

Performance Based Contracting In Tennessee

The Department's Performance-Based Contracting (PBC) initiative is an overarching plan to achieve better outcomes for the children served in out-of-home care by DCS' privately contracted providers. Prior to the implementation of the PBC model, DCS purchased out-of-home care services for children in its custody via a per diem reimbursement system. Performance-Based Contracting uses an innovative approach that stresses permanency outcomes for children and utilizes a payment structure that reinforces provider agencies' efforts to offer services that improve those outcomes. Those permanency outcomes that will be measured include: improved timeliness and likelihood of permanency (reunification, adoption, or guardianship), reduced placement moves and reduced instances of re-entries into care.

General PBC Initiative Update

As of July 1, 2009, with the implementation of Phase IV of the PBC initiative, the entire network of DCS primary contracting agencies is now made up of Performance-Based Contractors. Including Phases I, II, III and IV, and numbering 35 altogether, these agencies represent all levels of service from straight Level I foster care through to the highly specialized and intensive Level IV Psychiatric Hospitalization. This network of PBC providers possesses the service array to appropriately address any of the ever-changing needs of the children and families coming to the attention of the Department.

The beginning of the 2009-10 fiscal year (July 1, 2009) marks the date of full PBC network implementation. From this point forward all primary contractors with DCS will do so under a performance-based contract. These contractors will be evaluated annually on data collected and analyzed by the Department in conjunction with consultants from the Chapin Hall Center for Children.

On a yearly basis, usually in mid to late-October, individual meetings are held with each of the PBC providers in order to review their previous fiscal year outcomes and determine the financial calculation of either re-investment dollars earned by PBC agencies or any financial repayment of funds incurred on the part of these providers.

This financial information consists of each individual agency's outcomes translated through calculations from DCS' Office of Finance and Program Support into actual dollar figures. If a provider's performance throughout the fiscal year saved the state funding, that provider will share in that savings in the form of re-investment dollars. These are actual funds paid to that provider for improved performance. The converse is also true; if a provider has cost the state more than their expected allocation, they must refund a portion of that overage to the state.

Phase-Specific PBC Update:

Phase I: Centerstone, Frontier Health, Helen Ross McNabb, Omni Visions and Youth Villages

During the October 2009 review of Phase I PBC performance relative to the 2008-09 fiscal year, it was determined that each of the five Phase I providers earned re-investment dollars during the year under review. Collectively, this represents a savings in excess of five million dollars in state allocated funding.

Phase II: Florence Crittenton Agency, Free Will Family Ministries, Holston United Methodist Home for Children, Partnership for Children, Families and Adults, Porter Leath and Smoky Mountain Children's Home

During the October 2009 review of Phase II PBC performance relative to the 2008-09 fiscal year, it was determined that of the six Phase II providers, four earned re-investment dollars in the fiscal year in question. Collectively, Phase II providers realized savings in excess of one million dollars in state allocated funding during the fiscal year in question.

Two of the six Phase II providers were unable to improve on their baseline outcomes used to calculate re-investment or repayment of funds to the state. This caused the state to overpay these providers relative to what DCS would normally expect to spend. As a result these providers will be required to repay all, or in some instances a portion of, these funds. The total repayment to the state for these two providers came to over \$200,000.

Phase III: Meritan, Camelot, Upper Cumberland Human Resources Agency, Memphis Recovery Center, CRC Health-New Life Lodge, Middle Tennessee Collaborative, Tennessee Children's Home and Phoenix Homes

During the October 2009 review of Phase III PBC performance relative to the 2008-09 fiscal year, it was determined that of the eight Phase III providers, four earned re-investment dollars in the fiscal year in question. This represents a savings in excess of \$700,000 in state allocated funding.

This review also revealed that of the eight Phase II providers, four of those displayed an inability to improve on their baseline outcomes used to calculate re-investment or repayment of funds to the state. This caused the state to overpay these providers relative to what DCS would normally expect to spend. This overpayment for all four of those Phase III providers who found themselves in this situation came to over \$350,000.

Fiscal year 2008-09 was the first year of participation for these four Phase III providers and, as such, they are the beneficiary of the initial hold-harmless year and will not be required to actually repay funds.

Phase IV: Alternative Youth Services-Magnolia, Catholic Charities, Children's Home-Chambliss Shelter, Child and Family, Childhelp USA, Counseling and Consultation, Goodwill Homes, Highland Youth Center, Keys Group Holdings, King's Daughters' School, Natchez Group Home, New Vision Fellowship, Parkridge-Valley Hospital, Turn Around Center, Wayne Halfway House and Youthtown

In July of 2009, sixteen new PBC providers were added through Phase IV of the initiative. Individual meetings and visits were initiated to all of the Phase IV providers prior to and around their start date of July 1, 2009. The purpose of these meetings and visits were to orient these new PBC providers to the model and review their baseline Chapin Hall PBC data. Other intermittent contacts were made with these providers to gauge progress toward outcome measures and to offer technical assistance and support. In mid-march of 2010, further meetings will be facilitated with these providers in order to evaluate the sixteen Phase IV agencies' first six months of participation in the network.