

<h1>ACF</h1> <p>Administration for Children and Families</p>	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration on Children, Youth and Families	
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TO: State Agencies Administering or Supervising Administration of Titles IV-B and IV-E of the Social Security Act

SUBJECT: Child Welfare Demonstration Projects for Fiscal Year 2004

LEGAL AND RELATED REFERENCES: Title IV-B of the Social Security Act
 Title IV-E of the Social Security Act
 Section 1130 of the Social Security Act, as amended by Public Law 105-89, Public Law 108-40 and Public Law 108-89.

PURPOSE: The purpose of this Information Memorandum is to announce that the U.S. Department of Health and Human Services (Department) is inviting States to submit proposals for new child welfare waiver demonstration projects for consideration in fiscal year 2004. The Information Memorandum informs interested parties of: (1) the procedures the Department expects States to employ in involving the public in the development of proposed demonstration projects under Section 1130; (2) the procedures the Department will follow in receiving and reviewing demonstration proposals; and (3) the principles and procedures the Department will follow in exercising its discretion to grant demonstration projects under the authority in Section 1130(a) of the Social Security Act (the Act).

Due Date: For fiscal year 2004 demonstrations, Letters of Intent should be submitted by **December 19, 2003** and proposals submitted by **January 23, 2004**. The Department advises States that the current legislative authority for approving new child welfare demonstration projects will expire on March 31, 2004. While Congress may enact legislation to extend the authority beyond that date, submitting materials by the due dates mentioned above will provide a better assurance of consideration within the current fiscal year, prior to the expiration of the legislative authority.

Letters of Intent and proposals should be submitted to Dr. Susan Orr, Associate Commissioner, Children's Bureau, Administration on Children, Youth and Families, U.S. Department of Health and Human Services, Room 2068, 330 C Street, S.W., Washington, D.C. 20447, ATTN: Child Welfare Demonstration Projects. States are asked to provide a copy of their proposals to their respective ACF Regional Administrators. A list of the names and addresses of Regional Administrators may be found at Appendix II.

FOR FURTHER INFORMATION:

See the ACF Website at <http://www.acf.hhs.gov/programs/cb/> or contact Gail Collins, Children's Bureau, Administration on Children, Youth and Families, HHS at (202) 205-8552.

SUPPLEMENTARY INFORMATION:

Section 1130 of the Social Security Act (Act), as amended, provides the Department of Health and Human Services with authority to approve up to ten State child welfare demonstration projects per year. These demonstration projects involve the waiver of certain requirements of titles IV-E and IV-B, the sections of the Act that govern foster care and adoption assistance and related expenses for program administration, training, and automated systems, as well as the Chafee Foster Care Independence Program (independent living services), child welfare services, and the Promoting Safe and Stable Families program.

The Child Welfare Demonstration Project authority was first authorized by Congress in 1994 and then was expanded and extended as part of the Adoption and Safe Families Act (ASFA) of 1997 (Public Law 105-89). The ASFA authorized the Department to approve up to ten State child welfare demonstrations in each of the five fiscal years (FYs) 1998 – 2002. The legislative authority to approve new projects lapsed at the end of FY 2002 and was not reinstated until June 30, 2003, when the President signed into law P.L. 108-40, the Welfare Reform Extension Act of 2003, which included a provision extending the Secretary's authority to approve new child welfare waiver demonstration projects through fiscal year 2003. Because this law was enacted late in the fiscal year, it was not practicable for the Department to solicit, review and approve new demonstration projects before September 30, 2003, when the authority was again set to expire. However, on October 1, 2004, the President signed into law P.L. 108-89, a law to extend the Temporary Assistance for Needy Families (TANF) Program and certain other provisions, including the child welfare demonstration authority, through March 31, 2004. Therefore, the Department is now inviting proposals for new child welfare demonstration projects. It is likely that the Congress will consider additional legislation, extending the child welfare authority beyond March 31, 2004. Should this occur, the Department will notify States of the length of the extension and any other changes to the legislative authority.

In exercising its discretionary authority to approve new demonstration projects, the Department has developed a number of policies and procedures for reviewing proposals. In order to ensure a

sound, expeditious and open decision-making process, the Department will be guided by the policies and procedures described in this Information Memorandum in accepting and reviewing proposals submitted pursuant to Section 1130 of the Act.

Background

State child welfare systems throughout the country continue to face many challenges in meeting the complex needs of the children and families they serve. Over the past several years, the Nation has made important strides in reforming child welfare services. The passage of ASFA and other legislative reforms, the development of national outcome measures, and the implementation of the new, results-oriented Child and Family Services Review (CFSR) process have solidified a national consensus on the key goals for child welfare: assuring children's safety, meeting children's needs for timely permanency in a loving family, and promoting child and family well being. States and the Federal government have also developed policies and programs and an infrastructure to track progress toward meeting them. There has also been notable progress in some areas, most notably in the area of adoption, with the annual number of children adopted from foster care increasing from 31,000 in FY 1997 to 51,000 in FY 2001.

The CFSR, combined with improved data collection overall, is providing more and better information than ever before about the current state of child welfare services, both strengths and weaknesses. The CFSR is the Federal government's process for monitoring the performance of State child welfare agencies with regard to State plan requirements that affect the outcomes of services for children and families. Through this process, the Administration for Children and Families partners with States to conduct comprehensive assessments of child welfare practice and outcomes, using a combination of quantitative and qualitative information. Each review includes a comprehensive statewide self-assessment phase, followed by a week-long, intensive review of a sample of cases and interviews with State and local stakeholders. The reviews assess State performance on seven outcomes within the domains of safety, permanency and well-being, as well as seven systemic factors. At the conclusion of the review, the Federal government prepares a report identifying whether or not the State was found to be in substantial conformity on each of the outcomes and systemic factors. States must prepare a Program Improvement Plan to address any area in which the State is not in substantial conformity.

As of the end of FY 2003, 43 States, plus the District of Columbia and Puerto Rico, have been reviewed. By March 31, 2004, all the remaining States will have been reviewed. The standards used for reviewing States are high and, based on the findings to-date, the Department anticipates that all States will need to enter into Program Improvement Plans.

While the reviews have identified both strengths and areas needing improvement in each State, some common themes have emerged from the reviews:

- All States are struggling to help children in foster care move on to more permanent living arrangements in a timely manner, whether it is through adoption, reunification with their parents, or placement with other relatives.

- In a number of States, children lack stability in their living arrangements, moving from one temporary placement setting to another.
- In all States, both the child welfare agencies and the courts play important roles in helping children to achieve timely permanency, and both must work together to make improvements in this area.
- States are also having a difficult time in meeting the well-being needs of children and their families. One example is the need for greater attention to the mental health needs of children, including conducting routine assessments of children's mental health and providing appropriate services where needed.
- The lack of access to critical services is also a major problem in many States, particularly States with large rural populations. Without access to the services they need, many families are unable to care for their children properly and, in many situations, this prolongs the amount of time that State child welfare agencies must provide alternate care for children.
- Another issue that States need to examine is the availability of services that are culturally and linguistically accessible to families. The reviews are revealing what other research has shown – that children of color, including Hispanic as well as African American children, are over-represented in the foster care system. States must continue to work to make available services that meet the needs of the culturally diverse child welfare population, including providing access to service providers who speak Spanish and other languages spoken by families being served by the child welfare system.
- In many States, the reviews have also identified a need for child welfare agencies to pay much greater attention to fathers and their roles in caring for their children. This includes involving fathers in case planning and service delivery.
- Further, the CFSR results show important differences in the level of services provided to intact families, as opposed to families whose children are in foster care, often with less attention to the intact families. Many States will need to strengthen the up-front preventive services they provide to intact families if they are to be successful in preventing the unnecessary break-up of families and in protecting those children who remain at home rather than being placed in foster care.
- The reviews have also identified some important areas where the efforts of State child welfare agencies efforts are leading to improved outcomes for children and families. For example, across the more than 1500 cases reviewed in FY 2001 and FY 2002, the Department identified a strong positive relationship between frequent caseworker visits with the children in their caseloads and improved outcomes for those children, including more timely permanency for children in foster care, which is one of the most difficult areas for States to address effectively.

Objectives

The Department encourages States to use the flexibility under the demonstrations as a vehicle to test innovative alternatives and new approaches that will produce positive outcomes for children, youth and their families. The child welfare demonstration authority provides an opportunity for States to design and test a wide range of approaches that respond to the unique needs of their own child welfare systems and to respond in a creative and targeted manner to areas identified through the CFSR as in need of improvement. In addition to providing States with greater flexibility in the use of their Federal child welfare funds to implement new strategies, the demonstration projects include a strong evaluation component that will help States to learn the extent to which new interventions are successful in addressing identified areas.

While an important tool for individual States, the child welfare waiver demonstrations also are intended to contribute to the national evidence base on effective strategies for serving children and families coming to the attention of child welfare agencies. By generating improved knowledge, the demonstration projects can lead to improvements in the delivery, effectiveness and efficiency of services within States and across States and can inform the development of future national policies and program directions.

Since 1996, 17 States have implemented 25 child welfare waiver demonstration project components through 20 title IV-E waiver agreements. (Some States have multiple waiver agreements, and some waiver agreements have multiple components.) Several States have either completed or chosen to terminate early some or all of their demonstration project components. Currently, 12 States have active demonstration projects involving 17 programmatic components. Among the innovations being tested are assisted guardianship/kinship permanence, managed care/capitated payment systems, the flexible use of Federal funds at the community level, intensive service options, substance abuse services, and tribal administration of title IV-E foster care funds. (Additional information on the previously approved demonstrations may be found at <http://www.acf.hhs.gov/programs/cb/initiatives/cwwaiver.htm>)

While the Department is committed to working with States to consider a range of proposals, it may disapprove or limit proposals on policy grounds or because the proposal creates potential constitutional problems or violates civil rights laws or equal protection requirements. The Department encourages States to consider innovative approaches that have not yet been tested or strategies that could assist the child welfare field in building a knowledge base on new and creative practices. However, the Department also recognizes the utility of testing interventions in more than one location and, therefore, invites States to submit proposals to replicate interventions being tested elsewhere. In addition, the Department is requiring that States address how the proposed demonstration will address the findings of the State's Child and Family Services Review (including the statewide assessment, final report or Program Improvement Plan, as appropriate, depending on the status of the State in the CFSR process.)

General Considerations

The guiding principles for the implementation of a child welfare demonstration project remain largely unchanged from the original announcement for child welfare demonstration projects that

was published in the Federal Register on June 15, 1995. The only major addition is the last requirement described below (added as part of ASFA) that States provide health insurance to adopted children with special needs in order to be approved for a demonstration project. Projects conducted under this authority must, according to statute:

- Be consistent with the purposes of titles IV-B and IV-E of the Social Security Act in providing child welfare services, including foster care and adoption, that is:
 - assure the safety of children and protect the rights of children and their families; and
 - ensure permanency for children through intensive family preservation and support or through reunification or adoption or other permanency efforts;
- Be cost-neutral to the Federal government for the duration of the project period;
- Ensure that benefit eligibility to a qualified child or family will not be impaired; and
- Provide health insurance coverage to any child with special needs (as determined under section 423(c)) for whom there is in effect an adoption assistance agreement between a State and an adoptive parent(s).

Preferences

Section 1130(a)(3), as amended, provides that certain types of proposals must be considered. They are proposals for:

- a project designed to identify and address barriers that result in delays to adoptive placement for children in foster care;
- a project designed to identify and address parental substance abuse problems that endanger children and result in the placement of children in foster care. This would include the placement of children with their parents in residential treatment facilities (including residential treatment facilities for post-partum depression) that are specifically designed to serve parents and children together in order to promote family reunification and that can ensure the health and safety of children in such placements; and
- a project designed to address kinship care.

The Department will consider any such proposal, in accordance with all the requirements of the law and the priorities outlined in this Information Memorandum.

The Department is interested in proposals that would test policy alternatives that are unique, that differ in their approach to serving families and children, or that differ in significant ways from other proposals. Also of interest are proposals that address issues or topics already being studied, provided the proposed new demonstration holds promise for furthering the state of

knowledge on that topic. The Department will give preference to proposals that provide for a rigorous evaluation of the proposed demonstration, preferably using a design based on random assignment.

In the event that more proposals are received than can be approved under the existing limitation of ten new demonstration projects per year, the Department may give preference to States that have not previously been approved for a child welfare demonstration project. However, States with already approved waiver demonstrations are, nonetheless, encouraged to propose additional demonstration projects.

Provisions Not Subject to Waiver

Section 1130 (b)(1) excludes certain provisions of titles IV-E and IV-B from waiver. They are:

- A. Certain protections for children in foster care and their families, formerly required by section 427 of the Social Security Act (now section 422(b)(9), which, effective April 1, 1995, made those protections an element of a State's Child Welfare Services State Plan). These protections are fully explained in section 475 of the Act. This excludes from waiver: (1) all the protections having to do with periodic reviews of the status and progress of foster care cases; (2) permanency hearings (formerly called dispositional hearings) to determine or confirm the future plan for the child and to determine whether an independent living plan is needed for older children in care; (3) requirements that certain information be contained in a child's case plan; (4) protections for the child such as requirements that the placement be the most family-like setting and in close proximity to the parents' home; (5) protections for the family such as procedural safeguards to assure that parental rights are respected; and (6) the requirement that the State must file or join a petition for Termination of Parental Rights for children in care 15 of the last 22 months.
- B. Section 479 that establishes the Adoption and Foster Care Data collection requirements.
- C. Any provision of title IV-E to the extent that a demonstration project would impair the entitlement of any qualified child or family to benefits under Part E.

In addition, the Department has determined that it will exclude from waiver those provisions of sections 471 (a)(8) and (12) which provide for confidentiality and fair hearings, respectively. All other provisions may be waived at the discretion of the Secretary.

Limitations

Section 1130(a)(4), as amended, limits State eligibility for child welfare demonstration projects. The Secretary may not approve a demonstration project for any State that fails to provide health insurance coverage to any child with special needs (as determined under section 473(c) of the Act) for whom there is in effect an adoption assistance agreement between a State and an adoptive parent or parents.

Section 1130(a)(5) requires the Secretary to consider the effect of any proposed demonstration submitted by a State in which there is a court order in effect that determined that the State's child welfare program failed to comply with titles IV-B or IV-E of the Social Security Act or the U.S. Constitution. Therefore, the Department requires that all proposals must: (1) identify any such court order in effect; and (2) provide an analysis of whether that proposed demonstration would have any effect on any such court order and, if so, how.

Any State that has an approved demonstration and wishes to propose a new, additional child welfare demonstration should submit a new proposal. Extensions of existing child welfare demonstration projects will not be considered under this Information Memorandum. (There is a separate procedure for submitting requests to extend or amend already approved demonstration projects.)

Duration

Section 1130 (d) of the Act, as amended, limits the duration of the demonstration to not more than five years unless in the judgment of the Secretary, the demonstration project should be allowed to continue. The Department will consider demonstrations with a duration of less than five years and will work with States to:

- Approve demonstration projects of sufficient duration to give new approaches a fair test. The duration of the approval should be commensurate with the magnitude and complexity of the project. For example, a large-scale program may require the full five years. Smaller projects, for example a one-to-several county demonstration effort, may demonstrate their effectiveness and utility in a shorter period of time;
- Provide reasonable time for the preparation of meaningful analyses and the preparation of evaluation reports for the demonstration project; and
- Determine a reasonable start date for the project, recognizing that new approaches often involve considerable start-up time.

Evaluation

Section 1130 (f) requires that each State authorized to conduct a demonstration project must obtain an evaluation by an independent contractor to assess the effectiveness of the project. The evaluation plan, at a minimum, must provide for:

- (1) a comparison of outcomes for children and families in the child welfare demonstration project and children and families being served under the existing State plan or plans, for the purpose of assessing the relative effectiveness of the project in achieving program outcomes; and

- (2) a comparison of methods of service delivery under the project and such methods under a State plan or plans, with respect to efficiency, economy and any other appropriate measures of program management; and
- (3) a comparison of the fiscal consequences of the project for State and local jurisdictions, families, other agencies, and the Federal government and an assessment of the cost effectiveness of the project.

Section 1130(e)(1) requires that the proposal include a description of both the children and families who would be served by the demonstration project and the services that would be provided. The Department is committed to testing a range of program strategies. The Department strongly encourages that the proposals provide for random assignment of children and families to groups served under the project and control groups. Experience has shown that the random assignment approach easily addresses both evaluation and cost-neutrality issues and is the most appropriate method of evaluation for demonstrating the effectiveness of interventions. However, the Department will consider other rigorous evaluation designs that provide reliable data for the duration of the demonstration project, for example, matched samples, regression discontinuity design or comparison groups. If a state chooses an evaluation option other than random assignment, the State must propose an equally reliable and effective cost-neutrality formula.

The evaluation of the approach to be implemented should be as unobtrusive as possible to the clients, while ensuring that critical lessons are learned from the demonstration effort.

The costs of the required independent evaluation of each State's demonstration project will be excluded from the cost-neutrality calculation. In addition, the costs for the development of the proposal and the evaluation design, as well as the costs of the evaluation itself, may be charged to title IV-E administrative costs without cost allocation, so that States may claim a full 50 percent of these costs as title IV-E administrative costs.

The Department has awarded a national contract to collect information from the approved demonstration projects; to produce annual reports for the Department and the general public; to collect, synthesize and report on the results of the individual States' evaluations; to organize an annual meeting of demonstration States and their evaluators; to assist selected States in resolving evaluation problems; to assist the Department in assuring that States with approved demonstrations are informed of and able to profit from the experience of other demonstration States; and to prepare a national summary of the child welfare demonstrations at the completion of the project periods. All States proposing a demonstration must provide an assurance that they will agree to cooperate and collaborate in this evaluation effort.

Cost-Neutrality

Section 1130 (g) requires that the demonstration project be cost-neutral over the period of the demonstration, that is, the total amount of Federal funds used to support the demonstration over the approved project period will not exceed the amount of Federal funds that would have been expended by the State under the State plans approved under Parts B and E of title IV of the Act,

if the Demonstration project were not conducted. The Department will determine at the beginning of each demonstration that the project can be reasonably expected to be cost-neutral over its projected duration. The Department will work with a State to devise a method for calculating cost-neutrality in advance of approval, so that the project will be cost-neutral as the demonstration progresses, and the State will not be at risk of accumulating any debt under the demonstration. The Department has developed a fairly standardized formula for tracking cost-neutrality that may be used by most States and will share this methodology with the States as part of its technical assistance efforts. The Department will continue to examine quarterly claims and otherwise monitor demonstration projects to track interim results and spending and to assure Federal cost-neutrality as the demonstration project progresses.

The Department expects to participate only to a very limited extent in the financing of any project that requires significant "up-front" expenditures in excess of that amount in order to produce a return on the investment in the later stages of the demonstration. The Department will impose a cap on the payment of costs for "up-front" expenditures, at a maximum of roughly five percent above the amount derived by the cost-neutrality formula for a particular quarter or cumulatively from the beginning of the project. Payment to a State above the amount determined to be cost-neutral for the quarter will be limited to the early quarters of the project. The determination that a project will be cost-neutral in concept will be made before a demonstration project begins.

The Terms and Conditions will prescribe a standardized formula by which each State calculates and claims the amount of title IV-E and IV-B funds to which it would otherwise have been entitled in the absence of the demonstration. Typically, the project evaluation will also provide data necessary for the calculation of cost-neutrality, another reason for the emphasis on a reliable method of evaluation and the strong preference for a random assignment methodology.

States are expected to use any Federal funds that are saved or freed up under a demonstration and that are not expended for purposes approved as part of the demonstration for child welfare purposes authorized by parts B and E of title IV. In order to be able to claim the full amount of title IV-E Federal Financial Participation (FFP) for any title IV-E funds that would be allowed under the cost-neutrality formula, a State must first expend sufficient non-Federal funds for such child welfare purposes. States will continue to claim FFP for non-demonstration title IV-E activities under the standard procedures.

Along with other project results, fiscal effects of the project will be carefully monitored as a key element of the evaluation as the demonstration project progresses. A demonstration will not be approved if the Department determines that up-front costs present too great a risk to the maintenance of cost-neutrality over the life of the project. Should the Department determine, in the course of a demonstration, that State costs exceed a cost-neutral amount, the Department will discuss with the State any modification the State may need to take to ensure cost-neutrality.

States may be required to adapt relevant aspects of a demonstration to changes in Federal legislation within a reasonable period of time.

State Notice Procedures

The Department recognizes that individuals and groups who may be affected by a demonstration project have a legitimate interest in learning about proposed projects and must have an opportunity to provide input into the decision-making process prior to the time a proposal is approved by the Department. The Department requires that States notify the public that a child welfare demonstration project is being proposed and provide an opportunity for comment.

A process that facilitates public involvement and input promotes sound decision-making. There are many ways that States can solicit such input and the Department will accept any process that:

- Includes the holding of one or more public hearings at which the most recent working proposal is described and made available to the public and time is provided during which comments can be received;
- Uses a commission or other similar process, where meetings are open to members of the public in the development of the proposal;
- Results from enactment of a proposal by the State legislature prior to submission of the demonstration proposal, where the legislature holds one or more public hearings and the outline of such proposal is contained in the legislative enactment;
- Provides for formal notice and comment in accordance with the State's Administrative Procedure Act, provided that such notice must be given at least 30 days prior to submission;
- Includes notice of the intent to submit a demonstration proposal in newspapers of general circulation and provides a mechanism for receiving a copy of the working proposal and a reasonable opportunity, e.g., 30 days, to comment on the proposal; or
- Includes any other similar process for public input that would afford an interested party the opportunity to learn about the contents of the proposal and to comment on it.

The State child welfare demonstration project shall include a description of the process that was used in the State to obtain public input. If the Department determines that the process was inadequate to meet the standards set forth above, the State can resolve the inadequacy by posting a notice in the newspaper of widest circulation in each city with a population of 100,000 or more, or in the newspaper of widest circulation in the State if there is no city with a population of 100,000, indicating that a demonstration proposal has been submitted. Such notice shall describe the major elements of the proposed demonstration and any changes in benefits, payments, responsibilities or provider selection requested in the proposal. The notice shall indicate how an interested person can obtain copies of the proposal and shall specify that written comments will be accepted by the State. The State should maintain a record of all comments received through this process.

States must advise the public that comments regarding the proposed child welfare demonstration project can be made directly to ACYF. Written comments can be submitted to the Children's Bureau, ACYF, Room 2068, 330 C Street, S.W., Washington, D.C. 20447.

States that materially revise their proposals after they are first submitted to the Department may be required to solicit public comment on any modification of consequence on which the public otherwise had no opportunity to comment.

As noted above, all decisions about approval of a child welfare demonstration proposal will be delayed until both the State-level and the Federal-level aspects of the public comment process are completed.

Proposal Submission Procedures

A two-step procedure is provided to speed the review process and focus the Department's programmatic and technical assistance efforts. The steps, described below, involve the State submitting a letter of intent, followed by a full proposal at a later date. The Department will begin working with a State to respond to specific questions upon receipt of its letter of intent. While the Department will review proposals not preceded by a letter of intent, the two-step process will facilitate provision of technical assistance to States and assist the Department in planning for the review of all proposals.

Please note that any State interested in being approved for a demonstration project in FY 2004 is asked to submit a letter of intent and proposal, even if one was previously submitted for consideration in FY 2002 or an earlier year. Because a significant amount of time has elapsed since proposals were last considered, the Department wishes to assure that proposals or letters previously submitted remain of interest to the State.

Letter of Intent

States interested in a child welfare demonstration are urged to submit a letter of intent by December 19, 2003. The letter of intent should indicate the State's intention to submit a proposal, and briefly describe the demonstration project, how it relates to the findings of the State's CFSR, and the method of evaluation that the State is considering.

Proposals

Proposals for new child welfare demonstration projects should be submitted by January 23, 2004. Proposals submitted after that date will be considered, but are unlikely to be approved before the expiration of the current legislative authority on March 31, 2004.

Proposals will be easier to review and will require less time for negotiation and approval, to the extent that they are developed with the active involvement of both programmatic and financial officials from the State and address all of the following points:

1. State the problem and clearly describe the proposed project. This description should include an explanation of the issue to be addressed and the intervention proposed. The proposal should outline the specific goals and outcomes the State expects to realize at the end of the demonstration effort, including how service provision will have changed for children and families.
2. Describe how the proposed project responds to the findings of the State's Child and Family Service Review (including the statewide assessment, final report or Program Improvement Plan, as appropriate, depending on the status of the State in the CFSR process).
3. Articulate the hypothesis that will be tested through the implementation of the program evaluation.
4. Delineate the proposed program intervention with a description of the nature and scope of services that will be provided by the proposed project.
5. Present specific and well-developed goals and outcomes that the State will use to measure the performance of the project.
6. Identify the target population to be served. Present demographic information, including the geographic area(s) in which the proposed project will be conducted; a description and an estimate of the number of children or families who would be served by the proposed project; and the estimated number of title IV-E cases involved.
7. Present a rigorous evaluation plan (preferably employing random assignment) that will enable the State to accurately determine the impact and effectiveness of the program intervention. Include a description of the evaluation design. If the State proposes an alternative to random assignment, the proposal must explain why random assignment is not appropriate and describe how the State's proposed alternative methodology would meet evaluation needs. The evaluation design must include a clear statement of the evaluation questions.
8. Present a reliable method of ensuring cost-neutrality. Include an estimate of the costs or savings of the project, along with a description of the basis for projecting that the project would be cost-neutral overall. Please note that during the course of the demonstration project a State may not make any procedural changes that would have the effect of nullifying the function of a control group in providing a means to assure cost-neutrality.
9. Identify the steps taken to assure county, local or judicial cooperation as required by the project.
10. State the period during which the proposed project will be conducted.
11. State the statutory and regulatory requirements for which waivers will be needed to permit the proposed project to be conducted, and a specific proposal regarding the

provision(s) of parts B or E of title IV for which the State proposes a demonstration project.

12. Describe any similar project already underway in the State that is supported by State or foundation funds and/or a statement of the State's ability successfully to implement the demonstration project.
13. Address whether/how the demonstration will affect the State's automated child welfare information system.
14. Describe methods used to obtain public input.
15. Describe any court order in effect anywhere in the State by which a court has determined that the State's child welfare program failed to comply either 1) with State child welfare laws or 2) with title IV-B, title IV-E or the Constitution, along with an analysis of whether the proposed demonstration project would have any effect on any such court order, and if so, how.
16. Provide an assurance that the State provides health insurance coverage for all special needs children for whom the State has entered into an adoption assistance agreement.

Either at the time the proposal is submitted, or at least by the time the State responds to the Issue Paper for its proposal, the State must supply a copy of letters of agreement between the State and any county, municipality, foundation, private agency or any other governmental organization that is to be a participant in the child welfare demonstration project.

As proposals are received a brief description will be posted on the ACF Website, at <http://www.acf.hhs.gov/programs/cb>. This information will, among other things, enable State officials and others to judge for themselves the nature and extent of competition for child welfare demonstrations.

Technical Assistance

The Children's Bureau will provide all interested States with a technical assistance package that will include, among other things:

- A guide to the evaluation of child welfare demonstrations (including descriptions of methodologies the Department prefers and the reasons therefore, samples of the evaluation provisions of approved Demonstrations, and information about resources that might be helpful to a State in designing a demonstration and constructing an evaluation plan);
- Examples of cost-neutrality designs on which the Department and States have reached agreement in the past;

- Samples of other key provisions of Terms and Conditions the Department has approved for child welfare demonstration projects in the past; and
- A checklist of the elements required in a proposal.

Upon receipt of a Letter of Intent from a State, Administration on Children, Youth and Families (ACYF) staff will contact the appropriate State official to offer a conference call in which both Central Office and Regional Office staff will participate. If the State accepts the offer, the State can use the opportunity to describe further the nature and scope of the demonstration it is considering, its approach to evaluation, and to raise specific questions. Without making commitments at that point, ACYF staff will endeavor to answer questions concerning evaluation, cost neutrality, and the provisions of this Information Memorandum. ACYF staff will also refer interested States to published materials or other States that may be helpful to them. Technical assistance will also be available to any State that submits a proposal even though the State did not submit a Letter of Intent.

These pre-submission contacts are regarded as technical assistance to a State. They are an effort to help a State achieve its own purposes consistent with the priorities identified in this Information Memorandum and to anticipate, try to avoid or solve potential problems. Such contacts are not waiver negotiation sessions, and neither the State nor ACYF would be bound by any positions taken or tentative agreements reached in such a session.

Pre-approval consultation with a State (at any time before a proposal is submitted or while a proposal is under consideration) can include providing assistance related to preparing a proposal, answering specific questions regarding cost-neutrality and cost-allocation issues, working with a State to consider the scope of its project and options for evaluation, and referring a State to other sources of assistance for the formulation of evaluation plans. Federal staff will not, however, participate in determining the basic nature of a State's demonstration project.

After approval of a child welfare demonstration, Federally provided technical assistance will remain available through the ACF Regional and Central Offices and, to a limited extent, through Federally funded technical assistance providers. A major priority for Federally funded technical assistance will be to support the evaluations of approved demonstration projects.

Review of Proposals

The Department intends to review proposals as promptly as possible after receipt. Proposals will be reviewed by Federal officials, who will also consider comments received from outside experts (if any) and from the general public. Regional Office staff will be asked to contribute to the review of proposals submitted by States in their respective Regions. The review process and all discussions and other activities leading up to a final decision will be managed by the Children's Bureau. If the initial review discloses basic questions or issues with a proposal, the State may be contacted for more information or to resolve the problem so that the process can continue. States will be permitted a reasonable period of time to address any issues raised during the initial review.

Following the initial review and responses to any basic questions as described above, a series of questions will be prepared and sent to the State. These questions will involve issues of programmatic substance that have been raised within the Department and will outline any problems or issues that may impede approval or that may complicate agreement on the scope, nature, cost neutrality and evaluation of the proposed demonstration project. The Department will request that States respond in writing to these questions.

Where issues remain or problems cannot be resolved, the Department will continue its efforts to achieve agreement on any proposal that meets the requirements of the law and the preferences described in this Information Memorandum, and that the Department believes proposes a project that ultimately may be recommended to the Secretary for approval. Such efforts can include additional conference calls, exchanges of written statements and arguments, review and comment on draft Terms and Conditions prepared by the Children's Bureau, and face-to-face meetings. However, the Department or the State may terminate the process if it appears that agreement cannot be reached.

Decisions

ACYF will recommend to the Secretary approval of proposals that meet the requirements of the statute. The Terms and Conditions for a proposed child welfare demonstration will not be recommended for approval without the concurrence of the State that submitted the proposal and the Federal Office of Management and Budget. ACYF will also assure that other HHS components, as appropriate, and any other relevant Federal agencies have reviewed the Terms and Conditions. States will be informed of the Secretary's decisions as they are reached.

If the Department determines it is necessary, an agreement might be negotiated between a State and the Department to implement the demonstration project at some date in the future. For example, if some action of the State legislature is required as an integral element of a demonstration, it might be possible to conditionally approve the project pending action by the legislature.

Federal Role

The overall management of child welfare demonstration projects will be the responsibility of the Children's Bureau in Washington, D.C. ACF Regional Office staff will have the principal responsibility for on-site liaison. Proposals for additions or modifications to the Terms and Conditions of any approved child welfare demonstration, including proposals for extension of the duration of any demonstration, are to be addressed to the Children's Bureau in Washington, D.C., with a copy sent to the appropriate ACF Regional Administrator.

State program managers for the demonstration projects and the project evaluators are required to attend an annual two-day meeting in Washington, D.C. to discuss the demonstration projects' development and progress. The cost of attendance for the State program managers will be excluded from the cost-neutrality calculation and will be chargeable to title IV-E administrative

costs without cost allocation. Travel costs for the project evaluators should be included in the contract that the State has with its evaluator.

Administrative Record

The Department will maintain an administrative record which will generally consist of: the formal demonstration application from the State; correspondence sent to the State regarding issues/problems with the application and the State's response; public and congressional comments sent to the Department and any Department responses; the Department's decision memorandum regarding the granting or denial of a proposal; and the final Terms and Conditions and demonstration projects sent to the State and the State acceptance of them.

The Department regards all correspondence (including the program questions), once they have been sent to a State, and all Terms and Conditions for child welfare demonstrations, once they have been approved by the Secretary, as public documents, and will make arrangements for providing copies of them to any requester. The Department also regards a State's proposal for a child welfare demonstration, along with any written modifications to a proposal, as public documents once they have been submitted to the Department and expects the State to make copies of the proposals and their modifications available to any requester.

Implementation Reviews

As part of the Terms and Conditions of any demonstration proposal that is approved, the Department may require periodic assessments of how the project is being implemented. The Department will review, and when appropriate investigate, documented complaints that a State is failing to comply with requirements specified in the Terms and Conditions in implementing any approved demonstration project.

Legal Effect

This Information Memorandum, like the notice employing similar language that was originally published in the Federal Register of June 15, 1995, is intended to inform the public and the States regarding procedures the Department ordinarily will follow in exercising the Secretary's discretionary authority with respect to State demonstration proposals under section 1130. This

Information Memorandum does not create any right or benefit, substantive or procedural, enforceable at law or equity, by any person or entity, against the United States, its agencies or instrumentalities, the States, or any other person.

/s/

Joan E. Ohl
Commissioner
Administration on Children,
Youth and Families

Appendix I Section 1130 of the Social Security Act
Appendix II Names and Addresses of ACF Regional Administrators
Appendix III Summary of the Currently Approved Child Welfare Demonstration Projects

Appendix I

Legislative Authority for the Child Welfare Demonstration Projects (Section 1130 of the Social Security Act)

DEMONSTRATION PROJECTS

SEC. 1130. [42 U.S.C. 1320a-9] (a) AUTHORITY TO APPROVE DEMONSTRATION PROJECTS.--

(1) IN GENERAL.--The Secretary may authorize States to conduct demonstration projects pursuant to this section which the Secretary finds are likely to promote the objectives of part B or E of title IV.

(2) LIMITATION.--The Secretary may authorize not more than 10 demonstration projects under paragraph (1) in each of fiscal years 1998 through 2003.

(3) CERTAIN TYPES OF PROPOSALS REQUIRED TO BE CONSIDERED.--

(A) If an appropriate application therefor is submitted, the Secretary shall consider authorizing a demonstration project which is designed to identify and address barriers that result in delays to adoptive placements for children in foster care.

(B) If an appropriate application therefor is submitted, the Secretary shall consider authorizing a demonstration project which is designed to identify and address parental substance abuse problems that endanger children and result in the placement of children in foster care, including through the placement of children with their parents in residential treatment facilities (including residential treatment facilities for post-partum depression) that are specifically designed to serve parents and children together in order to promote family reunification and that can ensure the health and safety of the children in such placements.

(C) If an appropriate application therefor is submitted, the Secretary shall consider authorizing a demonstration project which is designed to address kinship care.

(4) LIMITATION ON ELIGIBILITY.--The Secretary may not authorize a State to conduct a demonstration project under this section if the State fails to provide health insurance coverage to any child with special needs (as determined under section 473(c)) for whom there is in effect an adoption assistance agreement between a State and an adoptive parent or parents.

(5) REQUIREMENT TO CONSIDER EFFECT OF PROJECT ON
TERMS AND CONDITIONS OF CERTAIN COURT ORDERS.--In considering an application to conduct a demonstration project under this section that has been submitted by a State in which there is in effect a court order determining that the State's child welfare program has failed to comply with the provisions of part B or E of title IV, or with the Constitution of the United States, the Secretary shall take into consideration the effect of approving the proposed project on the terms and conditions of the court order related to the failure to comply.

(b) **WAIVER AUTHORITY.**--The Secretary may waive compliance with any requirement of part B or E of title IV which (if applied) would prevent a State from carrying out a demonstration project under this section or prevent the State from effectively achieving the purpose of such a project, except that the Secretary may not waive--

(1) any provision of section 427 (as in effect before April 1, 1996), section 422(b)(9) (as in effect after such date), or section 479; or

(2) any provision of such part E, to the extent that the waiver would impair the entitlement of any qualified child or family to benefits under a State plan approved under such part E.

(c) **TREATMENT AS PROGRAM EXPENDITURES.**--For purposes of parts B and E of title IV, the Secretary shall consider the expenditures of any State to conduct a demonstration project under this section to be expenditures under subpart 1 or 2 of such part B, or under such part E, as the State may elect.

(d) **DURATION OF DEMONSTRATION.**--A demonstration project under this section may be conducted for not more than 5 years, unless in the judgment of the Secretary, the demonstration project should be allowed to continue.

(e) **APPLICATION.**--Any State seeking to conduct a demonstration project under this section shall submit to the Secretary an application, in such form as the Secretary may require, which includes

(1) a description of the proposed project, the geographic area in which the proposed project would be conducted, the children or families who would be served by the proposed project, and the services which would be provided by the proposed project (which shall provide, where appropriate, for random assignment of children and families to groups served under the project and to control groups);

(2) a statement of the period during which the proposed project would be conducted;

(3) a discussion of the benefits that are expected from the proposed project (compared to a continuation of activities under the approved plan or plans of the State);

(4) an estimate of the costs or savings of the proposed project;

(5) a statement of program requirements for which waivers would be needed to permit the proposed project to be conducted;

(6) a description of the proposed evaluation design; and

(7) such additional information as the Secretary may require.

(f) **EVALUATIONS; REPORT.**--Each State authorized to conduct a demonstration project under this section shall--

(1) obtain an evaluation by an independent contractor of the effectiveness of the project, using an evaluation design approved by the Secretary which provides for--

(A) comparison of methods of service delivery under the project, and such methods under a State plan or plans, with respect to efficiency, economy, and any other appropriate measures of program management;

(B) comparison of outcomes for children and families (and groups of children and families) under the project, and such outcomes under a

State plan or plans, for purposes of assessing the effectiveness of the project in achieving program goals; and

(C) any other information that the Secretary may require; and

(2) provide interim and final evaluation reports to the Secretary, at such times and in such manner as the Secretary may require.

(g) COST NEUTRALITY.--The Secretary may not authorize a State to conduct a demonstration project under this section unless the Secretary determines that the total amount of Federal funds that will be expended under (or by reason of) the project over its approved term (or such portion thereof or other period as the Secretary may find appropriate) will not exceed the amount of such funds that would be expended by the State under the State plans approved under parts B and E of title IV if the project were not conducted.

Extension of Section 1130 in Public Law 108-89

SEC. 102. EXTENSION OF THE NATIONAL RANDOM SAMPLE STUDY OF CHILD WELFARE AND CHILD WELFARE WAIVER AUTHORITY THROUGH MARCH 31, 2004.

Activities authorized by sections 429A and 1130(a) of the Social Security Act shall continue through March 31, 2004, in the manner authorized for fiscal year 2002, and out of any money in the Treasury of the United States not otherwise appropriated, there are hereby appropriated such sums as may be necessary for such purpose. Grants and payments may be made pursuant to this authority for carrying out such activities during the first two quarters of fiscal year 2004 at the level provided for the first two quarters of fiscal year 2002.

Appendix II

Region I - Boston

Hugh Galligan, Regional Administrator
JFK Federal Building Rm. 2000
Boston, MA 02203
(617) 565-1020 (p)

States

Connecticut Maine Massachusetts New
Hampshire Rhode Island Vermont

Region II - New York City

Mary Ann Higgins, Regional Administrator
26 Federal Plaza Rm. 4114
New York, NY 10278
(212) 264-2890 (p)

States and Territories

New Jersey New York
Puerto Rico Virgin Islands

Region III - Philadelphia

David Lett, Regional Administrator
150 S. Independence
Mall West-Suite 864
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(215) 861-4000 (p)

States

Delaware District of Columbia Maryland
Pennsylvania Virginia West Virginia

Region IV - Atlanta

Carlis Williams, Regional Administrator
Atlanta Federal Center
61 Forsyth Street SW Suite 4M60
Atlanta, GA 30303
(404) 562-2900

States

Alabama Mississippi Florida
N. Carolina Georgia S. Carolina
Kentucky Tennessee

Region V - Chicago

Joyce Thomas, Regional Administrator
233 N. Michigan Avenue Suite 400
Chicago, IL 60601
(312) 353-4237

States

Illinois Indiana Michigan
Minnesota Ohio Wisconsin

ACF Regional Administrators

Region VI - Dallas

Leon McCowan, Regional Administrator
1301 Young Street Suite 914
Dallas, TX 75202
(214) 767-9648 (p)

States

Arkansas Louisiana New Mexico
Oklahoma Texas

Region VII - Kansas City

Linda Lewis, Regional Administrator
Federal Office Building Room 276
601 E 12th Street
Kansas City, MO 64106
(816) 426-3981 (p)

States

Iowa Kansas Missouri Nebraska

Region VIII - Denver

Thomas Sullivan, Regional Administrator
Federal Office Building
1961 Stout Street 9th Floor
Denver, CO 80294-3538
(303) 844-3100(p)

States

Colorado Montana North Dakota
South Dakota Utah Wyoming

Region IX - San Francisco

Sharon Fujii, Regional Administrator
50 United Nations Plaza Room 450
San Francisco, CA 94102
(415) 437-8400 (p)

States and Territories

Arizona California Hawaii Nevada
Outer Pacific-- American Samoa
Commonwealth of the Northern Marianas
Federated States of Micronesia (Chuuk,
Pohnpei, Yap)
Guam Marshall Islands Palau

Region X - Seattle

Steve Henigson, Regional Administrator
2201 Sixth Avenue Room 610-M/S RX-70
Seattle, WA 98121
(206) 615 2547

States

Alaska Idaho Oregon Washington

**Summary of Title IV-E Child Welfare Waiver Demonstration Projects
November 2003¹**

The Child Welfare Demonstration Projects are testing new approaches to the delivery and financing of child welfare services in order to improve outcomes for children. The projects, which involve waivers of certain provisions of title IV-E of the Social Security Act and related regulations, provide States with greater flexibility to use title IV-E funds for services that can facilitate improved safety, permanency and well-being for children.

Since 1996, 17 States have implemented 25 child welfare waiver demonstration project components through 20 title IV-E waiver agreements.² Several of these States have now either completed or chosen to end early some of their demonstration project components.³ As of November 2003, 12 States have active demonstration projects involving 17 components. Table 1 on the next page provides an overview of the types of demonstration projects and their current status.

Collectively, the demonstration projects are aimed at reducing the number of children in foster care, the length of time in foster care, the use of more restrictive and costly placement settings, re-allegations of abuse and neglect, and re-entry into foster care. Some States have proposed discrete interventions focused on specific child welfare populations, while others are experimenting with flexible use of funds to produce system-wide reforms. At a minimum, all the demonstration projects are expected to be cost neutral. Most States expect to reduce title IV-E costs through the demonstration projects.

This document summarizes the common themes, the evaluation designs, and the status of the demonstration projects.

¹ This summary is updated several times each year; it contains the most accurate information available as of the date indicated in the heading.

² Some States have multiple waiver agreements, and some waiver agreements have multiple components.

³ Six additional States (Florida, Kansas, New Jersey, New York, Texas and West Virginia) and the District of Columbia were approved to conduct demonstration projects, but subsequently withdrew them prior to implementation.

Table 1. Title IV-E Waiver Demonstration Projects

Type of Project	Intervention	States
<i>Assisted Guardianship/Kinship Permanence</i>	Relatives and other caregivers have the option to become legal guardians and are eligible for a monthly stipend up to the amount of foster care payments.	DE*, IL, MD, MT, NM, NC, OR
<i>Capped IV-E Allocations and Flexibility to Local Agencies</i>	Counties or other local entities have the option to use IV-E funds more flexibly to enhance the array of services available to ensure safe, permanent outcomes for children.	IN, NC, OH, OR
<i>Services to Substance-Abusing Caretakers</i>	States address the needs of caretakers with substance abuse problems.	DE*, IL, MD**, NH
<i>Managed Care Payment Systems</i>	States test alternative financing mechanisms for specific services and populations.	CO**, CT*, MD**, MI*, WA**
<i>Intensive Service Options</i>	States increase the nature and extent of available services in an effort to reduce foster care placements and achieve permanence and safety for children.	CA, MS
<i>Adoption Services</i>	State tests ways of improving permanency by promoting or strengthening adoption.	ME
<i>Tribal Administration of IV-E Funds</i>	State works with Tribes to develop the administrative and financial systems necessary for the Tribes to administer their title IV-E foster care program and claim Federal reimbursement directly.	NM
<i>Enhanced Training for Child Welfare Staff</i>	To improve permanency outcomes, competencies in assessment and decision-making are built through training for public and private sector child welfare professionals serving children in placement and their families.	IL

* These States completed their demonstration projects/components.

** These States terminated their demonstration projects in 2003.

I. Common Themes

A. Assisted Guardianship/Kinship Permanence

Seven States (Delaware, Illinois, Maryland, Montana, New Mexico, North Carolina and Oregon) were awarded demonstration projects to provide relatives and foster parents who are providing care for children in the custody of the child welfare agency with the opportunity to become the children's legal guardians. This option is offered to relatives and foster parents who have been providing stable homes, typically for at least one year, for children for whom neither adoption nor reunification is an option. In Montana and New Mexico, children under the jurisdiction of the Tribal courts are included in the demonstration project. The intent of the demonstration projects is to provide children with permanent, safe and stable homes while reducing the extent of child welfare agency and court oversight. All States provide a monthly stipend that is equal to or less than the current foster care payment. States expect savings to accrue primarily from reductions in case management and court costs. The guardianships also are expected to result in a greater sense of permanence for children and their caregivers.

Delaware completed its demonstration project in December 2002.

Illinois completed its demonstration project in March 2002 and is currently operating under a short-term extension. The evaluation of the Illinois demonstration project found that children in the experimental group showed a 7 percent higher permanency rate (reunification, adoption and guardianship) than children in the control group. The State also found that guardianship was comparable to adoption in terms of keeping children safe, providing them with a stable home and sense of belonging, and ensuring children's physical and mental well-being.

B. Capped IV-E Allocations and Flexibility to Local Agencies

Four States (Indiana, North Carolina, Ohio and Oregon) are providing counties or other local entities the opportunity to use IV-E funds more flexibly to enhance the array of services available to prevent foster care placement, facilitate reunification and otherwise ensure safe, permanent outcomes for children. In these States, counties may use IV-E funds for an array of services, but their total IV-E allotment is fixed by agreement with the State. These States have

arrangements with participating counties to share risks and rewards if expenses are either below or above their planned IV-E allotment.

- Indiana has set aside 4,000 slots and is allowing counties to use up to \$9,000 annually per slot to develop an increased capacity for home- or community-based alternatives to institutional placements. All counties pay any costs for foster care or related administrative expenses that exceed \$9,000. Eligible children are those who are at risk of placement, or have already been placed, and who have substantiated reports of abuse/neglect. Services most frequently paid for with IV-E funds have been child and family counseling, parenting and homemaker skills. Job-related services, legal assistance and other services also are available.
- In North Carolina, 19 counties receive a capped amount of IV-E funds that may be used flexibly to meet the needs of children and families in the child welfare system. If a county's expenses are in excess of their IV-E allotment, the State and county will share the excess costs. Eligible children are those who are at imminent risk of placement or are already in placement. Counties use their funds in a variety of ways. Thirteen counties use funds to meet needs on a case-by-case basis. Other counties developed new services in house or entered into contracts with providers for such services as family support, assessment, adoption, substance abuse and mental health treatment and family reunification.

North Carolina submitted its final evaluation report in November 2002 and is currently continuing to operate its demonstration project under a short-term extension. Evaluation data indicated that the probability of placement declined in experimental counties between 1997 and 2001 when compared to comparison sites. Length of stay in foster care declined for both experimental and comparison counties; however, an analysis of vital statistics data indicated that the risk profile for children entering care in the waiver counties was greater than in other counties in the State. The evaluation report suggests that these data indicate that experimental counties reduced the length of stay in foster care despite an increased degree of risk of placement.

- In Ohio, 14 counties are experimenting with a diverse array of managed care strategies. The State provides the participating counties with a capped amount of funds. Each county has developed its own managed care strategy for managing expenditures within the allotment. Some of the strategies employed by counties include establishing capitated or case rate contracts with private providers; developing utilization review strategies including pre-placement and period review processes; increasing incentives to enhance foster care provider networks; and establishing quality assurance procedures.

Ohio submitted its final evaluation in June 2003 and is now continuing to operate the demonstration project under a short-term extension. The evaluation documented that counties in the experimental group implemented, in general, made greater use of managed care strategies than did comparison counties. In addition, demonstration

counties were more likely than comparison counties to express a strong commitment to prevention and to target new prevention activities to areas previously identified as insufficient. Demonstration counties were also more likely than comparison counties to target services to particular populations identified as in need of services. While an analysis of fiscal trends did not document any statistically significant differences between demonstration and comparison counties in the overall patterns of change in child welfare spending over the course of the demonstration, the evaluators did note some data suggesting that demonstration counties may have been able to contain growth in foster care spending more than comparison sites. The evaluation's analysis of outcomes did not suggest significant differences between demonstration counties as a group and the comparison counties on either safety outcomes or permanency rates, although individual demonstration counties did show significant differences that could be attributed to the waiver (e.g., in two counties children had shorter stays in foster care before being adopted).

- In Oregon, the State requested plans from interested branch offices to spend a portion of their foster care budgets more flexibly than typically allowed. Plans addressed three types of services: foster care prevention, expansion of established services, and “innovative” service plans for the development and implementation of new services. The State approved plans and negotiated agreements with the branch offices. If the branch office spends less of its flexible funds than budgeted, the difference is “banked” and available for future local waiver proposals. If additional foster care funds are needed, the State makes up the difference with realized savings through the first quarter after the shortfall occurred. Key service strategies employed by Oregon's counties have included Family Decision Meetings, Enhanced Visitation, and facilitation of drug and alcohol treatment.

Oregon submitted its final report in April 2003 and is continuing to operate the demonstration project under a short-term extension. The evaluation found that children in counties receiving waiver funds were more likely to remain in their homes within one year of a maltreatment incident than children in counties that did not receive waiver funds or flexible funds from the State's System of Care program. However, no differences were found among waiver and comparison counties on measures concerning the likelihood of returning home within one year of placement or the likelihood of subsequent maltreatment within one year of the maltreatment incident.

C. Services to Substance-Abusing Caretakers

Four States (Delaware, Illinois, Maryland and New Hampshire) have been addressing the needs of caretakers with substance abuse problems.

- Delaware hired substance abuse counselors to work with the Child Protective Services (CPS) staff to arrange treatment and access to other needed services for families with substance abuse problems. Eligible children were those who were in

foster care, or were likely to enter foster care, due to parental substance abuse. Delaware completed its demonstration project in December 2002.

- New Hampshire also hired substance abuse counselors to work with CPS staff. The State is serving families that have had credible reports of abuse/neglect due to parental substance abuse. The State is implementing the demonstration project in two of its districts.
- Illinois hired “recovery coaches” in one urban site to work with families after they have completed initial substance abuse treatment. Eligible families are substance-abusing custodial parents with a child in placement and parents who deliver drug-exposed infants.
- Maryland used multidisciplinary teams to provide comprehensive, coordinated services to families in three sites. Eligible families were those with mothers who have lost custody, or are at risk of losing custody, of their children due to substance abuse.

D. Managed Care Payment Systems

Five States (Colorado, Connecticut, Maryland, Michigan and Washington) tested financing mechanisms for specific services or populations. A brief summary of the financing mechanisms used by the demonstration projects follows.

- In Colorado, one county negotiated a risk-based, performance-based contract with a consortium of service providers. Eligible children were those aged 10 and older who were deemed to be at high risk of, or already experiencing, “placement drift” and at significant risk of aging out of the system without a permanent family relationship. Children in high-cost residential care settings also were included. Each month, the county paid the consortium established rates for case coordination and residential care treatment for each client referred. Non-residential services were paid on a fee-for-service basis. At the end of the contract period, the State planned to calculate the average per case costs for youth in the treatment and control groups (excluding the 5 percent of youth in each group with the highest costs). If treatment group costs were lower than control group costs, the provider would receive full reimbursement for their costs plus a share of the savings, up to a specified limit. If treatment group costs were higher than control group costs, the provider would be responsible for a portion of the higher costs, up to a specified limit. Colorado terminated its demonstration project in June 2003.
- Connecticut contracted with lead service agencies (LSAs) in two sites to provide a continuum of services in treatment facilities and community-based settings to children, ages 7 to 15, who were in group or residential care and had behavioral problems. The contractors provided case management, group care, home-based services, outpatient services and aftercare. Contractors received a case rate for each

referred child based on an estimated service period of 12 months in out-of-home care and 3 months of aftercare. The State and the contractors negotiated a 10 percent risk corridor. Based on statewide changes to Connecticut's behavioral health system that affected the waiver demonstration project, the State discontinued the project after three years.

- Maryland contracted with a lead agency responsible for managing out-of-home care among service providers in the city of Baltimore. Eligible children include three subgroups: children entering foster care placement directly from home after a hearing; children entering foster care from kinship care; and children in care aged five and under. Siblings of any of these children in out-of-home care become part of the managed care group. The State negotiated a case rate with the contractor for each of 500 referred children. Providers assumed a risk of financial loss of as much as 10 percent of the case rate. Maryland completed this component of its second waiver agreement in December 2002.
- Michigan developed managed care contracts, with providers in six counties, to provide wraparound services for children in foster care or at imminent risk of foster care placement. Initially, these contracts called for standard monthly payments of \$1,500 per child. As of October 1, 2001, Michigan re-negotiated its contracts to pay a single case rate for each child served (\$14,272) regardless of the length of time that services were provided. The case rate was paid in nine monthly installments. If a child was adopted, reunified, transitioned to independent living or in a permanent foster care home, the provider received an additional "bonus" payment of \$1,586. Michigan completed its project in September 2003. A final report is expected in June 2004.
- The waiver agreement in Washington State allowed the State to test different managed care approaches in different sites. In one county, the State made fixed monthly payments to a single contractor for each child enrolled in the treatment group. The contractor was the county, which was the mental health services provider for the area. The county used a wraparound team model for determining services for the enrolled children, ages 6 to 17, who were at risk of entering high-cost group or high-cost foster family care and who already were involved with the mental health or special education system. The State used a two-tiered payment structure. One rate applied to children who meet the criteria for group care. A second, lower, rate applied to children who met the criteria for high-cost foster care. The State and county each contributed a share of the funding to pay for services delivered by the contractor for treatment group children. The county was responsible for managing the funds. If costs for a specific child exceeded the fixed rate, the county could use pooled funds to cover those costs. The county was, however, at risk for costs of services that exceeded the amount in the pool for all children. Washington terminated its demonstration project in June 2003.; a final report is forthcoming.

E. Intensive Service Options

Two States (California and Mississippi) have implemented demonstration projects that increase the nature and extent of available services in an effort to reduce foster care placements and achieve permanence and safety for children.

- In California, seven counties are developing their own intensive service programs to prevent foster care placement. The strengths-based service models include family conferencing and wraparound services. Eligible children are those at risk of placement and those in out-of-home placement and moving toward the goals of reunification, adoption or guardianship.
- Mississippi is using a new, child-focused, family-centered practice approach in eight counties to target factors that contribute to abuse and neglect. Eligible families are those with children in temporary or permanent placement, as well as moderate- to high-risk children at home.

F. Adoption Services

Maine's demonstration project is designed to improve permanency by promoting or strengthening adoption. The State provided training on special-needs adoption to mental health providers and other professionals who work with adoptive families, adopted children, and public and private adoption providers. The State is now using IV-E funds to provide post-adoption services in order to strengthen adoptive families and avoid dissolution of the adoption or other negative outcomes. Families eligible for post-adoption services are those who are adopting children with special needs from the State's foster care population.

G. Tribal Administration of IV-E Funds

New Mexico is working with one Tribe, to date, to develop the administrative and financial systems necessary for the Tribe to administer their title IV-E foster care program and claim Federal reimbursement directly.

H. Enhanced Training for Child Welfare Staff

Illinois is developing and implementing an enhanced training program for public- and private-sector child welfare professionals serving children in placement and their families. The State anticipates improved permanency outcomes as a result of increased competencies in assessment and decision making through the new training.

II. Research Evaluation Designs

All of the demonstration projects have comprehensive evaluation plans that include process, outcome and cost-effectiveness components. Demonstrations vary in the type of designs proposed for their outcome evaluations; however, experimental designs are employed wherever feasible. Table 2 presents the evaluation designs for the demonstration projects. Sixteen of the interventions are being evaluated using random assignment. Because the systemic reforms being tested in the Capped IV-E Allocations to Local Agencies and the Tribal Administration of IV-E funds make the use of random assignment infeasible, these States are using comparison sites, or—in the case of Indiana—a matched comparison group of children. Comparison groups also are being used for other demonstration project components operated by these States, including the guardianship components in New Mexico, North Carolina and Oregon.

Table 2. Evaluation Designs

Type of Demonstration Project	Random Assignment	Comparison Groups	Matched Comparison Groups
Assisted Guardianship/Kinship Permanence	IL MD MT NM (<i>State custody</i>)	NM (<i>Tribal custody</i>) NC OR	
Capped IV-E Allocations and Flexibility to Local Agencies		NC OH OR	IN
Services to Substance-Abusing Caretakers	IL MD NH	DE	
Managed Care Payment Systems	CO CT MD MI WA		
Intensive Services Options	CA MS		
Adoption Services	ME		
Tribal Administration of IV-E Funds		NM	
Enhanced Training for Child Welfare Staff	IL		

III. Status of the Demonstration Projects

The U.S. Department of Health and Human Services (HHS) typically approves demonstration projects for a five-year implementation period, allowing States 6 to 12 months to develop their demonstration projects prior to implementation. The majority of demonstration projects experienced delayed implementation due to a variety of barriers. However, all of the demonstration projects listed in this summary have now been implemented. In early 2002, HHS released guidance for extension requests in an Information Memorandum (ACYF-CB-IM 02-06). Nine States have submitted extension requests thus far: California, Delaware, Illinois (guardianship, only), Indiana, Maine, Maryland (guardianship, only), North Carolina, Ohio and Oregon. All were granted temporary short-term extensions, pending the submission and review of their final evaluation reports. Delaware's extension was approved through December 2002, at which time the demonstration ended. Decisions about the long-term extension of the other States' projects will be made following receipt and review of the final evaluations.

The availability of outcome data from States' demonstration projects varies, depending on how far along they are in implementing their programs. Table 3 shows which interim and final evaluation reports have been submitted to date or the dates the reports are expected to be available. The interim reports contain information about the implementation process as well as some preliminary findings.

Table 3. Status of Interim and Final Evaluation Reports

State	Report Received or Approximate Date Expected	
	Interim Evaluation Report	Final Evaluation Report
California • Intensive Services	✓	April 2004
Colorado • Managed Care	n/a	✓
Connecticut • Managed Care	✓	✓
Delaware • Guardianship • Substance Abuse Services	✓ ✓	✓ ✓
Illinois • Guardianship • Substance Abuse Services • Enhanced Training	✓ ✓ February 2005	✓ December 2005 February 2008
Indiana • Capped IV-E and Flexible Spending	✓	✓
Maine • Adoption Services	✓	December 2004
Maryland • Guardianship • Managed Care • Substance Abuse Services	✓ ✓ March 2004	✓ May 2004 June 2005
Michigan • Managed Care	n/a	June 2004
Mississippi • Intensive Services	March 2004	December 2006
Montana • Guardianship	June 2004	March 2007
New Hampshire • Substance Abuse Services	✓	July 2005
New Mexico • Guardianship • Tribal Administration	February 2003 February 2003	December 2005 December 2005
North Carolina • Capped IV-E and Flexible Spending • Guardianship	✓ ✓	✓ ✓
Ohio • Capped IV-E and Flexible Spending	✓	✓
Oregon • Capped IV-E and Flexible Spending • Guardianship	✓ ✓	✓ ✓
Washington • Managed Care	n/a	Fall 2003

✓ — Report received