had a completed hearing to determine whether she should remain a dependent of the state or be returned to her father.

Experts said Monday it is fairly unusual for lawyers to file habeas corpus petitions for children who are alleged to be dependents of the state. Usually, such petitions are filed by jail or prison inmates claiming to be held without due process.

"I've done it before," said Professor Claudia Wright, who directs the University of Florida Law School's Juvenile Law Clinic. "But I think it's unusual."

Gilbert Perez, who supervises the assistant attorneys general who represent the state in Broward County dependency actions, declined to discuss the case Monday. Eva Koblenz, spokeswoman for the Department of Children and Families, also declined to comment, citing confidentiality. Paul Abbott, 43, a freelance writer and lay pastor with the Miramar Lutheran Church and the Prince of Peace Lutheran Church in Hollywood, said Monday's petition comes out of near desperation on his part.

"So far, nothing has worked in getting Ashleigh back home," Abbott said. "So now we're praying this is the thing that does get her back home before she starts kindergarten next month."

Ashleigh was taken by child protective workers with the Florida Department of Children and Families in April 1998. In a petition seeking Ashleigh's designation as a dependent of the state, the agency said Paul Abbott had failed to protect the child from abuse she received during a supervised visitation with her mother.

In a later complaint, the state faulted Abbott for attempting to deprive his ex-wife — whom caseworkers had repeatedly accused of being abusive — of visitations.

State law requires that children held in emergency shelter receive a hearing within 30 days, said Bernard Perlmutter, director of the University of Miami's Children and Youth Law Clinic. While it's common for children to remain in emergency shelters much longer than that, Perlmutter said, most children have received a hearing within two years.

"Clearly," Perlmutter said, "to keep children as hostages of the state in shelter care can be a means of circumventing the requirements of expedited adjudication and case planning that takes place so that children have a sense of permanency in their lives and know they will be reunited with their parents or be free for adoption.

"So this is intolerable," Perlmutter said, "though not atypical. This may be an extreme example of what we see."

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Children & Families should refocus on family preservation

Sun-Sentinel Editorial Board
Web-posted: 7:13 p.m. June 16, 2000

Here we go again. The Florida Department of Children & Families is defending itself against another federal lawsuit to improve foster care.

The allegations are familiar: DCF keeps its charges in foster homes and shelters longer than state and federal laws allow, and while the youngsters are there, they either endure or are at risk of enduring sexual, physical and emotional abuse by the people paid to care for them.

In fact, lawyer Karen Gievers is a veteran of suing the agency. In 1990, she took DCF to federal court over the length of time foster children had to wait before either going home or being adopted. She dropped that suit five years ago after deciding the state was doing all it could to correct the problem.

Now she's back, and this time Gievers and 21 other attorneys want a federal judge to force the state to change foster-care services for the better.

The jury's still out on this latest attempt to use the courts to fix one of the state's most dysfunctional social services programs. One thing is certain, though. The agency will continue to attract lawsuits unless it changes the way it provides services to abused and neglected children.

The state could help its cause by putting more resources into services that help keep youngsters out of an overcrowded foster-care system. That apparently isn't occurring fast enough, given the agency's philosophical bent to put youngsters in state's care in the name of 'safety.' A better balance toward family preservation is needed.

In Broward County, for example, DCF officials estimate that 35 percent of the district's 5,000 abused and neglected children in its care could have stayed with their families if their parents had received help early enough to avert serious trouble.

Unfortunately, many mandatory parent assessment, substance abuse and mental health programs are either too expensive or too difficult to attend because of long waiting lists, inadequate child care and transportation.

Worse, DCF routinely has had to cut its funding to family preservation programs in Broward County because it needed the money to pay for the room and board of children who had been removed from their families and placed into foster care.

In the past two years, the numbers of youngsters in foster care has increased dramatically. Worse, the number of backlogged cases has increased while lawyers representing the agency determine if abuse and neglect allegations are serious enough to warrant putting the child in foster care or reuniting him or her with families.

A federal judge ultimately will determine the merits of Gievers' latest lawsuit. In the meantime, Gievers will assert the state is violating the law by keeping troubled youngsters languishing in a system that simply warehouses its wards and puts them at risk of further abuse and neglect. The state has yet to comment on the charges, but DCF officials will certainly fight the lawsuit in what promises to be a long and protracted court battle.

It's a sad refrain that likely will continue ad nauseam until the state changes its tune.

**5-year-old goes into 3rd year as Florida Political Prisoner
Legislators Yawn as Child Remains Incarcerated
Grassroots group launches FREE ASHLEIGH campaign**

Miami, Fla. May 25 — As his innocent 5-year-old daughter enters her third year of illegal incarceration in a Broward County group emergency shelter, her father has gained support of the Tallahassee-based Children's Advocacy Foundation, which is filing individual and class-action suits in state and federal courts. Children's rights advocates believe this is the longest any U.S. child has been held in a group emergency shelter without an adjudication against the protective parent. On another front, Free Ashleigh with ExtraLove, a grassroots site on Ashleigh's behalf was launched at <<http://www.ExtraLove.com>>

However, the state's Republican Party politics continue to hold Ashleigh Danielle Abbott a political prisoner. On April 27, the Florida Department of Children Families retained the law firm of the GOP Chairman Al Cardenas to defend against actions that seek return of Ashleigh to the remarkable father who had raised her since infancy and from whom she was kidnapped by the state in April 1998.

FAVORITISM VERSUS CHILDREN

Two hearings are set for May 31 in Broward Circuit Court on the individual state action of advocacy group head Karen Gievers, on Ashleigh's behalf, against Florida DCF Secretary Kathleen Kearney (who as a Broward dependency judge had initially seized Ashleigh and promptly issued an unconstitutional order barring the father from finding out any information about parent, was reminded this month by the DCF Inspector General's Office when that office abruptly ceased its probe) and Broward DCF Administrator Phyllis Scott. In closing its own investigation, the DCF Office cited Kearney's ruling, thus locking Abbott out of his own files while also keeping his innocent daughter incarcerated in an emergency shelter.

This will be a showdown between last election's Democratic secretary of state candidate and the Republican Party chair's law firm to determine if DCF will be allowed to continue to illegally withhold Ashleigh's records from her attorney. It has also come to light that Jeb Bush's wife, and the GOP Chair whose law firm was hired to defend DCF are cousins. The state's deployment means Ashleigh, an innocent 5-year-old victim, will continue her imprisonment.

Upon learning that the law firm of GOP Chair Al Cardenas was hired by DCF to defend, legislative assistant to Stan Bainter, and former Republican presidential appointee Bob Short, (phone 325-589-1998) had this to say: "I've spoken with Karen Gievers, of Children's Advocacy Foundation about the DCF situation and the pending lawsuit against the Governor and Kearney. The Cardenas role comes as a complete surprise. Imagine the Chair of the State Republican Party defending the DCF, whose jurisdiction falls under Jeb Bush, our Republican Governor, who in turn, must also defend his appointment of DCF Secretary Kathleen Kearney. To me, this seems unethical."

In February, Broward DCF settled a wide-reaching class-action suit brought by the Youth Law Center. Settling also killed a trial against the DCF that was two weeks away. Collaboration and faith marked the dubious agreement allowing Broward's DCF to govern itself without an outside monitor. In a Miami Herald article Kearney was quoted as saying: "Working together to define these issues may be the answer to improving foster care. We found the only way to truly resolve it is to be open, honest about the problems and seek effective collaboration with everyone." Having professed to candor, the question arises as to why the law firm of the state's GOP Chair was retained last month to represent DCF and is fighting the release of records in Ashleigh's case.

Short believes legislators are unaware. "From my limited exposure to this serious problem, HRS and subsequently DCF activities have always fallen under the respective Governor's control; e.g., Chiles, Bush, whomever. Because of this, the Legislature has no idea what is going on behind the walls of DCF. DCF goes to the Gov. for funding, the Legislature complies - seemingly uncaring one iota about problems that exist within and outside.

No single statewide group has come together to bring this to a head. Reason for this assumption is that no legislator, to my knowledge, has ever been threatened by the voting public to take an interest in DCF ongoing. Thus, the DCF gang moves about with impunity. DCF is certainly blessed with a certain Nazi mentality."

It is that mentality that fosters Gestapo like measures and the disintegration of families, an experience that Paul Scott Abbott, the father of Ashleigh, who had raised her since infancy, has direct knowledge of. In addition to holding his daughter hostage, the state has succeeded in placing further restrictions on his access to Ashleigh such that he has seen her only 5 hours in the past month, that in a highly supervised environment.

CHILDREN NEED PROTECTION FROM FLORIDA'S POLITICIANS

"The innocent children of the state of Florida need to be protected from the state of Florida," Abbott told members of the Senate committee." (AP, March 17)

Abbott now believes he made a mistake calling police when she returned home with a swollen lip after a supervised afternoon visit with her mother March 13, 1998. On April 23, 1998, DCF took Ashleigh away from her natural father. Since then, Abbott has faced a host of hardships in his attempts to have her returned. Recently, he was fired from his reporting job by the (Fort Lauderdale) Sun-Sentinel, with the reason given to Editor & Publisher magazine (as reported in the May 1, 2000, issue) that he had made critical remarks about Kearney. He has refinanced his modest house, been forced into bankruptcy and has had to pay more than \$1,000 a month to see his child. His attorney has been threatened by the state with disbarment, and he has watched as a number of judges have recused themselves.

Meanwhile, Ashleigh has suffered the most, with a psychological report saying Ashleigh, being treated for removal from home and parental separation, is operating at 50 percent of her psychological capacity. Judge John Frusciante said most of the damage likely has been caused by the state.

Two weeks ago, with presiding Judge Frusciante out of town, the state created an alleged "emergency" to get a magistrate hearing (before the 10th judge on the case in 2 years) at which restrictions on parental access to Ashleigh were extended, contrary to Judge Frusciante's order. Upon Frusciante's return, the state encouraged him to recuse himself and then to seal the state's slimy recusal motion, a motion which threateningly alluded to personal family matters of the judge.

Curt Christensen, a family friend recalled Ashleigh visits, and how he forged through his stepson's room, looking for toys she could play with. He found a box of Matchbox cars and watched as the living room floor evolved into a city. "What happens when a child is torn away from the security of a loving parent?" he now asks himself. "How will Ashleigh deal with the confusion and discontent that entered her life?"

"As far as I can tell, the harassment by the state is totally uncalled for — and never ending," he added disgustedly. "Paul's been dragged through the ropes. The state has taken away his kid, his rights, his job, and continually puts him to through tests most could not pass. Paul knows he is not alone, others have faced similar heartache." An estimate presented to the Legislature in March by Victims of Child Abuse Laws indicates that tens of thousands of Florida children are being withheld from their homes without just cause. "But knowing others are in pain doesn't ease the anguish of seeing your child languish in imprisonment forced by the state," Christensen said.

"We think there's no place worse to be a foster child than in Florida. We think that Kearney is responsible for that," said Richard Wexler, in a news article (New Times, March 24.) Wexler, executive director of the National Coalition For Child Protection Reform continued: "Kearney's performance at DCF has been abysmal; her entire approach is take the child and run."

Bob Short had another thought. A retired US Army Colonel, who subsequently served for 8 years as director of information services for Radio Free Europe/Radio Liberty, said, "I know about Communism in depth and I also know that Communists did not treat children and families the way they are abused by DCF."

Tallahassee attorney Karen Gievers of Children's Advocacy Foundation (850-222-1961) hopes by the end of this week to file the federal class action suit, of which Ashleigh is the only named Broward member amongst some two-dozen innocent victims of a system gone amok. The state court hearings are set for May 31 at 8:45 a.m. and 9:30 a.m. before Judge Patricia Cocalis, Room 1010, Broward County Courthouse.

A series on Broward's dubious Courts (Miami Herald, January 23, 00 <http://www.herald.com>) notes that Broward's \$6-million-a-year system was always considered a reward system for favoritism. Circuit Judge John Frusciante, the latest judge to recuse himself in Ashleigh's case said, "there still aren't enough lawyers (in the dependency court)."

What is happening to make all the judges quit Ashleigh's case? What keeps a five-year-old incarcerated in a Broward emergency shelter away from her father who loves her dearly? Why did this case get so out of hand? How long will this atrocity continue? These questions remain unanswered and cannot be investigated until the records are released.

We hope you will keep Ashleigh in your prayers, praying that she will safely return home. It appears a third Father's Day is coming up on which father and daughter will be apart for reasons that are political — not legal, not moral, not ethical, but cruel and criminal.

Hope Marcus, who has known Paul Abbott for 12 years and his daughter since shortly after her birth, and is serving as pro-bono publicist, can be reached at 305-661-8912. Her literary site for children can be found at

<<http://www.EarthStory.com>>

Paul may himself be reached at 954-962-2503, and can refer you to numerous third-party sources.

From Contact Page

Until recently, I had little idea about the going-ons of Florida's Department of Children and Families (DCF). My children are grown; a son in college; a daughter who graduated FSU and is now a nurse. I originally registered this site name, and ElderAssistance for her as she thought she would work with the elderly. She opted for the ER room instead.

But my friend, Paul Scott Abbott, knew things about the state agency that I did not. His child had been illegally seized by Florida's DCF. He had called them when his daughter returned with a bruised lip after a visitation with her mom. Five weeks later, in April of 1998, she was hauled away and has been a prisoner in an emergency shelter ever since. That was 26 months ago.

Paul and I met twelve years ago via professional and writing circles. I remember when his former wife was pregnant, and having second thoughts about carrying the baby. She was committed to a hospital when she tried to commit suicide by plunging a knife into her belly while pregnant with Ashleigh. Paul and I and others from the Miami Chapter of the Florida Public Relations Association were in Naples attending a statewide conference. Immediately after receiving his accreditation award, he raced home, back to Hollywood, Florida.

I have known Paul for many years and know how much he adores his daughter. I have witnessed the mounds of affection he showered upon her. I also know also that there are many others who have vouched for his integrity. Paul is a graduate of Northwestern's Medill School of Journalism. Now, many years later, he is working on his Master's in Seminary. He is a lay preacher at a local church and credits his faith in the Lord for keeping him going.

Over the years, many of Paul's supporters' have written letters on his behalf, myself included. The one below was sent more than a year ago.

1 April 1999

Governor Jeb Bush
The Capital
Tallahassee, FL 32399-0001

Dear Governor Jeb Bush:

Despite today's date of April 1, my reason for writing is no joke. It is quite serious and concerns real flesh and blood.

Several times on evening walks, you and I would 'run' into each other, you'd be walking your pooch and my husband and I would be out and about (he is tall and thin with a mustache, I'm chunky with turtle shell glasses).

Now, my attention focuses on a dear and loving parent, Paul Scott Abbott, and his young daughter, Ashleigh. In reviewing the attached letter written last April (1998), I am flabbergasted to realize that almost a year has passed and that an innocent child still remains incarcerated in a child care system away from her father, who loves her dearly.

I have known Paul for more than eleven years; I remember when his daughter was born. I am also witness to the love and care he showered on her. I am amazed that a haywire system is so out of control that a daughter and father remain separated, and that questions about Paul's devotion remain. It is known that the child's mother was ordered away from a son in a previous marriage, and that she has abused Ashleigh, too. There are also many other insidious acts of cruelty in the files. PLEASE REVIEW THEM, meet with the father, and see for yourself.

I urge you to reunite Ashleigh with her father. Ashleigh has already lost one year of her life— age 3— a critical year in child development because she remains incarcerated by run-away system that has failed to meet its obligations. I cannot imagine this travesty continuing. Your immediate attention to this matter will be greatly appreciated.

Yours, Hope Marcus

