



## PROGRESS REPORT TO THE CONGRESS

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## I. INTRODUCTION

On November 19, 1997, the President signed into law the Adoption and Safe Families Act of 1997 (P.L. 105-89). This legislation, passed by the Congress with overwhelming bipartisan support, represents an important landmark in the development of Federal child welfare law. The passage of the new law provides our nation with an unprecedented opportunity to build on the reforms of the child welfare system that have begun in recent years in order to make the system more responsive to the multiple, and often complex, needs of children and families. Perhaps most importantly, the new law establishes clear goals of what we want for children in the child welfare system -- **safety, permanency, and well-being.**

One of the key principles of the Adoption and Safe Families Act is that the child welfare system must focus on results and accountability. The law makes it clear that it is no longer enough to ensure that procedural safeguards are met. It is critical that child welfare services lead to positive results.

The Adoption and Safe Families Act (ASFA) calls on the Department of Health and Human Services, State officials, advocates and other experts in the field to work together to identify useful outcome measures to gauge State and national progress in meeting the needs of children and families in the child welfare system. It further challenges the Department and the field to explore the possibility of developing ways to use Federal child welfare funds to promote more strongly the goals of safety, permanency and well-being. Specifically, Section 203 of the Adoption and Safe Families Act amended title IV-E of the Social Security Act as follows:

"SEC.479A. ANNUAL REPORT.

"The Secretary, in consultation with Governors, State legislatures, State and local public officials responsible for administering child welfare programs, and child welfare advocates, shall--

1. "develop a set of outcome measures (including length of stay in foster care, number of foster care placements, and number of adoptions) that can be used to assess the performance of States in operating child protection and child welfare programs pursuant to parts B and E to ensure the safety of children;
2. "to the maximum extent possible, the outcome measures should be developed from data available from the Adoption and Foster Care Analysis and Reporting System;
3. "develop a system for rating the performance of States with respect to the outcome measures, and provide to the States an explanation of the rating system and how scores are determined under the rating system;
4. "prescribe such regulations as may be necessary to ensure that States provide to the Secretary the data necessary to determine State performance with respect to each outcome measure, as a condition of the State receiving funds under this part; and
5. "on May 1, 1999, and annually thereafter, prepare and submit to the Congress a report on the performance of each State on each outcome measure, which shall examine the reasons for high performance and low performance and, where possible, make recommendations as to how State performance could be improved."

- b. **DEVELOPMENT OF PERFORMANCE-BASED INCENTIVE SYSTEM.**--The Secretary of Health and Human Services, in consultation with State and local public officials responsible for administering child welfare programs and child welfare advocates, shall study, develop, and recommend to Congress an incentive system to provide payments under parts B and E of title IV of the Social Security Act (42 U.S.C. 620 et seq., 670 et seq.) to any State based on the State's performance under such a system. Such a system shall, to the extent the Secretary determines feasible and appropriate, be based on the annual report required by section 479A of the Social Security Act (as added by subsection (a) of this section) or on any proposed modifications of the annual report. Not later than 6 months after the date of the enactment of this Act, the Secretary shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a progress report on the feasibility, timetable, and consultation process for conducting such a study. Not later than 15 months after such date of enactment, the Secretary shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate the final report on a performance-based incentive system. The report may include other recommendations for restructuring the program and payments under parts B and E of title IV of the Social Security Act.

This report has been prepared in response to the requirement at Section 203(b) of P.L. 105-93, cited above, that the Secretary provide a progress report to the Congress on the feasibility, timetable, and consultation process for conducting a study of performance-based incentive financing in child welfare.

### ***Overview of the Progress Report to Congress***

This Progress Report to the Congress on Conducting a Study of Performance-Based Financial Incentives in Child Welfare provides an update on the activities that the Department has undertaken in support of the mandate to conduct a study on performance-based financial incentives. The report also outlines a number of questions and issues that will need to be addressed by the Department, in consultation with key members of Congress, State and local public officials responsible for administering child welfare programs, child welfare advocates, and other experts in the field of child welfare and outcome measurement, in order to complete a study of and make recommendations on the development of a performance-based incentive system in child welfare. The report provides information gathered through preliminary consultation with the field, analysis of existing data, an examination of similar efforts in other health and human service fields, and a review of selected literature.

The Progress Report does not draw conclusions about the feasibility of developing a performance-based financial incentive system for child welfare, nor does it make recommendations on the specific way in which any new incentives might be structured. Making recommendations in these areas will require considerable additional consultation and study and will be addressed in the Department's Final Report to the Congress on Performance-Based Incentives in Child Welfare. Rather, this Progress Report presents information on a range of issues relevant to the development of outcome measures and performance-based incentives, and it identifies questions and issues that will need to be examined as the Department moves forward

in working with its external partners to develop recommendations for the Final Report on this very complex and important issue.

The Department is confident that it will be able to work productively with government officials, advocates and other experts to complete a thorough and useful study of a performance-based incentive system for child welfare. We are pleased to provide this update of our activities to-date and our plans for moving into the next phase of this work.

### ***A Review of the Department's Progress To-Date***

In response to the charge laid out by the Congress in Section 203 of the Adoption and Safe Families Act, the Department has initiated a review of the feasibility, timetable and process for conducting a study on the use of performance-based financial incentives. The Department has reviewed the kinds of information that will be needed to support the exploration of performance-based financial incentives in child welfare and the development of recommendations to the Congress on this issue. The Department has also reviewed and considered how best to structure and support a consultation process that engages a broad range of stakeholders, while also ensuring the continuity of participation that will be needed to grapple with a complex set of issues. Following is a description of some of the steps that the Department has taken to-date:

- **Preliminary Consultation:** In January and February, 1998, the Department held a series of focus groups in Washington, D.C., and in the ten Regional Offices of the Administration for Children and Families in order to gain early insight from State officials, advocates, and child welfare practitioners on a range of issues relating to the implementation of the Adoption and Safe Families Act. The issues raised in the focus groups included a set of questions on the development of a performance-based incentive system:

*"What do you believe should be the goals of a performance-based incentive system in child welfare? What issues need to be addressed in any such system? What are the strengths of such a system? What are your concerns about the development of such a system?"*

Ideas, insights and concerns expressed by focus group participants have helped to inform the development of this report.

- **Review of Information on Child Welfare Financing:** Because any proposed revision to the Federal child welfare programs must be rooted in a clear understanding of the ways in which child welfare programs are funded today, the Department has begun to compile available data and research on historic and current trends in child welfare financing and the ways in which financial incentives have been structured in the past.
- **Gathering Information on the Use of Outcome Measurement in Child Welfare:** Many participants in focus groups recognized the opportunity to improve results for children and families by moving to a more outcome-focused system. But they also expressed caution about whether outcome measures and

data sources are sufficiently strong to be able to support performance-based financing. To help inform further discussion on this issue, the Department has begun to assemble information on the current development and use of outcome measures in child welfare and on the availability of data to support outcome-based systems in child welfare.

- **Exploration of Performance-Based Systems in Other Health and Human Service Programs:** Significant work has taken place in the past several years on the development of outcome measures and/or performance-based incentives in other health and human service programs. The Department has compiled information on lessons or strategies to be learned from other program areas, both in terms of successful models of consultation and important substantive issues to be considered in developing outcome-based systems.
- **Literature Review:** Department staff have conducted a preliminary review of literature on the use of outcome measures and performance-based financial incentives in health and human service programs in order to inform future developments in child welfare.
- **Plans for Final Study:** Finally, the Department has developed a plan to support development of outcome measures in child welfare, the completion of the study and the Final Report to the Congress on Performance-Based Financial Incentives in Child Welfare, and the development of the first annual report on outcome measures. The plan, detailed later in the report, includes forming a consultation work group of State officials, child welfare advocates and other experts in the field to work closely with Federal staff in developing recommendations for selection of outcome measures and performance-based financing strategies.

## II. An Overview Of The Child Welfare System Today

An exploration of the feasibility of performance-based incentives in child welfare must begin with a thoughtful review of the system today, including its purpose, its structure, and the ways in which it is currently financed. This sort of review is needed to focus attention on the results our nation wants the child welfare system to obtain, and to understand the different players who will need to be involved in order to attain positive results. This section of the Progress Report addresses a number of questions and issues that are fundamental to this inquiry.

### *What is the Role and Structure of the Child Welfare System?*

Child welfare services are designed to protect children who have suffered familial abuse and neglect or who are at risk for maltreatment, and to improve the conditions and stability of their families. Broadly defined, such services include a wide range of activities, including preventing child abuse and neglect; protecting children who have been abused or neglected; supporting families in their role as primary caregivers to children; preserving families in crisis while ensuring the safety of children in the home; providing temporary substitute out-of-home care when parents or guardians are unable to keep children safe or provide proper care at home; securing adoptive families or other permanent living arrangements for children who are unable to

return home due to abuse or neglect or other serious family problems; and assisting older youth in substitute out-of-home care to make the transition to independent living.

Governmental agencies, juvenile or family courts, and private nonprofit agencies all play important roles in the child welfare system. Historically, child welfare services began largely as a function of private agencies and later developed as a responsibility of State and local governments. The significant Federal role in child welfare is a relatively recent historical development, and States retain significant latitude in the design and delivery of child welfare services. Each State has its own legal and administrative structures and programs to address the needs of children. While Federal programs provide a common framework for child welfare services, among States there is variation in such matters as:

- the definition of what constitutes abuse or neglect;
- the standards for when the State should intervene in family life and what the nature of the intervention should be;
- the standards or circumstances that prompt the removal of children from their homes and the decision to return them home again.

In most States, the child protective services (CPS) agency or unit acts as the "front door" to the child welfare system. The CPS agency is responsible for receiving and responding to reports of alleged child abuse and neglect; for conducting investigations or assessments to determine whether children experienced actions on the part of a parent or other caretaker that constituted child abuse or neglect, as defined by State law and policy; and for making determinations or recommendations on whether the child or family needs ongoing services. When necessary, CPS agencies will also take action to remove children from the home, if the circumstances indicate that the child is at imminent risk of harm. Generally, court approval or action is required to remove a child from home or to require the family to seek services. In some States, a court also must make the final determination on whether abuse or neglect occurred.

Based on information obtained during an investigation or assessment, one of a number of steps may be taken:

- A case may simply be closed.
- A family may be referred for voluntary services in the community.
- A child may be removed from home and placed in either the home of a relative, a nonrelative family foster home, or a group home or residential facility.
- A court may order parents to participate in services designed to address family problems that place children at risk. Such mandatory services may be required as a condition for having children remain in the home or for securing the return of children who have been removed from home.
- If parents or family members are unable to address problems and the child is unable to return home, the child may then be placed for adoption or in another permanent living arrangement.

Decision-making and service delivery in child welfare are complex, in part, because they take place in the context of competing, deeply held societal values. On the one hand, our country

believes deeply in family privacy and in the rights of parents to raise their own children, free from excessive government intervention. On the other hand, society believes that it has a responsibility, acting through government, to protect children from harm inflicted by parents or other family members.

Given the strength of these values and the tension inherent between them, perhaps it is not surprising that the child welfare system often is criticized both for failing to take actions to keep children safe, and for being overly intrusive in the lives of families; for working too hard to preserve or reunify troubled families, and for not doing enough to keep intact families that could have been saved.

Unfortunately, there are instances that validate each type of criticism. That all of these problems exist simultaneously in the same service system is evidence of the complexity of the child welfare system. The complexity of the system and the issues it must confront also make it challenging to select appropriate markers or measures that will indicate that child welfare services are, indeed, improving.

### ***How Many Children are Served By the Child Welfare System and How Have these Numbers Changed in Recent Years?***

For each of the last several years (1992 - 1996), child protective services agencies in the United States have received and referred for investigation reports alleging maltreatment of approximately 3 million children. Approximately 1 million children have been found to be victims of substantiated or indicated maltreatment in each of those years. While the number of children reported to child protective services for alleged maltreatment and the number of children determined to be victims of maltreatment have stabilized in the last several years, this follows a very long period of continuous increases in the caseloads of child protective services agencies.

Between 1976 and 1992, for instance, the number of children reported to child protective services agencies grew by approximately 331 percent, rising from an estimated 10 children reported per 1,000 children in the population to 43 children reported per 1,000 children in the population. This pattern of growth reflects, among other factors, increased recognition and reporting of child abuse and neglect, as well as growth in the numbers of families suffering serious problems, including the effects of substance abuse. Furthermore, the results of the Third National Study of the Incidence of Child Abuse and Neglect suggest that, despite the increases over the past decades in the number of children reported to CPS and the continuing historically high levels of children coming to the attention of CPS agencies, many more children are abused or neglected than are reported to or served by CPS agencies.

While the majority of children reported for abuse and neglect are not removed from their homes, there are significant numbers of children who are placed in foster care, some of whom remain in care for long periods of time. An estimated 507,000 children were in substitute care at the end of fiscal year 1996. An estimated 50 percent of these children had been in care for two or more years. Nonetheless, the majority of children in foster care are able to return to their families.

Approximately 60 percent of the children discharged from foster care in 1996 were reunified with their families.

The number of children in foster care has grown over the last decade and there has been an increase in the number of children remaining in care for longer periods of time. The number of children in foster care at the end of 1996 was 80 percent greater than the estimated number of children in care at the end of 1986 (280,000), and the proportion of children in care for two or more years grew from approximately 40 percent in 1986 to 50 percent in 1996.

When children are not able to return safely to their families, adoption is often the best option to assure children a chance to grow up in a permanent, loving home. During 1996, nearly 27,600 children were adopted under the auspices of the public child welfare agencies.

### *How are Child Welfare Services Financed?*

The Congress's request that the Department study the feasibility of a performance-based incentive system raises questions about whether Federal child welfare funds could be better structured to assure positive outcomes for children and families. To explore this possibility, it is first important to examine how child welfare services are structured today, so as to understand better how changes in Federal financing might affect the system.

As in other aspects of child welfare policy and practice, the diversity among State child welfare systems is evident in the mechanisms used to fund child welfare services. The responsibility for financing child welfare is shared among Federal, State and local governments, with great variation in the role that each level plays in any given State. In some States, Federal dollars comprise half or more of funds spent on child welfare services, while in other States, most funds spent on child welfare are derived from either State or local sources.

At the Federal level, there are several major programs specifically focused on child welfare. These include the Foster Care, Adoption Assistance and Independent Living Programs under title IV-E of the Social Security Act, and the Child Welfare Services and promoting Safe and Stable Families (formerly Family Preservation and Support) programs under title IV-B of the Social Security Act. Several smaller discretionary programs, including the Child Abuse Prevention and Treatment Act (CAPTA) and the Adoption Opportunities Act also make contributions to the funding of child welfare services, particularly through the development of model innovative programs, training and technical assistance. As can be seen in [Table 1](#), the greatest amount of Federal child welfare funds (over \$3 billion) is devoted to expenses relating to the placement and maintenance of children in foster care.

In addition to major Federal child welfare programs mentioned above, other Federal programs, not specifically targeted to child welfare purposes, also make important contributions to the funding of child welfare services in the States. These programs include the Title XX Social Services Block Grant and Medicaid. In the past, the Emergency Assistance funds under title IV-A of the Social Security Act have also been an important source of revenue for child welfare for the funding of family preservation and other services. Since the passage of Personal Responsibility and Work Opportunities Reconciliation Act created the Temporary Assistance to

Needy Families [TANF] program, Emergency Assistance funds are now part of a block grant. They may or may not, at State discretion, be available to support child welfare services in the future.

#### Table 1 - Federal Child Welfare Program

Again, just as there is variation in the balance among Federal, State and local funds used to support child welfare services, there is also variation in the degree to which States rely on one Federal program versus another. Preliminary results from a recent survey of States conducted by the Urban Institute indicate that in some States programs other than the traditional child welfare programs (title IV-B and IV-E) make up half or more of the Federal dollars spent for child welfare services.

#### *Have Incentive-Based Systems Been Used in Child Welfare in the Past?*

The idea of using Federal child welfare dollars as an incentive to encourage action on the part of States is not altogether new. Indeed, as noted above, responsibility for child welfare has traditionally been regarded as primarily a State responsibility. Therefore, to some degree, all Federal child welfare programs have been based on an incentive framework in which a State agrees to take certain steps in order to receive Federal funds. However, in the past most Federal child welfare programs have not been tied directly to the achievement of measurable outcomes for children or families, but to the establishment of laws, policies or procedures which are believed to promote better outcomes for children and families.

For instance, the Adoption and Safe Families Act (ASFA) contains provisions requiring States, as a condition of receipt of Federal child welfare funds, to adopt laws and procedures that require more frequent permanency hearings and that clarify reasonable efforts requirements. These are examples of the traditional way in which Federal funds are used as an incentive to encourage States to enact certain process-based reforms that, in turn, are expected to produce more positive outcomes for children.

The State grant program of the Child Abuse Prevention and Treatment Act (CAPTA) is another example of the way in which Federal dollars have been used as an incentive to encourage State reforms in child welfare. When CAPTA was enacted in 1974, it served as a catalyst to encourage States to establish legal and service frameworks to provide for the identification and protection of abused and neglected children. To be eligible to receive funds under the Act, States were required to adopt laws, policies and programs to ensure that children suspected of being abused were brought to the attention of the child protection system, that the State had a means for investigating allegations, and that action would be taken to protect and treat children who were being maltreated. Although the amount of funds available to States was quite small (less than \$4 million when CAPTA was enacted, rising to approximately \$21 million today), all but two States changed their laws to comply with the CAPTA requirements within a short period of time after the passage of the legislation. It is interesting to note that the history of CAPTA suggests that the dollar amount of a Federal fiscal incentive need not be large to be effective, provided it is perceived by the States as being worthwhile, both programmatically and financially.

## *To What Extent Have Performance-Based Incentives Been Used in Child Welfare?*

While fiscal incentives in child welfare have generally been tied to procedural changes, some examples of performance-based incentives are emerging. At the Federal level, the Adoption and Safe Families Act authorized the first Federal performance-based financial incentive in child welfare, the Adoption Incentive Award. The Administration first proposed this initiative as a cost-effective tool to help meet the President's goal of doubling the annual number of children adopted from the foster care system by the year 2002. Under the initiative, States that choose to participate and that succeed in increasing over the previous year the number of children adopted from the foster care system will receive a financial incentive of \$4,000 for each child, with an additional \$2,000 being paid for each adopted child with special needs. The States may spend the financial incentive payment for a variety of child welfare services. While providing States with additional financial resources to serve children and families, the proposal will not cost taxpayers any additional money, since the cost of the incentives will be offset by savings in foster care costs.

A number of States and localities are also experimenting with various types of performance-based incentives and other innovative mechanisms for financing child welfare services. Michigan, for instance, is using a performance-based incentive system designed to encourage and reward the timely adoption of children from the foster care system. The State of Michigan makes extensive use of private agencies for adoption placement services. Under the State's adoption incentive, private agencies are rewarded for placing children more quickly, receiving an enhanced rate of \$5,600 for placing a child within eight months. If an agency takes longer than 8 months to place a child in an adoptive home, it receives the standard rate of \$3,500. Furthermore, private agencies are paid a premium rate of \$8,600 for placing a child who is not in the care of that private agency, but who is included in the State's photolisting book of children who are hard to place.

A number of other States (some under the auspices of the title IV-E Child Welfare Demonstration waivers, others independently), are experimenting with the use of "managed care" features in child welfare, including some performance-based financing. In some States, such as Tennessee and Florida, States are using fixed- or prospective-payment or blended per diem systems to pay contractors. Under these models, private agencies receive a case rate for each client referred, and the rate represents the average cost of treating all referred clients. Such systems do not necessarily tie funding to a particular standard of performance by the agency or outcome for children. However, they may provide a fiscal incentive to promote improved outcomes in the areas of permanency and child well-being.

In several locales, however, specific performance-based aspects are included in models of child welfare fiscal reform. For instance, in Kansas where most child welfare services (with the exception of child protective services) have been privatized, the State is monitoring the effectiveness of lead agencies with whom they contract by tracking performance against a series of outcome goals and targets in the areas of family preservation, foster care and adoption. Hamilton County, Ohio, has gone a step further in its performance-based contracting for child welfare services, building in a system of specified bonuses and penalties to be assessed based both on service outcome measures for children and families (e.g. "Children and families will

receive timely behavioral health services;" and "Services are appropriate to the needs and provided in the least restrictive setting") and performance indicators for the contractor (e.g. "Providers are paid on a timely basis;" and "Consumers are satisfied with the services in the provider network.")

Because both the Federal Adoption Incentive Award and the State and local fiscal reforms are quite new, they will bear further examination and study to learn about their effectiveness in promoting improved outcomes for children and families in the child welfare system, and about challenges or unexpected consequences that may arise during their implementation.

### **III. Moving Toward Greater Use Of Federal Performance-Based Incentives In Child Welfare - Key Issues And Questions**

The information presented in this section reflects the Department's preliminary research and consultation on some key issues likely to arise in the study of performance-based incentives. Participants in focus group discussions held by the Department several months ago often acknowledged the importance of heightening attention to outcomes in child welfare, but raised concerns about the state of the art in outcome measurement and data collection. They noted the complexities involved in developing performance-based incentives, and they expressed concern that such a system might unintentionally undercut individualized decision-making for children or pit one part of the child welfare service continuum against another.

This section of the Progress Report, therefore, reviews the status of the use of outcome measures in child welfare and the development of child welfare data sources. It also highlights some of the complexities and challenges that are likely to be faced in designing a performance-based incentive system and offers some possible strategies for dealing with these. Many of these issues will require a more comprehensive review as the study moves forward.

#### ***What is the Status of the Development of Outcome Measures in Child Welfare?***

The past several years have seen significant developments in the use of outcome measures in child welfare, as well as in other areas of health and human services, by States, localities and the Federal government. This expansion reflects a demand for accountability by legislators, senior government officials and the public. It also reflects an increased awareness on the part of child welfare administrators and other human services officials of the need to monitor not only the extent to which services have been used by target populations, or the extent to which established policies, procedures or protocols have been followed, but the need to try to understand the effect that these services and procedures have on the children and families they are designed to serve.

At the Federal level, a number of factors have helped to focus attention on the development of outcome measures in child welfare. The implementation of the Government Performance and Results Act (GPRA), for instance, has helped to stimulate the articulation of goals for child welfare and other government programs and the identification of measures that will help us to

understand how well government programs are doing in trying to address complicated social problems.

The work of the Administration for Children and Families (ACF) to reinvent the monitoring process for child welfare programs under titles IV-B and IV-E has also been important in advancing the field of outcome measurement in child welfare. Previously, the monitoring of child welfare programs relied heavily on the review of case documentation and process, rather than on outcomes for children and families. Consequently, States that provided and documented all of the required protections were able to pass compliance reviews without necessarily having programs that resulted in satisfactory outcomes for the children and families whom they served. And, conversely, some States that might be achieving positive outcomes, but whose case record documentation did not reflect all of the required protections, were penalized through the loss of incentive funds. Reflecting this concern, the Social Security Act Amendments of 1994 (P.L. 103-432) required ACF to move forward in developing new monitoring procedures to focus more clearly on the outcomes of child welfare services.

Since that time, ACF has undertaken considerable consultation with the field and has conducted pilot tests of revised Child and Family Services Reviews and title IV-E eligibility reviews. Through its process of consultation, ACF identified three major goals or outcome areas for child welfare services -- safety, permanency, and child and family well-being. These same themes are very evident in the Adoption and Safe Families Act (ASFA) and have been embraced by a number of States that have developed outcome frameworks. The conceptualization of these three broad goals is a tremendously important first step in moving toward a more outcome-focused orientation in child welfare. It has already become evident that it makes a difference when the Federal government joins in partnership with States to look at how the goals of safety, permanency and child and family well-being are being met, rather than focusing only verifying the presence of required documentation of case activity in all of the files. Building on the foundation of these goals is likely to prove useful as the Department works with State officials and other experts both to develop the outcome measures for the annual report required under ASFA and to explore possible approaches to performance-based financial incentives.

While the identification and articulation of the goals is a significant first step, the development of useful and reliable measures and the collection of data to support those measures remain in the early stages. Therefore, it is likely that the specific indicators used to measure progress on the goals of safety, permanency and well-being will need continued refinement over time.

### ***Why is Outcome Measurement in Child Welfare Challenging?***

With the work that has already been done in building consensus in the field about the major goals or outcomes for child welfare services, and, as discussed below, with the significant investments and improvements in State information systems and data collection and reporting, important steps have been taken toward developing a performance- or outcome-focused framework for child welfare. And yet the task of identifying specific outcome measures or indicators, particularly ones that can be used to compare performance among States, remains challenging for a number of reasons.

One reason for the complexity is that variation in State policies and definitions affect the collection and interpretation of data and can make it difficult to compare performance across States. For example, States have different definitions for what constitutes abuse and neglect, different standards for substantiating or confirming reported incidents of abuse and neglect, and different ways of categorizing the results of a child protective services investigation or assessment. States that have a narrower definition of child maltreatment or that require a higher standard of evidence to confirm a report generally have lower rates of child victimization than States with broader definitions or less stringent standards of evidence. Therefore, one cannot draw conclusions about the success of a particular State in keeping children safe based only on the reported levels of child maltreatment victimization.

The interpretation of results in child welfare outcome measures as being either "good" or "bad" is, in fact, quite complex. To assure appropriate interpretation, data should be looked at in the context of the reasons for the change in a given measure. For instance: Does a decrease in the number of reports of child abuse and neglect reflect a decrease in the incidence of abuse and neglect in a given State or community? Or did the State make changes in screening criteria, mandatory reporting laws, or staff resources taking calls that might account for the change?

Does a decrease in substantiated victims reflect a true decrease in the number of children suffering abuse or neglect, or were the definitions narrowed or policies changed in some way that affected this measure? Does an increased rate of recurrence of maltreatment reflect poor services on the part of the agency in taking steps to prevent repeat abuse? Or has the agency done a better job of following up with families who have come to their attention, so that subsequent incidents of maltreatment can be addressed? Does a decrease in the average length of stay in foster care mean that children and their families are receiving more timely services by child welfare agencies, with improved outcomes of safety and permanency? Or are children either being sent home too soon, only to return to foster care again, or unnecessarily taken from their families of origin permanently without appropriate efforts being made to reunify them?

Is an increase in the number of cases in which termination of parental rights have been completed a positive sign that children are being adopted? Or are we finding that there are not enough permanent families available to adopt these children? These examples highlight the need to examine outcomes in child welfare in the context of a systemic focus, rather than isolating one or two measures. A participant in a focus groups on ASFA implementation held by the Department in January summed up the quandary by saying, "You get a specific measure like number of reports, or number of indicated reports, and if that measure goes down, the obvious question is 'Did you reduce the number of telephone operators taking calls?' ...I think that it's really important when devising goals that they not be simplistic and that they take into account that there are all different kinds of reasons why you could attain a certain number." Similarly, a recent paper written by Charles L. Usher, et al. summarizing recent evaluation findings from several foundation-supported child welfare reform initiatives, concludes: The results of these initiatives are encouraging in that they demonstrate that improvements in performance are possible. However, they also suggest a need for caution in adopting a few simplistic performance indicators and ignoring changes in context that dictate adjustments in performance standards and expectations. The accomplishment of one set of goals (e.g. reduced admissions [into foster care]) can have repercussions for other performance indicators (e.g. length of stay). Systems for

monitoring and evaluating the performance of child welfare systems must acknowledge these interdependencies.<sup>1</sup>

### ***What Data Are Available to Support Development and Use of Outcome Measures in Child Welfare?***

One reason that the development of outcome measures for child welfare is challenging is that, traditionally, data in child welfare have not been strong. Participation in data reporting efforts of the past was inconsistent, and many State information systems lacked the functionality needed to provide data useful for outcome measurement. Over the past several years, however, the Department and the States have worked together to make progress both in data collection and reporting and in the development of more advanced State child welfare information systems.

In the last several years the Department has implemented two major data reporting activities: the Adoption and Foster Care Analysis and Reporting System (AFCARS), collecting information on children placed in foster care or adopted from the foster care system; and the National Child Abuse and Neglect Data System (NCANDS), capturing data on children and families reported to child protective services agencies.

The AFCARS is a mandatory data collection system, established under Section 479 of the Social Security Act, that collects automated case-level information on all children in foster care for whom the State child welfare agency has responsibility for placement, care or supervision. Information is also collected on children whose adoptions from the foster care system have been finalized. The AFCARS data are reported in six-month increments, twice a year. The first data collected under AFCARS were for the first half of fiscal year 1995 (October 1, 1994 - March 31, 1995). The most recent submission cover the first half of fiscal year 1998 (October 1, 1997 - March 31, 1998). Almost all of the States are now submitting AFCARS data. (Forty-eight States, the District of Columbia and Puerto Rico submitted data in the most recent period.) All States are expected to be able to submit data in the near future. The AFCARS data will allow for a wide range of complex analyses regarding the numbers and characteristic of children in foster care and children who are adopted, the circumstances associated with children's removal from home, the length of time children spend in foster care, and many other factors.

The NCANDS, authorized by the Child Abuse Prevention and Treatment Act (CAPTA), was originally designed as a voluntary data reporting system consisting of two components: the Summary Data Component (SDC) and the Detailed Case Data Component (DCDC). Under the SDC, annual aggregate data on a limited number of data elements relating to children reported to the child protective services system (e.g. number of children reported to child protective services agencies and the number of children determined to be victims of substantiated abuse or neglect) have been collected from all States for the years 1990-1996. Recently, the SDC was revised and expanded to incorporate additional data elements specified by Congress in the 1996 reauthorization of CAPTA. This expanded set of data elements will be collected beginning with the submission of calendar year 1997 data, expected to be completed in the fall of 1998. Under the provisions of the 1996 CAPTA reauthorization, States that receive a State Child Abuse Grant are now required to "work with the Secretary to provide, to the maximum extent practicable," the data elements specified in the CAPTA statute that are now incorporated into the SDC.

The DCDC annually collects more comprehensive automated case-level information on all investigated reports of child abuse and neglect. Data have been collected for 1993-1996 from a subset of States (thus far representing about a third of the national population). These data allow for more complex analyses than can be conducted with aggregate data (e.g. examining the characteristics of children suffering particular types of maltreatment, or studying recurrence of substantiated reports for children previously reported to child protective services).

Both the NCANDS and AFCARS data collection activities are designed to improve national understanding of the number and characteristics of children served by child welfare agencies, as well as to be able to see differences and similarities in the patterns of activity in the various States. The data collection activities also provide a mechanism for providing technical assistance to States in order to promote improved data quality and data collection and data utilization at the State level. The Adoption and Safe Families Act appropriately identifies AFCARS as the major source of data to be used for outcome measures and performance-based incentives relating to titles IV-E and IV-B of the Social Security Act. The NCANDS data, however, are also likely to be a useful source of information for measuring certain outcomes relating to the safety of children, including children not removed from their homes. Further information on both NCANDS and AFCARS and the status of State participation are included at the end of this report in Appendix A.

Another significant development over the past several years has been the implementation of Statewide Automated Child Welfare Information Systems (SACWIS). In order for the Federal government to collect comprehensive and accurate data on children served by State child welfare agencies, the States must have information systems capable of collecting, tracking and reporting the data. The development of SACWIS in the States will assure this capability.

The Omnibus Budget Reconciliation Act of 1993 provided enhanced Federal financial participation (FFP) at the 75 percent rate for statewide automated child welfare information systems to carry out the State's programs under titles IV-B and IV-E of the Social Security Act. This enhanced level of funding was initially authorized for the period October 1, 1993, through September 30, 1996, and was later extended through September 30, 1997. While the period of enhanced Federal financial participation has now expired, Federal funds continue to be available at the 50 percent rate. The Federal funds may be used by the States for the planning, design, development and installation of statewide systems that are able to provide the required AFCARS reports and that interface with or integrate the system used to provide data for NCANDS. The States have been given significant latitude to design systems that best meet their State needs, provided that the systems are determined to provide more efficient, economical, and effective administration of the title IV-E and IV-B programs. In addition to providing expanded data reporting capabilities, these systems will also serve as a case management tool for frontline workers and supervisors, providing them with immediate access to a much greater amount of information. Because workers will, for the first time in most places, be using computers to support their own work, data accuracy and quality are also likely to improve, since the data entered will be for their own use and not be seen as "just one more piece of paper" required for a bureaucratic purpose. Thus far, 24 States have developed SACWIS systems that are either fully or partially operational. An additional 23 States are in the process of developing SACWIS. A

chart showing the status of State implementation of SACWIS is included in Appendix A of this report.

We are confident that the joint commitment made by the Federal government and State governments to strengthening information system and data collection and reporting capacities will yield positive results in terms of improved ability to manage programs and to measure program success. However, it should be emphasized that, while the groundwork has been laid, implementation is still in the early stages, which means that issues of data availability, quality and comparability are likely to remain significant factors that need to be considered in assessing the feasibility of a new performance-based incentive system in the near term.

### ***Are There Strategies for Dealing with the Complexities in Outcome Measurement in Child Welfare?***

Recognizing that design and interpretation of outcome measures in child welfare is complex, the Department has begun to explore strategies to help address these concerns. One strategy, suggested by focus group participants in our early consultation, is to pair or group measures in a way that counterbalances potentially "bad" incentives or unexpected consequences that one measure alone might create. For instance, one might seek to decrease the average length of stay in foster care for some or all of the foster care population, while at the same time holding constant or decreasing re-entries into care. Or one might seek to increase the number of children adopted from the foster care system, without seeing an increase in the proportion of adoptions that dissolve.

Another strategy was laid out by a panel appointed by the National Research Council in its report, *Assessment of Performance Measures for Public Health, Substance Abuse, and Mental Health*. The Council's panel studying the use of performance measures in these areas of public health stated: Despite their widespread use and intuitive appeal, health outcome measures are insufficient by themselves for monitoring the efforts of a given program in reducing complex public health problems. Many measures that are recognized valid for tracking health outcomes are affected by many factors (inputs or processes), so changes in outcomes cannot be attributed only to specific program effectiveness. The panel concludes that performance monitoring must make use of process and capacity measures to complement available measures of outcomes. The panel recommends that each process and capacity measure be accompanied by reference to published clinical guidelines or other professional standards that describe the relationship between the process measure or capacity measure and the desired health outcome.<sup>2</sup>

A similar approach might be used for child welfare. Capacity measures might be used both to help understand why a particular measure was or was not achieved and to protect against measures being met because "we reduced the number of telephone operators." The degree to which capacity and process measures can or should be used in addition to outcome measures will be one issue that the Department will include in its consultation with the field.

### ***What Does Recent Literature Advise About the Use of Performance-Based Incentives?***

The Department has begun to review a number of sources to determine what the literature suggests as the strengths and potential pitfalls of performance-based financial incentives. A number of experts suggest caution in the use of such incentives. For instance, in a 1996 report from the Finance Project, entitled *A Strategy Map for Results-based Budgeting: Moving from Theory to Practice*, Mark Friedman writes: Crafting money consequences to go with performance is a tricky business. Pay for performance is an appealing concept, but hard to implement when the products are changes in human conditions; when performance is often tied to the severity of client problems, not the quality of service delivery; and when there are often ready means to game the system. This means that we should not rush to implement pay for performance (or other rewards and penalty policies) before we know what good performance is. We need to build performance histories, and begin to measure and reward improvements on past performance.<sup>3</sup> A number of sources reviewed recommended using outcome measures as a means for targeting technical assistance or supporting a system of continuous improvement. For instance, the National Research Council report cited earlier recommended that Public health performance measures [should] be considered as a central, but not the only, element of a continuous program of technical assistance. For example, if one measure or a combination of measures suggest that a given state is having unusual difficulty in making progress in meeting its ... objectives, such information should trigger an alert that some additional resources or technical assistance is needed to overcome particular circumstances.<sup>4</sup> In considering various options in designing a child welfare performance measurement system, the Department and its external partners will need to consider ways to encourage use of outcome measures in a manner that promotes continuous improvement in all aspects of child welfare services.

#### NOTES

1. Charles L. Usher, Deborah Gibbs and Judith Wildfire, "The Rebound Effect in Child Welfare Reform: Secondary Effects of Success," pp. 13-14
2. Edward B. Perrin and Jeffrey J. Koshel, editors, *Assessment of Performance Measures for Public Health, Substance Abuse, and Mental Health*, Panel on Performance Measures and Data for Public Health Performance Partnership Grants, Committee on National Statistics, Commission on Behavioral and Social Sciences and Education, National Research Council, Washington, D.C.: National Academy Press, 1997, p.2.
3. Mark Friedman, "A Strategy Map for Results-based Budgeting: Moving from Theory to Practice," Finance Project, September 1996.
4. Perrin and Koshel, p. 4.

#### **IV. Plans For Consultation On Outcome Measures And Development Of Recommendations For Performance-Based Incentives**

The purpose and overall goal of consultation is to inform the development of the two reports to Congress that are required in Section 203 of the Adoption and Safe Families Act (ASFA): The Final Report to the Congress on Performance-Based Incentives in Child Welfare due in February 1999, and the first annual report to Congress on the performance of each State in meeting the outcomes in child welfare due in May 1999.

The Department is pursuing a course of open and extensive outreach to and consultation with Federal and State officials and other partners in the development of outcome measures and proposals for changes in child welfare financing. To that end, the Department has let a contract to assist in the development and management of an effective consultation strategy and in the preparation of the two required reports to Congress. The work will involve, among other tasks, organizing and maintaining a standing work group of Federal and State officials, advocates and organizational representatives, researchers and other experts, who can work together to define feasible and appropriate outcome measures and recommend a performance-based incentive system. Given the complexity of the issues, the contractor also will provide qualified experts in research, management and in the field of child protection/child welfare practice to assist the Department in gathering information, developing background materials and in producing the reports to Congress.

The consultation strategy is three-pronged, and consists of: (1) the focus groups that were already held by the Department last January and February which are discussed below; (2) additional focus groups to be held with a broader, more comprehensive group of partners, including key congressional staff, to ensure a variety of perspectives and to consider those perspectives as we move to meet the requirements of section 203 of ASFA; and (3) the establishment of a standing work group of outside partners to be the source of in-depth discussion of the critical issues surrounding the development of all the performance measurement components of the new law.

As the first step in the consultation strategy, the Department conducted focus groups to initiate some preliminary consultation with State officials, advocates and others on the issue of performance-based incentives. Many ideas and concerns expressed by focus group participants have been incorporated into this report. This form of consultation provided a useful starting point for beginning study on the issue of outcome measurement and performance-based incentives in child welfare.

The second part of the three-pronged strategy calls for convening a series of meetings with interested congressional staff, as well as focus groups or workshops at upcoming conferences of national organizations to obtain the input of sectors not represented on the standing work group and to convey/test ideas developed by that work group. We believe there is a need to engage persons and organizations that have not yet conducted significant analysis of these issues in order to advance the discussion beyond the child welfare field and build a consensual understanding of the critical issues involved in outcome measurement and the development of a system for rating State performance.

The most challenging step in the consultation strategy is the formation of a standing work group of approximately 20 participants, who can work together on a sustained basis through in-person meetings and telephone conference calls. The work group will play a central role in working with Federal staff to flesh out ideas around specific outcome measures, the ways a rating system might be structured and ideas for a performance-based incentive system. In addition, work group members will be responsible for maintaining lines of communication with others in their network of colleagues, so that ideas brought to the table in the work group reflect, to the degree possible, the range of views held by the major stakeholders/partners in the field of child welfare. The

Secretary's decisions and recommendations to Congress on the performance measures aspects of ASFA will be based on the work group's efforts.

The work group, which will convene for the first time in September, will be comprised of Federal and State officials and representatives from such organizations as the American Public Human Services Association (formerly the American Public Welfare Association), the Child Welfare League of America, the National Governors' Association, the National Conference of State Legislatures, and others. To ensure a balance of perspectives, work group members will come from urban and rural areas, State and county-administered child welfare systems, public and private agency providers, etc. They will have a mix of experience in and knowledge of child welfare programs, data systems, performance measurement and outcome-related measurement, and have analytical and evaluative skills.

The research and report preparation aspects of the work will be done concurrently with the consultation strategy, with each process informing the other. Summaries of standing work group meetings and telephone conference calls will be used to identify the issues, and develop background materials and discussion papers. Individual work group members will be providing continual feedback through their outreach efforts to the full work group. Ideas and suggestions from focus groups and workshops held at national conferences will flow into and inform the processes over the next nine months, while Federal staff and contractor experts conduct research, analyze issues and recommendations, and write and rewrite materials, continually fine-tuning ideas and findings as they proceed.

The two required reports in Section 203 of the Adoption and Safe Families Act will flow from this work. As mentioned previously, the report on performance-based incentives is due in February 1999, followed by the first annual report on the State performance in meeting the outcomes in child welfare in May. We believe that there is a strong link between the two required reports, and so it will be important to ensure that the two reports are consistent with each other.

To ensure public review and comment on the outcome measures prior to release of the May report, the Department expects to issue via the Internet the proposed outcome measures to be used for the annual report of States' performance by the end of 1998. Public comments will be considered in finalizing the set of outcome measures. These outcome measures will be communicated to States via Program Instruction so that States can submit the appropriate data in time to meet the May 1999, due date for this report. Input from the work group and the public will also help to inform the future refinement of the Department's measures for child welfare under the Government Performance and Results Act.

### ***Issues to Be Discussed with the Consultation Work Group***

Based on preliminary research and consultation with the field, a number of issues have been identified that the Department hopes to explore with the work group. Some of these issues include:

- Child welfare encompasses a broad range of services that are needed to meet the wide-ranging and complex needs of children and families. To be responsive to the different needs of families, individualized decision-making is essential. In designing a performance-based incentive system, what strategies can be used to avoid distortions that might inadvertently over-emphasize one part of the system at the expense of others or create service gaps?
- Just as children and families in the child welfare system differ in their needs and strengths, so, too, the State service systems have different weaknesses and strengths. How can performance-based incentives be structured so as to encourage continuous improvement in all States? If a system rewards only top performers, will the most troubled systems (and the children in those systems) be left behind in terms of improved outcomes?
- How can we use a performance-based incentive system to increase State accountability and improve performance without ultimately punishing children when a State fails to perform well?
- How might technical assistance be incorporated into a performance-based incentive system?
- Given the variation in the ways that States finance child welfare services, will performance-based incentives tied to a single Federal child welfare program be structured so as to encourage improved outcomes for children in all States?
- How can or should changes in other Federal programs, such as Medicaid or TANF, that contribute substantially to the financing of child welfare in many States, be taken into account in designing performance-based incentives in child welfare?
- Given that the full impact of changes in financing systems may not be able to be assessed for a period of time, what strategy might allow for a thoughtful, staged process for any new financing change that allows for assessment of the impact on children, families, and community and State services systems?

## **V. Conclusion:**

This Progress Report has sought to lay the groundwork for a thorough, thoughtful study of performance-based incentives in child welfare. The report has reviewed issues that must be considered when studying the feasibility of developing a performance-based incentive system. It has highlighted many complexities and challenges that will be faced in designing such a system, and it has touched on some possible strategies for coping with those complexities. The Department is fully committed to working closely with the States to focus attention on the results of child welfare services. In the coming months we look forward to working in partnership with government officials, child advocates, researchers, child welfare practitioners and others to develop outcome measures that will help States and the nation to assess those results. We are prepared to move forward to complete the study of this important and complex issue and we look forward to being able to report back to Congress on that topic in 1999.