

# BLUEPRINT FOR THE PRIVATIZATION OF CHILD WELFARE

BY CONNA CRAIG, TED KULIK, TIM JAMES, AND SHAMIN NIELSEN  
PROJECT DIRECTOR: SUSAN ORR

## Executive Summary

The time has come to take a critical look at the role of privatized services in foster care and adoption. Over the last several decades, government has come to control all facets of child welfare services to the exclusion—and sometimes outright preclusion—of private-sector involvement. The result has been a steady growth of organizational and bureaucratic complexity.

America's child welfare system is cumbersome, inefficient, and costly. Paperwork and protocol often overshadow the best interests of children. State and federal policy-makers all too often hear horror stories from their constituents about children trapped in a multi-billion dollar failure.

Children in foster care often spend months and even years waiting for the chance to be reunited with their families or adopted into a permanent home. Other children are sent back precipitously to abusive homes only to return again to foster care after another incident of abuse.

Three states have already taken the lead to help unfortunate children trapped within this system. Their innovative projects are proving more effective and, thus, more humane than the traditional system as a whole. Three states, in particular, demonstrate how private initiatives can be the key to improving child welfare.

The three states highlighted in this study exemplify the kind of innovative practices that lead to real change are **Michigan**, **Texas**, and **Kansas**. Each is utilizing the private sector's efficiency, expertise, and connection to the community in order to improve the lives of thousands of children in state custody.

In Michigan, the Department of Social Services has contracted out adoption to private agencies since the late 1980s. Private agencies account for about two-thirds of all adoptions in that state—and in 1996 adoptions were up 19 percent over the prior year. More importantly, a striking 60 percent were “older children,” those children all too often labeled “unadoptable” by state agencies.

Texas has made use of the private sector’s expertise in information technology (IT) by contracting with a private company to upgrade its child protective services’ management information system dramatically. This initiative transformed Texas from a state that just a few years ago kept foster children’s records on three-by-five cards to a leader in child welfare IT, freeing up social workers from filling out forms to helping children in need. We estimate that the state will save \$102.6 million over the next three years. Privatizing information technology also results in better services and fewer lost cases.

Kansas has privatized three major components of child welfare: family preservation services, foster care, and adoption. While such a move has been the center of heated debate, private contractors have exceeded expectations in finding permanent homes for foster children and, in fact, provided superior services in all three categories. In the first year, Kansas saw a 44 percent increase in the number of finalized adoptions. Inquiries from families wanting to be adoptive parents have tripled since privatization.

Studying the states independently, our research has found that the factors most closely associated with success are:

- *Outcome Orientation.* Agencies receiving contracts are held accountable for outcomes. These outcomes are measurable and are focused on the needs of children. If contracts are to be renewed, private agencies must maintain outcomes predetermined by state administrators.
- *Competition.* There must be competitive bidding among qualifying agencies.
- *Rewards for Good Performance.* Incentives must be in place. States must develop incentives aligned with measurable goals.
- *An Outside Monitor/Independent Evaluator.* In order to develop a system of fair assessment, states must hire private contract monitors and independent evaluators to assess the effectiveness of contractor achievements in quantitative and qualitative terms. No organizations should be excluded from the process: charities, faith-based organizations, and businesses must all demonstrate innovation and cost-control if they receive state contracts.

There’s no sense in reinventing the wheel. The following three case studies present a starting point for discussion, legislation, and—most importantly—*action* in other states.

## Part 1

# Introduction to Child Welfare

Imagine Detroit's Tiger Stadium packed with children waiting for families. That is the reality of today's child welfare system. Across the United States, more than 54,000 children were legally free for adoption at the start of fiscal year 1997.<sup>1</sup> There is no legitimate reason why any of these children spend months or years waiting for a permanent, loving family. Families are willing and are on waiting lists to adopt all types of children. These families are unconcerned with how some kids are labeled by the state. They long to open their homes and hearts to waiting children. Unfortunately, children waiting to be adopted are just the tip of the iceberg. Even if we solved the adoption problem tomorrow, many children would remain trapped in a government-run child welfare system.

Child welfare services encompass a broad array of social services from prevention to child protection, from foster care to the adoption of state wards. Intermixed with those services are family support and preservation programs. It is a huge system that touches several million families each year. Just to highlight a few examples:

- In 1996, there were over 3 million reports of child abuse and neglect; of those 3 million, state and local child protective services investigated over 2 million reports.<sup>2</sup>
- Out of all those investigations, 28.3 percent of the cases were substantiated for abuse or neglect.<sup>3</sup>
- Of the substantiated cases, 16 percent of those children were considered to be in sufficient danger to be removed from their homes.<sup>4</sup>

Despite the low removal rates, the number of children in foster care is still quite high. While no official count exists, experts estimate that at least 500,000 children are in foster care today.<sup>5</sup> Not all of those children

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<sup>1</sup> Conna Craig and Derek Herbert, *The State of the Children: Examination of Government-Run Foster Care* (Dallas, Texas: National Center for Policy Analysis, 1997), p. 7.

<sup>2</sup> U.S. Department of Health and Human Services, Children's Bureau, *Child Maltreatment 1996: Reports from the States to the National Child Abuse and Neglect Data System* (Washington, D.C.: U.S. Government Printing Office, 1998), p. 2-1.

<sup>3</sup> *Ibid.*, p. 2-3.

<sup>4</sup> *Ibid.*, p. 2-13.

<sup>5</sup> The Voluntary Cooperative Information System (VCIS) is the most complete set of aggregate data on children in substitute care. It is collected by the American Public Human Services Association (APHSA), formerly known as the American Public Welfare Association, in Washington, DC. The last estimate available is for 1995, which puts the number of children in foster care at 483,000. However, APHSA projects a 3-4 percent increase each year, which would put the estimate at 527,787 for 1998. See American Public Human Services Association's website at: <http://www.apwa.org/faq/quest7.html>. Another source of data is the U.S. Department of Health and Human Services data system, the Adoption and Foster Care Analysis and Reporting System (AFCARS). Although it has been mandated for years, data are currently available for only 22 states. HHS estimates that the data available account for 55 percent of the total number of children in foster care. See the Children's Bureau website at: <http://www.acf.dhhs.gov/programs/cb/stats/afcars/index.html>.

are, of course, freed for adoption. In fact, over half of these children are slated to return home.<sup>6</sup> Getting back home, however, often takes much longer than it should.

Foster care is supposed to be a temporary placement for children who are abandoned or whose biological parents have been deemed unfit due to substantiated abuse, neglect, or “parental conditions” such as drug addiction, incarceration, or homelessness. Once a child is removed from his home by child protective services (CPS), he is placed in foster care, usually a home (sometimes a formal arrangement in a relative’s home), a shelter, a group home, or even a residential treatment center, if the child has emotional problems. The child remains in care—often moved from one placement to another—while his parent (or parents) undergoes treatment or counseling in an attempt to become a fit caretaker. If it becomes clear that rehabilitation is unlikely to take place, a court process called termination of parental rights (TPR) severs the ties to the biological parents and frees the child for adoption.

The dispensation of federal funds requires that states emphasize reunification with the family.<sup>7</sup> Since passage of the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272), states have been required to make “reasonable efforts” to return children to their biological parents.<sup>8</sup> A recent study, however, estimates that over 30 percent of all children who are reunited with their biological families eventually re-enter care.<sup>9</sup> Since 1980, states have also been required to establish “permanency plans” for children in foster care after a child has been in the system for 18 months in order to get federal funding. Yet we know that this permanency-planning requirement has not met expectations because:

- Of the children leaving foster care for the latest reporting period (1996), 11 percent had been in foster care for 3-4 years; another 10 percent had been there for 5 years or longer.<sup>10</sup>
- Children on average experience two or more placements in different foster homes.<sup>11</sup>
- Children typically wait between 3.5 and 5.5 years before an adoption is finalized.<sup>12</sup>

Moreover, every year some children turn 18 in foster care without a permanent family. These youngsters leave foster care and must fend for themselves, often without roots or guidance. It’s not surprising to discover that former foster children are disproportionately represented among the homeless and prison

<sup>6</sup> Committee on Ways and Means, U.S. House of Representatives, *1998 Green Book: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: U.S. Government Printing Office, 1998), p. 790; hereafter cited as *The 1998 Green Book*. The authors cite both the VCIS data (1990) which estimates that 60.1 percent of all children are to be reunified with their parents and the latest AFCARS data (1996) which has a lower estimate of 54 percent. The AFCARS data is limited because not all states are submitting reports.

<sup>7</sup> [Under the Adoption and Safe Families Act, P.L. 105-89 \(1997\), reunification efforts are now time-limited. A permanency hearing must be held within twelve months of placement in foster care. Most importantly, states are now required to make the health and safety of the child their “paramount” concern.](#)

<sup>8</sup> [The Adoption and Safe Families Act \(ASFA\) now names some criteria for immediate termination of parental rights to avoid sending children back to severe \(and potentially life-threatening\) abusers; thus, states may now automatically terminate the rights of a parent who has already murdered or severely harmed another child. The new law will be discussed more fully later.](#)

<sup>9</sup> [U.S. Department of Health and Human Services, Children’s Bureau, National Study of Protective, Preventive and Reunification Services Delivered to Children and Their Families \(Washington, D.C.: U.S. Government Printing Office, 1997\), p. 3-11.](#)

<sup>10</sup> AFCARS, “Length of Stay of Children Exiting Foster Care,” during April 1, 1996-Sept. 30, 1996. AFCARS presents an incomplete picture of foster care because the data does not include every state, but what it loses in completeness it makes up for in timeliness.

<sup>11</sup> 27.5 percent of children experience 2 placements; 23.6 percent have 3–5 placements. *Green Book*, p. 796.

<sup>12</sup> Judith K. McKenzie, “Adoption of Children with Special Needs,” *The Future of Children: Adoption*. Vol. 3, No. 1 (Los Altos, CA: Center for the Future of Children, David and Lucille Packard Foundation, Spring 1993), p. 69.

populations. In one national study, Westat, Inc. researchers found that only one in five youth who had aged out of foster care was self-sufficient.<sup>13</sup> While this isn't a problem if a child has a family, it soon becomes one, if a child has no one to fall back on.

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While no official count exists, experts estimate at least 500,000 children are living in foster care—21 percent remain for three or more years.

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Excessively lengthy stays in foster care and an inability to find healthy, permanent homes for children epitomize the failure of the current system. Child welfare administrators are often caught between a rock and a hard place as foster care payments to the states are one of the last remaining uncapped entitlements.

Since 1961, the federal government has matched foster care payments if a child's family was eligible for welfare and the child was placed in a licensed home. This funding is not insignificant; it can range anywhere from 50 percent to 78.6 percent of the foster care payment.<sup>14</sup> In addition, states have access to federal dollars that can be used to pay for administrative costs, training, and other services. For fiscal year 1998, federal funding for child welfare will cost \$4.64 billion.<sup>15</sup> Such vast sums of money, however, do not come without a catch—instead, the dollars come with pages of regulations.<sup>16</sup> Although the requirements are driven by the best of intentions—ensuring that children are protected and that they do not linger in foster care—they have not always worked. States are rarely held accountable for their failures.<sup>17</sup> The federal government does not base its payments on performance, nor does it wield its power to penalize or assist states that are failing.<sup>18</sup>

Recognizing that federal policy can help shape state policy, Congress passed the Adoption and Safe Families Act of 1997 (P.L. 105-89), which presents states with an historic opportunity to change their child welfare systems for the better. This is the first major piece of legislation concerning child welfare reform since passage of P.L. 96-272 almost twenty years ago. Although it failed to have the intended consequences, P.L. 96-272 attempted to make the field of child welfare more family friendly. The major initiative introduced into the law was the “reasonable efforts” clause alluded to earlier, which says that after a child has been removed from the home, the agency must make reasonable efforts to return the child to the family. Because

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<sup>13</sup> *The 1998 Green Book*, p. 763. For the study, see Ronna Cook, *A National Evaluation of Title IV-E Foster Care and Independent Living Program for Youth, Phase 2, Final Report* (Rockville, MD: Westat, Inc., 1992).

<sup>14</sup> The formula is based on the same formula as Medicaid and is related to the state's poverty level. See Toby Douglas and Kimura Flores, *Federal and State Funding of Children's Programs*, Occasional Papers, Urban Institute's "Assessing the New Federalism Project" (Washington, D.C.: Urban Institute, 1997), p. 9.

<sup>15</sup> *The 1998 Green Book*, p. 731.

<sup>16</sup> For a glimpse into the kinds of information that states must provide to the federal government, see *The 1998 Green Book*, pp. 763–772.

<sup>17</sup> The Children's Bureau in the U.S. Department of Health and Human Services oversees the federal funding of foster care; the Bureau did conduct reviews in the past that had financial penalties or “disallowances” attached. (It was not unusual for the penalties to be waived for political reasons.) These reviews would check a representative sample of cases to see if a child was in a licensed home, in the most family-like setting, AFDC-eligible, etc. However, this sanction method of reviewing state compliance has been suspended. A *Notice of Proposed Rulemaking* has been published laying out the new guidelines, *Federal Register*, Vol. 63, No. 181, September 18, 1998, pp. 50057–50098. To review the proposed system, see [http://www.acf.dhhs.gov/HyperNews/get/cb1/nprm\\_fc.html](http://www.acf.dhhs.gov/HyperNews/get/cb1/nprm_fc.html). Also, see *The 1998 Green Book*, pp. 770–772.

<sup>18</sup> Even when reviews were conducted, states were not rewarded for quickly moving a child to permanency or punished for failing to do so. Expecting the federal government to be able to do so is unreasonable. It can check whether a sampling of paperwork is done correctly, but not whether a particular child is doing well.

what constitutes a reasonable effort to reunify a child with the biological family was inherently unclear both to judges and to social workers, in practice, the states often failed to terminate the parental rights of incredibly abusive and neglectful parents in order not to run afoul of the law.

The new law defines reasonable efforts more clearly and suggests some specific safety requirements, adds incentives to states to expedite adoptions, and extends authority to HHS to allow states to conduct more child welfare demonstrations, as well as reauthorizing and expanding family preservation and family support services. In addition, until 2003, states who increase their adoption rates will be awarded bonuses of \$4,000 for each foster child adopted above their previous baseline, with an additional \$2,000, if that child is a “special needs” adoption.<sup>19</sup>

This opportunity to help children caught in foster care drift should not go to waste. The three state case-studies discussed below may help other states learn how to maximize their opportunity to reform their child welfare systems.

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<sup>19</sup> Most lay people think that the definition of “special needs” is “disabled.” Although the definition varies from state to state, it is not limited to disabilities; a child can be considered “special needs” because of his age, his ethnicity, or the fact that he has brothers and sisters who also need a home.

## Part 2

# Michigan: Moving In The Right Direction

Children who are in foster care and legally free to be adopted are the ones for whom we can do the most good right now. Recognizing that fact, Michigan significantly altered its child welfare policy, beginning in 1987, by relying more on private agencies and establishing an outcome-oriented incentive structure. Of course, foster care has always relied upon the private sector to a large extent because most children are placed in the homes of private citizens. Michigan's reliance upon private agencies to administer foster care is the telling reform. With the increased use of private agencies, Michigan has improved services using the following four approaches:

1. Imposing time-limits to move children to adoption quickly.<sup>20</sup>
2. Tightening the definition of abandonment.
3. Establishing economic incentives to drive the system in the best interests of the children.
4. Making information on adoptable children available and easily accessible.

Each step has had a result. The number of children in adoptive homes has increased steadily since 1987. According to a recent survey released by the University of Michigan School of Social Work and the Michigan Federation of Private Child and Family Agencies, adoptions increased by 19 percent in 1996. Even more interesting, 60 percent of those children were older children, some with emotional, behavioral, and physical problems that were a result of neglect and abuse.<sup>21</sup>

The move to privatize adoption services began as a result of state legislative action. Michigan's public agency, the Michigan Family Independence Agency, is encouraged by law to place foster children through a private agency unless one is not available or there is a religious conflict.<sup>22</sup> Michigan next sought to help foster children by limiting the amount of time that can elapse before they are given a permanency goal of adoption or reunification. In 1989, the legislature mandated that a permanency hearing occur no later than one year after a child had been placed in substitute care to decide whether the child should be returned to his biological family or be freed for adoption.<sup>23</sup> Now, with the Adoption and Safe Families Act, all states must follow Michigan's lead. Also, for the first time, abandonment of a child was legally defined in Michigan law to allow abandoned children to be adopted swiftly, rather than waiting indefinitely in foster care on the

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<sup>20</sup> As stated earlier, this is now a requirement of the Adoption and Safe Families Act.

<sup>21</sup> Leslie Doty Hollingsworth, "1996 Private Agency Adoption Survey Results" (University of Michigan School of Social Work and the Michigan Federation of Child and Family Services, March 17, 1998).

<sup>22</sup> Mark G. Michaelson, Charles D. Van Eaton, and Gary L. Wolfram, *Foster Care in Michigan: A Privatization Success Story* (Midland: Mackinac Center for Public Policy, June 1993), p. 5.

<sup>23</sup> Remember that in 1987, the federal government required a permanency hearing only after a year-and-a-half in foster care—a long time in a child's life. A hearing, of course, only sets the course for action.

chance that the biological parent might return.<sup>24</sup> Next, the state committed itself to making the information on children available for adoption more readily accessible.

The Michigan Adoption Resource Exchange (MARE) is a monthly listing of children who are in the care of the state and available for adoption. The listing includes the children's ages, health, the number of siblings, their interests, as well as general adoption information and a list of private agencies throughout the state with phone numbers and contacts. Every nonprofit agency in the state is sent this information. In the March 1998 edition, 356 children were listed; 24 new children appeared that month and 21 had been removed from the book since the previous month due to adoptive placements or a change in case-plan. In June 1998, MARE profiled 411 children. Taking advantage of modern technology, some children profiled in the MARE photo-listing book are also profiled on the Internet.<sup>25</sup>

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Under the old system, the longer the child remained in state care, the greater the reimbursement from the government. Now agencies are paid according to the difficulty of finding the child a home.

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Perhaps the most innovative step came last: changing the payment structure to reward the expeditious placement of children in appropriate, adoptive homes. Michigan restructured its payment system in 1992. Prior to 1992, the care of most foster children was subsidized by the state to agencies through an "actual cost" payment arrangement similar to most states. Under this scheme, agencies were reimbursed by the state for each "unit of service" they provided, usually measured by the day. These subsidies were paid in per-day units for the care of children, regardless of the type of care given. This created a reverse incentive: the longer the child remained in state care, the greater the reimbursement from the government. The unit costs ranged from \$82 to \$399 across various agencies; this process "left little incentive for agencies to work quickly in placing children in adoptive homes."<sup>26</sup> The resulting criticism from the state auditors and legislators led to the development of a new payment structure.

Agencies are now paid according to the difficulty of finding a child a home. The harder a child is to place, the higher the payment in this seven-tiered structure:

- **Residential** payments go to an agency that places a child for adoption directly from residential care. The child must be placed within 120 days of leaving residential care. The residential rate is \$10,000.
- **MARE** payments go to a noncustodial agency (that is, an agency that is not managing a child's foster care) that places a child registered on MARE with a recruited family. A foster or relative family is not considered to be a recruited family. The child may be placed in foster care with the prospective family for up to 90 days. The MARE rate is \$9,000.
- **Premium** payments go to an agency that places a child in its care in an adoptive home within *five months* of the child's termination of parental rights (TPR). The premium payment is \$8,600.

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<sup>24</sup> In Michigan, a child is now considered abandoned after 91 consecutive days without parental contact by an identified parent or after 28 consecutive days when no parent is identified.

<sup>25</sup> You can see MARE's website by going to: <http://www.mare.org>.

<sup>26</sup> Richard Hoekstra, former director, Adoption Services Division, MFIA, interview with Derek Herbert, July 7, 1996.



- **Enhanced** payments go to an agency that places a child who is in its care within *seven months* of TPR. An agency will also receive the enhanced rate for placing a child within nine months of TPR if the child was referred to the agency for adoptive placement prior to registration of the child on MARE. The enhanced payment is \$6,200.
- **Standard** payments go to an agency that places a child in its care after *seven months* after the date of TPR. The standard payment is \$3,535.
- **Enhanced Preplacement** payments go to an agency when a child in its care is placed by another agency within four months of the child’s TPR date, *and* an adoptive placement is achieved within *nine months* of the child’s TPR. The enhanced pre-placement payment is \$2,600.
- **Standard Preplacement** payments go to a private foster care agency when a child in its care is placed by another agency or Family Independence Agency local office, and the criteria for enhanced placement fees does not apply. The standard payment is \$1,300.<sup>27</sup>

Thus, under the Michigan structure, the less one does for the child, the less one is rewarded.

Contracting alone will not produce successful results; a properly geared set of incentives and guidelines must be established to take advantage of private initiative.

## A. The Results

There has been a documented and dramatic increase in the number of foster child adoptions in the state of Michigan, particularly since the 1992 reforms. Such an emphasis on child well-being may be what led Jim Brown, the California Department of Social Services Adoption Director, to credit Michigan with having developed a “culture of adoption.”<sup>28</sup> The goal of changing the payment scheme was to decrease the amount of time children wait in foster care for an adoptive home. The state’s original goal (50 percent of adoptions completed in less than eight months after TPR) was surpassed by September 1994.<sup>29</sup> The table below illustrates just how large the change has been, even for children considered to be “special needs” adoptions.

Michigan: Then and Now		
Children	1991	1997
Black children adopted	439	1,213
Disabled children	708	1,428
Number of all children adopted	1,320	2,378
Number of children available for adoption	1,976	3,058

Source: Susan Orr, “Child Welfare Services,” *Annual Privatization Report* (Los Angeles: Reason Public Policy Institute, 1998), p. 27.

<sup>27</sup> Jean Hoffman, director, Adoption Services Division, MFIA, “Michigan’s Adoption Services Delivery System,” as of January 1, 1998.

<sup>28</sup> Interview with Derek Herbert, June 12, 1997.

<sup>29</sup> Michigan Department of Social Services, “Agency Placements by Rate, October 1, 1993–September 30, 1994.”

In six years, Michigan went from finding homes for 68 percent to 78 percent of all available children.

Michigan's longitudinal success in retaining private contractors suggests that private agencies can be relied upon to provide quality services. As early as 1993, the Mackinac Center for Public Policy found that private agencies provided foster care services at lower costs to the state while maintaining better case-ratios.<sup>30</sup> Contracting alone will not produce successful results; a properly geared set of incentives and guidelines must be established to take advantage of private initiative.

#### **Reform in Action: Orchards Children's Services**

Orchards Children's Services, the second largest private adoption agency in Michigan, made changes in its traditional practices to accommodate the incentive-based system. Under the new payment structure, private agencies were given an incentive to place children within the first eight months (now revised to seven). At Orchards, the foster care and adoption units began to coordinate their activities for the first time. Adoptive home requirements were made known to the foster care unit so that the information necessary to facilitate adoption would be collected from foster parents before TPR. In return, the foster care unit provided advanced notice to the adoption specialists when TPR was imminent so that the adoption unit could begin to search for a home for the child.<sup>31</sup>

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Michigan is making great use of fiscal incentives, but could also begin to utilize outcome-based licensing.

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## **B. Recommendations For Further Improvement In Michigan**

- Michigan is making great use of fiscal incentives, but could also begin to utilize outcome-based licensing. Agencies currently are required to have a license, which is renewed every two years, but no outcomes are analyzed at the time of renewal.
- The current MARE write-ups of children emphasize the problems they have. The photographs are not well done or well reproduced and do not present the children in a positive light. There must be alternative methods to developing the MARE profiles. Possibly volunteers or local university journalism or photography students could work toward a more fair and accurate presentation of the children (while still respecting confidentiality). One might even consider making videos, as they could capture a child

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<sup>30</sup> Private agencies supervise the care of foster children at lower costs. Although costs are difficult to compare due to a lack of capital cost accounting for government programs, nearly all of the private agencies are reimbursed at less than \$22 per day, per child—the estimated cost of state-run agencies. This is attributed to lower labor costs and the ability to elicit private donations. While DSS had a case-ratio goal of 30:1, it had not achieved that standard in 1992. See Mark G. Michaelsen, Charles D. Van Eaton, and Gary L. Wolfram, *Foster Care in Michigan: A Privatization Success Story* (Midland: Mackinac Center for Public Policy, June 1993) pp. 2–3.

<sup>31</sup> Dinco, Deborah, *A Summary of Practice Modifications and Outcomes in Response to Contractual Changes in the Special Needs Adoption Program in Michigan*, p. 4.

more compellingly than a still shot. The first image a prospective adoptive family should have of a child is that they are not beyond responding to a loving, permanent home.

#### **Lessons Learned from Michigan**

1. Impose **time-limits**. Moving children to adoption quickly necessitates time-limits.
2. Tighten the definition of child **abandonment**.
3. Establish **economic incentives** to drive the system.
4. Make **information** on adoptable children available and easily accessible.

## Part 3

# Texas: Technology Helping Children Find Homes

The need for accurate and timely information is absolutely pressing in child welfare for a number of reasons. Accountability is impossible without improved management information systems (MIS) and information technology (IT) services. On a personal scale, a child in foster care whose file is misplaced, whose health records are kept in an office across the state from his foster family's home, whose court dates are repeatedly postponed because the state cannot adequately gather records pertinent to his case, is left adrift in a system. This is the human cost of a very limited MIS that can amount to months, even years, of a child's life.

To give you some idea of how easily these errors can occur: in 1989, Texas had 7,976 children in foster care.<sup>32</sup> That figure does not include the number of other open cases such as child abuse investigations or preventive services given to families whose children were not removed. At the same time, the tools used by the state of Texas to track those 7,976 children in foster care were three-by-five inch index cards along with nine separate computer systems.<sup>33</sup> The transfer of data between local offices was slow to nonexistent; any sophisticated analysis or cross-referencing of data was impossible. Routine management tasks were time-consuming. Important information about children's cases was not located in a central file, making information retrieval a complicated process. Taken alone, any of these factors could delay permanency in the life of a foster child or allow cases of repeated abuse to go unnoticed.

In September 1996, the index cards and disjointed computers were replaced by a centrally located, user-friendly, and efficient information system.<sup>34</sup> This change for Texas did not happen overnight. The incentive to create an advanced computer system for child welfare services started at the federal level with the Child Abuse Prevention and Treatment Act (1978). Two years later, the Adoption Assistance and Child Welfare Act required all states to submit to the federal government basic information on children in foster care.<sup>35</sup>

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<sup>32</sup> Robert M. Goerge, Fred H. Wulczyn, and Allen W. Harden, *An Update from the Multistate Foster Care Data Archive, Foster Care Dynamics, 1983-1993* (Chicago: Chapin Hall Center for Children, University of Chicago), Table 2, p. 7.

<sup>33</sup> Rose Hayden, Governor's Budget Office, and Bowden Hight, Deputy Director of Information Technology in the Texas Department of Protective and Regulatory Services, Interviews with Derek Herbert, July 26, 1996.

<sup>34</sup> [Bowden Hight, Interview with Derek Herbert, April 9, 1998.](#)

<sup>35</sup> [This data set has evolved into AFCARS mentioned in footnotes 6 and 7.](#)

In 1989, the Texas Legislature directed its Department of Human Services (DHS) to create a strategy for automating its foster care and adoption services. At the time, the equipment to carry out this task was outdated and prone to failure. Technology is only as strong as its weakest piece of hardware.

Two years later, the legislature ordered the Department of Human Services to make automation a high priority. Also facilitating this initiative was the splitting of DHS into two separate organizations, leading to the creation of the Department of Protective and Regulatory Services (DPRS), which includes child welfare services, adult protective services, and child-care licensing programs.

The new department had only a minimal information technology unit and was faced with establishing an autonomous system. In examining past state practices, the department found that “the antiquated, paper-based system in use [had] often allowed potentially life-threatening delays in the transfer of information between offices and employees.”<sup>36</sup> According to its own report, one of the events that “significantly impacted the protective services automation strategy” was the decision to pursue a procurement of statewide automation through a competitive bid.<sup>37</sup>

At this point the momentum for change was growing. The leaders within the legislature wanted to turn three-by-five cards into useful information. In May 1993, the legislature appropriated \$25 million to fund the “Protective Services Automation Project.” The project was simple—identify the goals for the state and the capacity to carry them out.

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On a personal scale, a child in foster care is often left adrift in a heartless system.

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After the feasibility study had been carried out, the new DPRS faced three options for the automation of its management information system: (1) adopt an existing system from out of state; (2) develop an automated system using internal resources; or (3) contract with an experienced systems integrator to develop a new system.

Texas rejected systems already in place in Illinois, Florida, Maryland, Michigan, and California. Florida was the only state that had a statewide operating system, the others were county-administered. Still, Florida did not encompass all of the systems Texas required for automation, because it did not include adult protective services or allow for tracking client outcome, performance, and risk assessment.

Texas also rejected the strategy of developing an automated system using internal resources. The Texas Management Information System (MIS) Department already had 50,000 backlogged hours of work with which to contend.

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<sup>36</sup> *Implementation Advance Planning Document Update: Protective Services Automation Project* (Texas Department of Protective and Regulatory Services, March 1994), p. II-1.

<sup>37</sup> *Ibid.*, p. II-2.

Texas chose to contract with an outside consulting firm. An experienced systems integrator developing a new system offered the following benefits. The state could require that a vendor:

- be competent to meet agency needs;
- provide a skilled staff available immediately; and
- offer a comprehensive package that included hardware, software, application development, training, and risk management.

Concurrent with developing the request for proposals (RFP) for the systems integration contract, DHS used federal dollars available to buy automation equipment. The Omnibus Budget Reconciliation Act of 1993 made funding available “for the planning, design, development, and installation of statewide automated child welfare information systems.”<sup>38</sup> Federal matching funds were then available at 75 percent matching for development of such systems through September 1997; after that, the match rate became 50 percent. The federal infusion of money allowed Texas to purchase a computer system and software, which provided the opportunity for caseworkers, supervisors, and regional managers to “become acclimated to an automated environment and to learn basic computer skills.”<sup>39</sup>

Recognizing the challenge of managing such a large contract, DHS and DPRS selected a separate contractor to monitor the project. In July 1992, Spectrum Consulting Group, Inc. was chosen as the contract monitor and began to help the departments evaluate the bids. Spectrum Consulting Group, Inc. would also monitor the primary contractor’s work once a company was chosen, assist in the development of a list of negotiation issues, develop cost projections, and prepare bimonthly status reports. The four goals of the project remained consistent throughout the life of the project:

<b>Goal 1</b>	Reduce the risk of harm to children and vulnerable adults and improve services by enhancing caseworker productivity and efficiency.
<b>Goal 2</b>	Improve the quality, timeliness, and utilization of information for all levels of staff.
<b>Goal 3</b>	Support management of resources to maximize client outcome.
<b>Goal 4</b>	Provide electronic interface ability with agencies and service providers outside the Texas Department of Protective and Regulatory Services to facilitate data exchanges and verification. <sup>40</sup>

In December 1993, a year after the RFP was released, the Texas Department of Human Services awarded the contract for implementing the new management information system to Andersen Consulting. The contract term was to last from January 1994 until August 1999.<sup>41</sup> An option to renew will be reviewed by appropriate authorities including the Texas Department of Information Resources, the Texas Legislative Budget Board, the State Auditor’s Office, and internal agency legal and audit divisions as well as federal authorities.

The first task on Andersen’s agenda was to buy and familiarize the state staff with Microsoft *Word*. Next, Andersen designed the necessary software and began field-testing. The original date set for full

<sup>38</sup> *Federal Register*, Vol. 58, No. 244, December 22, 1993, Rules and Regulations, 67939.

<sup>39</sup> *Implementation Advance Planning Document Update: Protective Services Automation Project*, March 1994, p. I-3.

<sup>40</sup> *Ibid.*, pp. II-4–II-5.

<sup>41</sup> Bowden Hight, Deputy Director of Information Technology in the Texas Department of Protective and Regulatory Services, Interview with Derek Herbert, July 26, 1996.

implementation was February 1996. Due to problems with the software, statewide implementation was delayed until September 1996.<sup>42</sup>

Throughout this implementation process, privacy issues were addressed. Numerous agreements and confidentiality contracts were signed among all parties involved. The system is designed with numerous clearance stages: at the network access level and within each application. Only certain people are allowed access to confidential material.<sup>43</sup>

The short-term effects of the implementation are easy to anticipate. Data on three-by-five index cards have been turned into information for all with access to the system. Caseworkers are now freed up to do their jobs. Instead of spending needless time tracking down files across the state, the information system allows a child's record to be called up by authorized personnel from anywhere in the state of Texas. Child Protective Services can use the system to check for previous reports of child abuse.

The first review of the new system took place in late 1996 and looked at the overall qualitative improvements of the system. Soon after the project was completed, the Governor's Office budget analyst, Rose Hayden, noted that "the jury is still out as to whether the benefits outweigh the cost."<sup>44</sup> But, nearly two years later, Hayden expresses greater certainty that the project is a success.

An interim study conducted by the Texas DPRS during the system development found that the "social workers felt like they were more productive and are eager to continue to use the commercial and specialized software."<sup>45</sup> The social workers had already produced better services and had fewer lost cases.

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In the end, contract monitors simply make sure that the work promised will be delivered.

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The past few years have seen enormous changes in the way information is gathered, stored, moved, manipulated, analyzed, and disseminated. Texas took a risk by embracing privatization and technology to solve a problem. That risk avoided even bigger risks for children—overlooked repeated abuse, lost or duplicate files, delays in permanency, and out-of-date information. States that use a manual system rely heavily on collective office memory. As families dissolve and are recombined "you almost needed someone who'd been around a long time to be able to remember all the ins and outs" said Rebecca Williamson, a tester of Kentucky's child welfare information system.<sup>46</sup>

Bowden Hight reports now that the quality of information is better in the department: "we have more accountability."<sup>47</sup> Governor George W. Bush has praised the flow of more efficient information and

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<sup>42</sup> Memorandum from Ann Heiligenstein of the Texas Department of Protective and Regulatory Services to Ted Kulik, October 20, 1998.

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

<sup>45</sup> Jolynn Curry, Assistant to Project Manager, Texas Department of Protective and Regulatory Services, Interview with Derek Herbert, October 10, 1995.

<sup>46</sup> Charlotte Adams, "Kentucky Child Welfare Gets a Twist," November 1997, *civic.com*. This online magazine is available on the Internet at <http://www.civic.com>.

<sup>47</sup> Bowden Hight, Interview with Derek Herbert, April 9, 1998.

subsequent accountability for state dollars.<sup>48</sup> The change has allowed money to be spent in better ways. The ratio of caseworkers to support staff has increased now that many routine tasks are automated.

Tangible financial benefits can also be realized through the efficient use of services and equipment. In Texas, for the period of fiscal years 1993–2003, from a total project budget of \$97 million, tangible benefits are anticipated to be \$102.6 million. The savings are detailed in the table below.<sup>49</sup>

Benefit	Savings
Increased Caseworker Retention	\$1,628,400
Reduction in CPS Clerical Staff	\$85,109,750
Reduction in APS Clerical Staff	\$8,204,688
Increased Child Support Collections	\$7,689,600
<b>Total</b>	<b>\$102,632,438</b>

Texas showed itself as a leader in understanding the relationship between technology and child welfare. A state, however, derives leadership from its people. Great change can happen for the benefit of children when support for risk-taking, change, and technology is encouraged.

## Recommendations From The Texas Experience

- *Privatize the Development of a Statewide Management Information System for Child Welfare.* Since 1978, the federal government has required states to keep data on foster care and adoption. States have run into many obstacles in meeting those requirements. What made it possible for Texas to automate their data was the decision to privatize the development of a management information system.
- *Use an independent contract monitor during early stages of a technology implementation.* The monitor should have IT expertise. An independent monitor will also be unbiased in assessing implementation plans. In Texas the contract monitor played a strategic role in recommending the system rollout be delayed.<sup>50</sup> Without the contract monitor, the implementation of a faulty system may have alienated employees. The potential productivity and service-delivery benefits associated with the new system also would have been delayed. In the end, contract monitors simply make sure that the work promised will be delivered.

### Lessons Learned from Texas

#### Private IT providers:

- Make immediately available a skilled staff and equipment.
- May save money.
- Allow the state to redirect savings to improve services to children.

<sup>48</sup> Bowden Hight, Interview with Derek Herbert, April 9, 1998.

<sup>49</sup> *Post-Implementation Evaluation Review*, Child and Adult Protective System (CAPS), by the Texas DPRS, July 1998, Appendix C.

<sup>50</sup> Bowden Hight, Interview with Derek Herbert, July 26, 1996.



## Part 4

## Kansas: Pioneers In Privatization

The most comprehensive privatization initiative is underway in the state of Kansas, which has privatized all components of child welfare with the exception of child protective services. The genesis of this move was teamwork and innovation in response to the challenge of repairing a very broken system. Kansas also had extra flexibility because the state had secured funding from the Kellogg Foundation to support its innovations.<sup>51</sup>

Like many other states, the child welfare system in Kansas has been under a court order to meet the demands of a class-action lawsuit initially brought by the American Civil Liberties Union in 1989.<sup>52</sup> The 1993 settlement placed a heavy emphasis upon the procedures within child welfare. At the same time, burgeoning numbers of new reports of abuse and neglect had strained the state's capacity to "meet the demand in child protective services."<sup>53</sup>

The Adoption Reform Task Force, appointed by former Governor Joan Finney, produced a publication outlining the problem and recommending reforms for the foster care and adoption system.<sup>54</sup> Other Kansans soon pressed for a total overhaul of the system rather than attempting to revise the old one gradually. The Kansas state legislature recommended that the Department of Social and Rehabilitation Services (SRS) move toward privatization in 1995. Teresa Markowitz, Commissioner for Children and Families, promised that SRS would "redesign the way it does business" and stated that SRS was considering the benefits of privatizing child welfare.<sup>55</sup> Note that the legislature only *recommended* privatization; it was the state agency itself that got behind the reform. In fact, all of the privatization occurred without any legislative change.

Despite the potential for cost-savings under a more efficient, privatized system, Governor Bill Graves has downplayed the financial aspect, saying, "This isn't about saving money. In fact, it may very well cost us more money, and that is OK in the long run if the results are more positive for the children of our state."<sup>56</sup>

<sup>51</sup> Kansas was one of seven states selected for funding by the Kellogg Foundation's initiative, "Families for Kids." For information on the project, see <http://www.wkkf.org/Resources/FFKRes/1016.html>.

<sup>52</sup> The lawsuit was brought forth in 1989 by the ACLU Children's Rights Division; this division of the ACLU has since separated and is now called Children's Rights, Inc. There are 20 other jurisdictions under consent decree.

<sup>53</sup> Anne Drissel and Judy Strausbaugh, "Kansas is First in U.S. to Privatize Child Welfare Services," *The Children's Vanguard*, March 1997, p. 4, quoting Marilyn Jacobson, manager of the SRS Resource development. Jacobson also stated that "privatizing adoption, family preservation, and foster care frees up SRS staff to continue to better manage child protective agencies."

<sup>54</sup> "Final Report of the Governor's Task Force on Adoption Reform" (Kansas: Governor's Office, May 1, 1995).

<sup>55</sup> Associated Press, "State Spending Power Grows," November 15, 1995.

<sup>56</sup> Tom Webb, "Graves praises private adoption system," *The Wichita Eagle*, June 27, 1997, p. 13A.

Yet, even if the programs themselves are initially costly, it is probable that Kansas will save money in the future, as better child welfare services may lead to lower levels of welfare, crime, and incarceration.

To improve the state-run system, the privatization process included four basic tenets for improvement. Kansas would:

- *Establish clearly defined program goals that must be met.* Under the old method, the state was not held accountable if a child lingered in foster care.
- *Achieve quality and cost-effectiveness through competition.* Under the old method, the state ran everything—for better and for worse.
- *Ensure that children and families are assigned to a single case-manager throughout the service-delivery process.* Under the old method, a family could have several caseworkers from all the various parts of the system, sometimes working at cross-purposes.
- *Make availability of services equal across the state.* Under the old method, the type and quality of service a family received varied depending on where they lived.

The Kansas model utilizes competition, incentives, and innovation. The first two elements are written into the system’s contracts, and the latter is highly encouraged, as one of the stated goals of the project is to “develop flexible and creative responses to meeting the needs of children and their families.”<sup>57</sup>

Though many child welfare officials were highly optimistic about the possibilities for the new system, there were barriers to overcome. The state faced:

- no comprehensive data system;
- the potential loss of title IV-E (federal) funds;
- a magnitude of paperwork required for eligibility and utilization to access the multiple federal funding streams (Titles XIX, XX, IV-B, and IV-E); and
- resistance to change from social workers, judges, and foster parents and lack of confidence in the private sector.<sup>58</sup>

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## The Kansas model utilizes competition, incentives, and innovation.

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The Texas case-study stressed that information technology is an invaluable resource and that securing adequate data should be one of the first steps toward privatization. Kansas mandated that each private contractor should establish a thorough tracking system and provide full information upon request about casework. The next obstacle was tedious, but not insurmountable: the issue of keeping federal funding.

Kansas was intent upon creating a system in which children would be adopted or returned home in a timely manner without extended stays in foster care. Since federal title IV-E funds are earmarked for foster care,

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<sup>57</sup> “Privatization Initiatives,” Kansas Department of Social and Rehabilitation Services memorandum.

<sup>58</sup> Teresa Markowitz, Commissioner of Children & Family Services in Kansas, “Kansas Initiatives in Child Welfare,” testimony to the Human Resources Subcommittee of the U.S. House Ways and Means Committee, February 27, 1997.

when better outcomes are achieved, federal dollars diminish as foster care utilization decreases. Even without that hurdle, privatizing child welfare delivery makes it harder to prove compliance with federal requirements. The bulk of federal money only becomes available if a child is placed in foster care. However, a limited number of states have been able to get time-limited federal waivers, which are exemptions from strict procedural requirements in order to pursue innovative solutions. Kansas's waiver request was approved on September 24, 1998. The waiver will allow the state to compare the present case-rate, performance-based payment system with the traditional fee-for-service payment system.<sup>59</sup> This is only a temporary financial fix as the demonstration is for only five years.

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Kansas has made radical changes in the delivery of child welfare services by entering into contractual partnerships with private agencies to provide family preservation, foster care, and adoption services.

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Although Kansas's leaders are quick to characterize the system as "not managed care," preferring the term, "care management," there are some similarities. Common elements in managed care and the Kansas initiative include:

- an outcome-based service delivery system;
- pooled funding to allow contractors to make decisions based on clinical need, rather than funding streams; and
- set case-rates: a set dollar amount paid per child/family, tied to achieving outcomes (not based on the process or length of time it takes to close a case).<sup>60</sup>

The University of Kansas School of Social Welfare, which directly assisted the SRS in the reform process, calls the Kansas model "fully privatized" and funded in a way that "eliminates the traditional barriers and restrictions presented by multiple funding sources and is expected to lead to more creative, effective and efficient program services and approaches."<sup>61</sup> The SRS itself defines what has happened as follows:

Over the past two years, Kansas has made radical changes in the delivery of child welfare services, having entered into contractual partnerships with private agencies to provide family preservation, foster care and adoption services. The commission remains responsible for the management of children services through establishing policy, contract service standards and outcome measures.<sup>62</sup>

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<sup>59</sup> Under ASFA, the Secretary of Health and Human Services has the discretion to authorize ten waivers each fiscal year. To date, eighteen states have waivers and are conducting various experimental demonstrations. California, Delaware, Illinois, Indiana, Maryland, Michigan, New York, North Carolina, Ohio and Oregon are the original ten demonstration states. States whose waivers were approved in fiscal year 1998 are Connecticut, Kansas, Maine, Mississippi, Montana, New Hampshire, New Jersey and Washington.

<sup>60</sup> "Kansas Initiatives in Child Welfare," Testimony to the Human Resources Subcommittee of the House Ways and Means Committee, February 27, 1997.

<sup>61</sup> Dann Hayes, "Kansas first to Reform Foster-Care and Adoption," *The University of Kansas News*, June 16, 1997. Available on the Internet: <http://www.urc.ukans.edu/News/97N/JunNews/Jun16/fosterca.html>.

<sup>62</sup> "SRS: Children and Family Services," *Nexus*, May/June 1998. Available on Internet: <http://www.ink.org/public/srs/srschildrenserservice.html>.

SRS used a competitive-bidding process and contracted entirely with nonprofit agencies, well known to SRS, and already familiar with and working in Kansas child welfare. The fact that SRS contracted with nonprofit agencies with which it had already established relationships may have eased the transition to privatization.

The timeline for roll-out was ambitious:

- In July 1996, family preservation services were contracted to five private agencies;
- In October 1996, adoption services were contracted to a single statewide vendor, Lutheran Social Services; and
- In February 1997, foster care and group home care services were contracted to three agencies.

For purposes of privatization, foster care services were divided into five regions, with SRS paying each foster care provider a flat rate for children in care (during the first year)—between \$12,860 and \$15,504 per child. This is the complete reverse of the incentive structure now working in most states: rather than being paid on a per-day, per-child basis, contractors are given a single sum and are free to use it flexibly toward reunification or adoption.

To plan the contracting process, the Kansas SRS evaluated its current programs to determine appropriate levels for capitated rates and caseload volume expectations. According to Commissioner Markowitz, “We spent a lot of time dissecting how we spent money on kids.”<sup>63</sup> As a result, the state was able to estimate realistic figures for most parts of the process. For example, the projected cost of family preservation services was \$3,500 per family, and the actual bid average was \$3,464. Similarly, the estimated adoption cost was \$13,756 per child; the awarded contract rate was \$13,556. Second-year contracts are virtually the same as those of the first year, except for marginal changes in reimbursement levels (in some cases the amounts went up, in others, down) and the difference that up to three percent of caseloads could be reimbursed on a fee-for-service basis.<sup>64</sup>

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## Contractors are given a single sum and are free to use it toward reunification or adoption.

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There is a single adoption contractor for the entire state. Lutheran Social Services won the initial bid to handle adoption services, including recruitment and training of adoptive families and post-adoptive support for 18 months after adoption finalization; some of these services are subcontracted to local agencies. For about 10 percent of children whose adoption process will be transferred to Lutheran Social Services (those with “special conditions”), the per diem rate will be paid; for all others, Lutheran Social Services received the capitated rate in the first year of the contract.<sup>65</sup>

While the new system is made up of various contractors, subcontractors, and overseers, all elements and actors are intended to work in concert. In the state-run system before privatization, multiple SRS workers performed multiple assessments of children’s cases at different stages along the way. The new system provides a single case-manager for every child or family, to facilitate consistent decisionmaking as well as

<sup>63</sup> Teresa Markowitz, Commissioner of Children and Family Services in Kansas, Interview with Derek Herbert, June 9, 1998.

<sup>64</sup> “SRS Renews Foster Care Contracts,” *The Topeka Capital-Journal*, February 5, 1998.

<sup>65</sup> Drissel and Strausbaugh, p. 5.

familiarity between the department, the caregivers, and the parents. To promote smooth, timely transitions, foster care contractors are required to practice concurrent planning for adoption (called dual case-planning in Kansas). Under the contract system, which is divided into regions, services are now provided equally across the state. Before, there were disparities in service delivery depending upon geography, with the more rural areas of the state receiving poor quality to no services. Further, should money be saved through the new system, the surplus funds are redirected to prevention programs, partially off-setting the loss of federal funds as children leave the foster care system.

The Kansas privatization project measures its success through clearly defined outcome measures—specific numeric goals set for each program. The established contracts with private agencies are performance-based, and the vendors are expected to meet these outcomes (as relevant to their programs—family preservation, adoption, or foster care); failure to do so can result in the loss of contract renewal. The following is a sampling of outcome standards:

- 55 percent of the children shall be placed with adoptive families within 180 days of the receipt of the referral for adoption;<sup>66</sup>
- 90 percent of adoptive placements shall be finalized within 12 months of the placement date;
- 90 percent of adoptive placements shall continue to be intact 18 months following finalization;
- 80 percent of families with a confirmed report of child abuse will not experience another confirmed report in the 12 months following the previous confirmation;
- 95 percent of children in out-of-home placement will not have a confirmed report of child abuse during SRS custody; and
- Decrease by one month annually the average number of months children are in foster care for all children who were returned home during the reported quarter.<sup>67</sup>

Initially, SRS had hoped to see at least 60 percent of the children entering foster care return home within six months through reunification programs. However, many of the families of children in custody had problems that could not be resolved in six months. Social workers have been “erring on the side of safety” and waiting rather than sending their charges home prematurely.<sup>68</sup> Prior to privatizing, no outcomes were required so constructing them was a difficult task. Because of the novelty of setting standards, state leaders do modify the standards each year as they identify nuances within the system.

The Kansas program was not implemented without trials and flaws, and other states would do well to learn from Kansas as they privatize their child welfare programs. Most notably, when making the transition to private foster care, SRS transferred 3,500 foster care cases to private providers in three months. This abrupt shift caused confusion and alienated some foster parents and social workers. Some foster parents didn’t understand what was going to happen to them or the children they cared for and held many fears about

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<sup>66</sup> This standard was modified in year two from 70 percent to 55 percent.

<sup>67</sup> “Community forum: privatizing child welfare,” Kansas Department of Social and Rehabilitation Services, November 1996, pp. 6, 12. The standards are listed verbatim. Updated by memo from Commissioner Markowitz, Kansas Department of Social Rehabilitation Services to Ted Kulik, October 19, 1998.

<sup>68</sup> Teresa Markowitz, Interview with Derek Herbert, June 9, 1998. Updated by memo from Commissioner Markowitz, Kansas Department of Social Rehabilitation Services to Ted Kulik, October 19, 1998.

privatization; as a result, as many as 10 percent of them quit or stopped taking on new children.<sup>69</sup> Some judges were ill-informed of the changes and became vocal opponents. Commissioner Markowitz notes that both parents and judges should have been better educated about the developments and included for feedback.

Other states and counties should plan to transfer large volumes of cases over a longer period of time. The private agencies were initially understaffed to handle the predicted volume of cases but assumed that hundreds of social workers would be laid off by SRS and could be hired. However, most SRS workers were reassigned to various roles within the department, resulting in a subsequent shortage of qualified social workers available for the new contractors.

While the state generally did a good job at the pre-planning assessment stage, it was not completely on target with every estimate. Like Texas, Kansas also found that a more efficient system allowed more thorough investigations of child abuse and neglect reports, and therefore more children entered care. In Sedgwick County alone, child abuse cases went from 326 in 1995, 933 in 1996, to an estimated 1,500 cases in 1997. The county projects that it will handle more than 2,000 cases in 1998.<sup>70</sup> The state was somewhat unprepared to place all the incoming children in foster or group homes. As a result, some children had to be placed temporarily in inappropriately high, institutional levels of care, which is neither good for children nor financially efficient. Because many of the providers then had to exceed their budgets, the state is now assessing its responsibility for risk-sharing.<sup>71</sup>

Despite these initial difficulties, foster care privatization has some interesting preliminary results. Below is a list of targets set by the state and those met by the private providers:

Outcome	Target set by Kansas	Target providers met
Safety of the Child	95%	99.9%
Minimal Number of Placements	90%	99.5%
Maintain Family & Community Ties	70%	87.0%
Placed with Other Brother or Sister	65%	69.6%

As the secretary of the Department for Social and Rehabilitative Services said on February 12, 1998 during a hearing before the U.S. Senate Governmental Affairs Committee on foster care reform, “The ‘old-world’ incentive was to keep the beds filled; now it is permanence.”<sup>72</sup>

The well-being of children is the single most important benefit of these years of effort. Because of the improvements realized by privatization, children are spending less time in foster care and are being adopted at higher rates. Costs are being contained, and long-term savings can be anticipated; further, the intensified efforts of private, mission-driven agencies have resulted in an influx of funding from charitable sources. These sources are supplementing contract funds and offsetting unanticipated financial burdens—as well as

<sup>69</sup> See “Kansans Talk Back: Early Responses to the Move to Privatization of Child Welfare Services,” Kansas Chapter, National Association of Social Workers. Available from the Internet at <http://www.socialworkers.org/PRAC/kansans.htm>.

<sup>70</sup> Dave Ranney, “Foster care cases swamp system,” *The Wichita Eagle*, June 18, 1998.

<sup>71</sup> John D. Montgomery, “Kansas’ foster children doing better in private sector system,” *Herald Daily News*, November 8, 1997.

<sup>72</sup> Susan Orr, “Child Welfare Services,” *Annual Privatization Report*, (Los Angeles: Reason Public Policy Institute, 1998), p. 27.

involving the community in the process of making family preservation, adoption, and foster care work for Kansas's children.

The actual statistical results are positive. In the first year, Kansas saw a 44 percent increase in number of finalized adoptions and in the second year, an 81 percent increase. Inquiries from families wanting to be adoptive parents have tripled since privatization.

State leaders remain committed to the new system and optimistic about its future and can now move ahead by steadily improving on the initiative. Teresa Markowitz promises, "I'm confident that the outcomes are attainable. I will hold them [the private providers] accountable to those outcomes." In keeping to their commitment, the state has contracted with an outside evaluator, James Bell & Associates, to conduct a rigorous review of privatization.

The most recent outcomes available at this writing are positive for children. Kansas is now averaging 39 legalized adoptions a month, which is well over the 24 per month the state had when the program was run by SRS.<sup>73</sup> Here are three performance indicators the state has highlighted:

#### **Foster Care**

"During the first six months of operation, the contractors met and exceeded outcome goals related to child safety, minimizing placement moves, maintaining siblings together in placement, and placing the children in or close to the child's home community."

#### **Adoption**

"Since the privatization of adoption service, there has been a 44 percent increase in the number of adoptions finalized. The monitoring reports for the first year of the contract show the contractor exceeded the expected outcome measures related to keeping siblings together in placement, reducing the number of moves a child experiences before adoption, and satisfaction."

#### **Family Preservation**

"The monitoring reports for the first 17 months of the contract reveal that families are highly satisfied with the services provided and each of the five service contractors exceeded the expectation that children would remain safely at home during program participation and for six months following case closure."<sup>74</sup>

After Kansas was deluged by calls from states and counties wanting to know more about the process of privatizing child welfare, SRS held a conference in November 1997, at which more than 250 participants from across the nation learned from the Kansas experience. Florida's legislature followed suit in May 1998,

<sup>73</sup> Kansas SRS press release, "Number of children in state custody finding adoptive families continues to increase under privatized adoption program," August 3, 1998.

<sup>74</sup> Data taken from the Kansas SRS home page at: <http://www.ink.org/public/srs/srschildrengservice.html>, and memo from Teresa Markowitz, October 19, 1998.

choosing to privatize all of child welfare, even turning over child protection (to the sheriff's departments). Although Florida's privatization experiment was limited to several counties in 1998, by January 1, 2001, the Department of Children and Families must come up with a plan to privatize all agency functions. In mid-1998, Georgia's child welfare system was also on its way to being privatized.

#### **Lessons Learned from Kansas**

- Include key participants, such as judges and current foster parents, from the beginning.
- Set numeric outcomes. Everyone wants to help *all* children, but setting specific standards can actually help particular children.
- Transition over time—don't dump everything on the private provider at once. Set a timetable for the transition.
- Flexibility after feedback. If a particular goal looks unreasonable after implementation, revisit it.

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Those considering privatizing child welfare services should keep several things in mind:

- None of the three programs reported on here is “pure-as-the-driven-snow” privatization. In all three cases, government funds support efforts to reshape the system. Moreover, each state has privatized only a part of their delivery system.
- Privatization in social services is not a new idea; most states contract out some services. What is different in the best-case scenarios is the requirement that there be outcomes.
- Competition is the key to good services. Competition can take place among any arrangement of private for-profit, private nonprofit, and public ventures. The important thing is that there are choices.
- Privatization does not mean that public employees lose their jobs. The Urban Institute notes that “it is not clear that workers are necessarily worse off in terms of employment, wages, morale, or job satisfaction.”<sup>75</sup> Making this clear to state employees, when considering privatization, will make for a smoother transition.

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<sup>75</sup> Demetra Smith Nightingale and Nancy Pindus, “Privatization of Public Social Services: A Background Paper” (Washington, DC: The Urban Institute, October 15, 1997).



# About the Authors

**T**he authors are Conna Craig, Ted Kulik, Tim James, and Shamin Nielsen of the Institute for Children. The Research Institute on Foster Care and Adoption is a project of the Institute for Children, Inc., Boston, Massachusetts.

The Institute for Children's mission is to reshape foster care and adoption in America so that every child will have the chance to grow up in a permanent, loving family. The Institute for Children (IFC) is a privately funded, charitable organization, dedicated to finding safe, permanent homes for the 700,000 American children who will spend all or part of this year in foster care.

The Institute for Children can be reached at 264 Beacon Street, Floor 2, Boston, MA 02116. Phone: 617-247-1117; fax: 617-247-1118; website: [www.forchildren.org](http://www.forchildren.org)

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