SYNTHESIS OF FINDINGS

Title IV-E Flexible Funding
Child Welfare Waiver Demonstrations

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This report is based on evaluation reports submitted by States that received title IV-E waivers to implement flexible funding demonstration projects: Indiana, North Carolina, Ohio, and Oregon. Any conclusions noted in this report reflect the JBA project team's interpretations of the States' findings and do not necessarily reflect the viewpoints of the participating States or the Federal Government.

In addition to reviewing and synthesizing information from States' evaluations of their title IV-E waiver demonstrations, the JBA project team provides ongoing technical assistance to the States regarding the design and implementation of their evaluations and advises the Children's Bureau on evaluation issues related to the waivers. For further information on technical assistance, contact the Federal Project Officer at the following address:

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Synthesis of Findings from the Title IV-E Flexible Funding Waiver Demonstrations Executive Summary

Throughout the 1990s, several trends in child welfare services contributed to a growing interest in waivers that offer flexibility to States and local municipalities in spending Federal title IV-E funds while limiting the total IV-E allocations available for services. Key factors that have provided impetus to the development of flexible funding waivers include growth in out-of-home placement costs, increasing complexity in the risk profiles and service needs of children and families, and Federal limitations on the use of title IV-E funds. Since 1996, four States - Indiana, Ohio, Oregon, and North Carolina - have implemented flexible funding waiver demonstrations. Although all States with flexible funding waivers sought to reduce the number of children entering out-of-home placement, facilitate more timely exits from placement, and decrease the number of children in costly placement settings, each State adopted a different approach to providing services and controlling expenses:

- Indiana focused on building local capacity to provide community-based services and home-based alternatives to restrictive institutional placements by allocating "flexible funding slots" to participating counties based on the size of their foster care populations. A sum of $9,000 was assigned to each slot to provide any type of service that would facilitate permanency, including foster care, child and family counseling, parenting and homemaker education, job-related services, and legal assistance. Counties bore the financial risk for costs exceeding this per slot allocation.
- In North Carolina, counties received title IV-E funds from the State that could be used to provide a flexible array of services and supports to meet the needs of children and families in the child welfare system. Each county was allowed to develop its own initiative, contingent on State approval, to provide a range of new or expanded services, promote organizational changes within child welfare services, or to support court reform activities. Although not limited in the amount of flexible waiver funds they could spend, counties were expected to remain cost neutral by not spending more title IV-E dollars than they would have spent without the waiver.
- In Ohio, counties experimented with a diverse array of managed care strategies to improve child welfare outcomes while controlling costs. The State provided participating counties with a capped amount of IV-E funds; each county then developed its own strategy for managing expenditures within this allotment.
- Local child welfare agencies in Oregon developed plans to use flexible funds for (1) "innovative services," such as enhanced visitation, in-home parenting, and early childhood assessments; (2) expansion of existing services, especially Family Decision Meetings; and (3) emergency one-time payments to prevent foster care placement.

All States with flexible funding waiver demonstrations were required to conduct process and outcome evaluations, as well as a cost analysis. Indiana's evaluation employed a matched case comparison design, in which each child assigned to a waiver slot was matched with a corresponding non-waiver child based on demographic, geographic, and case-related variables. North Carolina and Ohio used comparison group designs that assessed outcomes for families in counties with access to flexible funds against those of families in comparison counties without access to flexible funds. These States selected comparison counties based on variables such as population size, demographic and socio-economic characteristics, and the number of title IV-E eligible children. For its evaluation, Oregon compared outcomes for a sample of child welfare cases in localities with access to flexible funds with outcomes for a selected sample of cases in localities that did not have access to flexible funds.

States encountered several special challenges in evaluating the effects of their flexible funding demonstrations on child welfare and fiscal outcomes:

- Some States did not identify logical linkages between specific services or interventions and observed changes in child welfare outcomes, thereby limiting their ability to isolate the effects of the flexible funding demonstrations.
- Many local governments without access to flexible funding dollars were able to access other funding sources to implement innovative child welfare services similar to those employed in jurisdictions with access to flexible funds. The availability of alternative funding sources attenuated observable differences in child welfare outcomes between waiver and non-waiver jurisdictions.
- Incomplete, inconsistent, or delayed implementation of demonstration activities and services further limited States' ability to measure the effects of the flexible funding waivers.
- Because flexible funding demonstrations are often systemic in nature, encompassing entire geographic regions and serving a wide range of children and families, States were sometimes unable to implement the most rigorous research designs, such as random assignment.
- Some States' use of aggregate, county-level evaluation data made it more difficult to isolate the effects of other, non-waiver initiatives on observed child welfare outcomes.

Major Process Findings

- The mere availability of flexible funds was not always sufficient to encourage active participation in the waiver demonstration by local child welfare agencies. Indiana and North Carolina in particular noted wide disparities among counties in their use of flexible funds to develop new or to expand existing services.
- The cost neutrality requirement of the waiver demonstration - the stipulation that States receive reimbursement for no more title IV-E funds than they would have received in the absence of the waiver - emerged as a challenge for some local child welfare agencies. For example, many innovative service projects in Oregon funded through the flexible funding waiver were curtailed, discontinued, or shifted to other funding sources by the State because they failed to remain cost neutral.
- States encountered both successes and challenges in establishing service contracts with outside providers. For example, Oregon cited problems with the recruitment and retention of qualified service providers and the complexity and lengthiness of the contract process as barriers to increasing the availability of high-quality contracted services.
- The flexible funding waivers in all four States appeared to exert a positive influence on the development of collaborative relationships among public child welfare agencies and community-based social service organizations.
- Families in Indiana with access to flexible funds received more and a greater diversity of services than families without access to flexible funds. Ohio observed few or no differences between waiver and non-waiver jurisdictions in the quantity or diversity of child and family services.
- Indiana and Oregon reported that inadequate staff training regarding flexible funding rules and procedures had a negative effect on waiver implementation.

Major Outcome Findings

- **Foster Care Placement Rates:** In the three States that studied placement avoidance (Indiana, North Carolina, and Oregon), the flexible funding demonstrations were associated with a significantly reduced probability of out-of-home placement. In Indiana, 45.6 percent of children assigned to the experimental group never entered placement compared to 38 percent of control group children. In Oregon, children in child welfare branches with access to services paid for using flexible funds were over three times more likely to remain home as children in comparison sites. North Carolina reported that the likelihood of entering placement for children with a substantiated report of abuse or neglect declined significantly more in experimental counties than in comparison counties or in other counties not participating in the waiver demonstration.
- **Placement Duration:** Indiana observed a significant positive association between the availability of the waiver and reduced length of stay in foster care placement. North Carolina and Ohio observed no significant effects of their waivers on placement duration.
- **Permanency Rates:** The States defined permanency in somewhat different ways for the purposes of their waiver evaluations. Two States - Indiana and Oregon - focused on exits to reunification. In Indiana, the flexible funding waiver had a significant positive effect on reunification rates, with nearly 77 percent of experimental group children in out-of-home placement reunified either with the original caregiver or a non-custodial parent compared with 66 percent of control group children. Oregon found no association between access to flexible funds and the likelihood of children returning home within one year of placement. Ohio, which examined exits to reunification, adoption, and relative custody following an initial placement in out-of-home care, found that exits to reunification actually declined in experimental counties while no significant effects on adoption rates emerged. However, Ohio did report a statistically significant increase in exits to relative custody in experimental counties. North Carolina, which studied the overall rate of exit from out-of-home placement, found no conclusive evidence that access to flexible funds had an independent positive effect on the likelihood of leaving foster care.
- **Maltreatment Recurrence:** Of the States that studied maltreatment recurrence (Indiana, Ohio, and Oregon), none observed changes in subsequent maltreatment rates in either direction as a result of the flexible funding waiver.
- **Foster Care Re-Entry:** Among the States that studied foster care re-entry (Indiana, North Carolina, and Ohio), access to services paid for using flexible funds had no significant effects in either direction on the likelihood of foster care re-entry.
- **Child and Family Well-Being:** Indiana's evaluation found a positive association between access to waiver-funded services and school attendance, with a higher percentage of school-age children assigned to the experimental group in school at case closure than children assigned to the matched comparison group. No other State examined the effects of its flexible funding demonstration on child well-being outcomes.

Lessons Learned from the Flexible Funding Waiver Demonstrations

- States need to provide more training and technical assistance to local child welfare agencies if the flexible funding waivers are to be used to their maximum potential.
- The availability of flexible funds does not automatically lead to the development of new or innovative service delivery programs.

- Improved evaluation strategies are needed to enhance understanding of the effects of the flexible funding waivers on child welfare and fiscal outcomes.

History and Legislative Context for Waivers

Public Law 103-432, authorized by Congress in 1994, introduced the concept of Federal waivers to child welfare programs. Conceived as a strategy for generating new knowledge about innovative and effective child welfare practices, waivers grant States flexibility in the use of Federal funds for alternative services and supports that promote safety and permanency for children in the child protection and foster care systems. The 1994 law authorized the Department of Health and Human Services to approve a total of ten child welfare waiver demonstration projects. The Adoption and Safe Families Act (ASFA) of 1997 extended and expanded the authority to use waivers for child welfare programs, authorizing the Secretary of Health and Human Services to approve up to ten new demonstration projects each year. Through the waivers, States may spend Federal funds in a manner not normally allowed under current Federal laws and regulations in support of innovative child welfare practices. Knowledge gained through these waivers provides a valuable source of information to inform changes in policy and practice aimed at improving service delivery and enhancing the achievement of national child welfare priorities.

Federal child welfare waivers primarily affect the use of funds under title IV-E of the Social Security Act, which applies to payments for foster care. Available on an unlimited entitlement basis, title IV-E reimburses States for a portion of foster care maintenance expenses paid on behalf of eligible children and for related administrative costs. Among the requirements for eligibility is that children be removed from a family that would have qualified for the former AFDC[1] grant under guidelines in effect in July 1996. Through the child welfare waiver legislation, States may apply to use title IV-E funds for supports and services other than foster care maintenance payments that protect children from abuse and neglect, preserve families, and promote permanency. Under a waiver, States may also expend title IV-E funds on non-IV-E eligible children. When implementing a waiver demonstration, States must remain in compliance with the following provisions of title IV-E:

- All requirements relating to the conduct of periodic foster care reviews;
- Requirements specifying safeguards for children during out-of-home placement;
- Required permanency hearings for children in State custody; and
- Requirements governing information to be included in a foster child's case plan.

The Department of Health and Human Services typically approves child welfare waivers for up to five years, although at the discretion of the Secretary they may be extended beyond five years. In addition to the provisions described above, waiver demonstrations must remain cost neutral to the Federal government (i.e., States cannot receive more in Federal reimbursement than the State would have received in the absence of the waiver) and they must undergo rigorous program evaluation to determine their efficacy. Since 1996, 17 States have implemented 25 child welfare waiver demonstration components through 20 title IV-E agreements.[2] Some States have multiple waiver agreements, and some waiver agreements have multiple components. These projects examine innovative child welfare service strategies in several areas, including:

- Assisted guardianship/kinship care;
- Capped IV-E allocations and flexible funding to local agencies;
- Managed care payment systems;
- Services for caregivers with substance use disorders;
- Intensive service options;
- Enhanced training for child welfare staff;
- Adoption services; and
- Tribal administration of IV-E funds

This synthesis paper focuses specifically on the experiences and evaluation findings of States that have implemented title IV-E capped allocation/flexible funding waiver demonstrations. Since 1996, four States - Indiana, Ohio, Oregon, and North Carolina - have implemented flexible funding waiver demonstrations. All four states have recently received five-year extensions of their flexible funding waivers into 2009.

Growth of Interest in Flexible Funding Waivers

Throughout the 1990s, several trends in child welfare services contributed to a growing interest in waivers that offer flexibility to States and local municipalities in spending Federal title IV-E funds while limiting the total IV-E allocations available for services. Key factors that have provided impetus to States in developing flexible funding waivers are outlined below.

Growth in Out-of-Home Placement Costs

The 1990s witnessed spiraling costs for foster care placements throughout the country. As highlighted by the experiences of States with flexible funding waivers, three factors have contributed to these rising costs: (1) increased costs of care; (2) the growing number of children in need of placement (especially in expensive group and residential care settings); and (3) increased lengths of stay in out-of-home placement. For example:

- Ohio's waiver proposal reported that its public child protection system was buckling under the financial weight of out-of-home placement costs. As a result, counties were cutting staff, closing down programs, and eliminating services to absorb the increasing cost of out-of-home placements.
- North Carolina's waiver proposal cited a 200 percent increase in need for foster care placement over a ten year period and a steady increase in the length of out-of-home placements as factors contributing to its interest in a flexible funding waiver. Through the waiver, North Carolina hoped to shift expenditures away from foster care maintenance towards prevention, reunification, adoption, and aftercare services.
- Indiana's waiver proposal noted the escalating cost of child welfare services, combined with decreasing statewide property tax levies, as reasons for pursuing a flexible funding waiver.

Increasing Complexity of the Risk Profiles and Services Needs of Children and Families

As costs for out-of-home placements have risen, States have also seen an increase in the severity and complexity of social, economic, and developmental challenges faced by children and families. Flexible funding waivers offer States an opportunity to provide an enhanced array of services to children and caregivers with heightened risk profiles and needs. In its waiver proposal, Indiana highlighted the growth in the number of children and families with multiple diagnoses and presenting problems as one motivation for pursuing a IV-E waiver. In particular, Indiana sought to increase the service options available to children returning home from out-of-state facilities. Ohio noted in its proposal that out-of-home care was the only child protection resource available in many counties under its existing system, prompting it to seek an expansion of the array of child welfare service options accessible to children and families.

Limitations on the Use of Title IV-E Funds

States have long noted the paradox presented by Federal child welfare funding streams. While title IV-E is an entitlement program that may be used to pay a portion of the foster care maintenance costs of all eligible children (as well as related worker training and administrative expenses), it cannot be used to provide services to either prevent placement or to hasten a child's return home. Although title IV-B funds may be used to provide, among other things, a range of preventive and reunification services to all children involved in the child welfare system, the capped funding levels that have been authorized by Congress are not sufficient to fully address child and family needs. Under these circumstances, child welfare agencies throughout the country have been faced with balancing the use of the limited Federal funds available for preventive and reunification services with the open-ended funds available for placement.

As a result, child welfare officials have voiced concern that the current Federal child welfare funding system encourages foster care placements while discouraging States from fully developing services that would facilitate maintaining children in their own homes. The limitations imposed on the use of title IV-E funds have served as an impetus for the development of flexible funding waiver demonstrations. For example, North Carolina, Ohio, and Oregon all cited restrictions imposed by traditional funding "silos" on providing services that are responsive to the individual needs of children and caregivers as a motivation for pursuing a flexible funding waiver. In its waiver proposal, Ohio noted that it had traditionally provided child welfare services based on the availability of money through specific funding streams rather than on identified child and family needs.

Key Characteristics of Flexible Funding Demonstration Projects

Each State's flexible funding demonstration attempted to establish a new array of services to prevent placement or facilitate permanency. They expected that the costs of these services would be offset by subsequent savings in foster care expenditures. Although all States with flexible funding waivers sought to reduce the number of children entering out-of-home placement, facilitate more timely exits from placement, and decrease the number of children in costly placement settings, each State adopted a somewhat different approach to controlling expenses until future savings were realized:

- Indiana's demonstration focused on building local capacity to provide community-based services and home-based placement alternatives to restrictive institutional placements. The State implemented its demonstration statewide, allocating a percentage of "flexible funding slots" to each participating county that could be used to provide services for a portion of its foster care population. Counties could choose to use fewer than their allotted number of slots. Indiana set aside 4,000 flexible funding slots for its demonstration, potentially covering 40 percent of its annual foster care caseload of approximately 10,000 children.[3] A sum of $9,000 was assigned to each slot to provide any type of service (including foster care) that would facilitate permanency. Services most frequently paid for with IV-E funds have included child and family counseling, parenting and homemaker education, job-related services, and legal assistance. The State mandated the use of Inter-agency Agreements at the county level as the specific mechanism for coordinating the use of flexible funds. Each participating county was required to include the local juvenile court, the local child welfare agency, a local mental health service agency, the school district, and the State itself as parties to the Inter-agency agreement. In the Agreement, the parties established the formal framework for coordinating services among the participating agencies and the eligibility criteria for receipt of waiver services.
- In North Carolina, 19 counties received title IV-E funds through the State that could be used to provide a flexible array of services to meet the needs of children and families in the child welfare system. Eligible children included those at imminent risk of placement or already in placement. Each county was allowed to develop its own initiative contingent on State approval. Counties differed both in the number and types of initiatives they developed, with 16 counties using flexible funds for new contracts with outside service providers, while nine counties used the funds to expand or implement new in-house services. Services commonly offered either in-house or through contracted providers included family support, post-permanency supports, substance abuse treatment, mental health treatment, family reunification services, and legal assistance. In addition, counties used flexible funds for discretionary spending on a case-by-case basis, and most counties used flexible funds to support organizational changes within local child welfare agencies or to support court reform activities. Although not limited by a specific cap on the amount of flexible funds they could spend, counties were expected to remain cost neutral by not spending more title IV-E dollars than they would have spent without the waiver demonstration.
- In Ohio's waiver demonstration, 14 counties experimented with a diverse array of managed care strategies to improve child welfare outcomes while controlling costs. The State provided participating counties with a capped amount of IV-E funds; each county then developed its own strategy for managing expenditures within this allotment. Strategies employed by counties have included establishing capitated or case rate contracts with private providers; developing utilization review strategies, such as pre-placement and periodic review processes; increasing incentives to enhance foster care provider networks; and establishing quality assurance procedures.
- Local child welfare agencies in Oregon (referred to as "branches") developed plans to use flexible funds in three service categories: (1) "innovative services," such as enhanced visitation, in-home parenting, and early childhood assessments; (2) expansion of existing services, including Family Decision Meetings (FDM), Family Mediation, and Family

Resource Worker programs; and (3) emergency one-time payments to prevent foster care placement (e.g., rent deposits, groceries, heating bills). As the demonstration progressed, the State focused its evaluation of the second service category - expansion of existing services - on FDM since most branches chose to use waiver dollars to enhance FDM services. During the initial years of the waiver, the demonstration operated concurrently with the State's own flexible funding initiative known as System of Care (SOC), a needs-based approach to working with children and families that focused on family strengths and utilized extended family and community networks to expedite permanency and minimize out-of-home placements. The IV-E waiver provided the State with an additional source of flexible funds to expand placement prevention and permanency services begun through the SOC initiative.

Table 1 summarizes the target populations, eligibility criteria, and services offered through the four State flexible funding demonstrations:

Table 1
Program Features and Eligibility Criteria of Flexible Funding Waiver Demonstrations

State	Services and Core Program Features	Target Population	Jurisdiction
Indiana	• 4,000 funding slots set aside for counties. Slots allocated using a formula based on child welfare and poverty data. • $9,000 allocation per slot was used flexibly for children and family services. Counties bore financial risk for costs exceeding $9,000 per slot. • Common services included child and family counseling, parenting and homemaker education, employment services, and legal assistance. • Interagency planning group in each county developed plans for new or innovative services to meet the needs of children and families.	Children statewide: (1) in placement or at risk of placement; or (2) involved in substantiated reports of abuse or neglect; or (3) adjudicated delinquent; or (4) otherwise identified as at risk of abuse, neglect, or delinquency.	Implemented statewide in 90 of 92 Indiana counties.
North Carolina	• Flexible funds used for county-based initiatives contingent upon State approval. • Funding used by counties for both contracted and in-house services.	Children in experimental counties at imminent risk of placement or already in placement.	Implemented in 19 of 100 North Carolina counties.

	• Common services included: (1) family support; (2) assessment; (3) adoption/post-adoption services; (4) substance abuse treatment; (5) mental health services; (6) family reunification services; and (7) legal services for TRP and adoption. • Counties also used flexible funds for discretionary spending on a case-by-case basis and to promote organizational changes and court reform activities. • State established local trust accounts for experimental counties containing unexpended State funds budgeted for care of non-IV-E eligible children. Counties could access trust accounts if they achieved cost neutrality and had a reinvestment plan approved by the State.		
Ohio	• Counties received a capped allocation based on historical and projected numbers of days in out-of-home care, costs of care, and percentage of IV-E eligible children. • Counties negotiated financial and risk-sharing agreements with private providers. • Managed care strategies included: (1) establishment of capitated or case rate contracts with private providers; (2) expanded array of services; (3) improved case management and coordination; (4) utilization review mechanisms; (4) new quality assurance systems.	Children in experimental counties at risk of or in out-of-home placement.	Implemented in 14 of 88 Ohio counties.
Oregon	• Encouraged local collaborations among community stakeholders	Children in or at risk of out-of-home placement.	All but one county could

	to promote innovative child welfare practices. • Flexible funds used for: (1) innovative services (e.g., enhanced visitation, facilitator services, in-home parenting services, and early childhood assessment); (2) Family Decision Meetings (FDM); and (3) one-time emergency payments to prevent foster care placement (e.g., housing deposits, heating bills, groceries).		participate in the demonstration.

In addition to their unique approaches to controlling costs and providing services, a review of States with flexible funding waivers reveals differences along several other dimensions:

Local Control and Financial Risk Sharing

States have varied widely in the latitude they have given to local child welfare entities in making decisions about the flexible use of title IV-E funds. For example, local child welfare agencies in all four demonstrations needed State approval before proceeding with their flexible funding service plans, although some States were less directive in terms of the scope and nature of services that could be provided through the waiver. As a corollary to the degree of control afforded to local child welfare agencies, the demonstrations have differed in the level of financial risk shared between State and local government entities. Generally, States that assumed more financial risk have placed greater restrictions on local child welfare agencies in their use of flexible IV-E funds. The following summaries illustrate the diverse strategies adopted by States in balancing the issues of local control and financial risk:

- In Indiana, the State exercised substantial control over the front-end planning process for its waiver demonstration. Once the State approved its Inter-agency Agreement, each county had considerable control over the implementation of the waiver through an Interagency Planning Group and community-based service teams comprised of parents, mental health care providers, and child welfare staff. While exercising wide latitude over the day-to-day operations of their demonstrations, counties assumed all financial risks for expenditures exceeding the capped per slot allocation of $9,000.
- Ohio granted counties significant local authority to design managed care strategies that would improve child welfare outcomes while controlling costs. In return, each county risked liability for the overage in the cost for services and foster care maintenance that exceeded its lump sum IV-E allotment.
- North Carolina's waiver gave counties wide latitude to negotiate contracted services with outside providers, enhance existing in-house services, build collaborative relationships with outside organizations, initiate organizational changes, and work with local courts to

change legal procedures regarding out-of-home placement. North Carolina assumed more financial risk at the State level than did Indiana or Ohio, with the State covering half of the difference between counties' actual title IV-E expenditures for licensed foster care and the amount necessary to remain cost-neutral.

- Among the States, Oregon placed the most restrictions on the local use of IV-E funds but bore all financial risks associated with the flexible funding waiver. Local child welfare branches could only use IV-E funds for a limited range of services (See Table 1 on page 6). However, if a branch spent less of its flexible funds than budgeted, the difference was "banked" and available for future waiver-funded services. If a branch exceeded its foster care budget, the State covered the entire difference through other savings realized through the demonstration. To mitigate its financial risks, the State could curtail, discontinue, or disapprove the innovative service plans of branches that failed to maintain cost neutrality.

Flexible Use of Funds

Flexible funding projects are not distinguished by a specific service, intervention, or activity. Counties or other local government bodies have flexibility to determine the scope, intensity, and array of services offered to children and families. Final evaluation reports from the four flexible funding demonstrations reveal utilization of diverse strategies to improve safety, well-being, and permanency outcomes for children. Table 2 summarizes services and activities most commonly used by counties or local child welfare agencies in participating States. Because States delegated flexibility to local counties or child welfare agencies in choosing services, not all counties in a given State implemented all of the services listed in the table. Services and activities provided in most or all States included family-centered child welfare practice models (e.g., Family Decision Meetings and Family Group Conferencing); family preservation services; mental health and substance abuse treatment services; family reunification services; payments for legal services and fees; and discretionary spending on a case-by-case basis for basic family needs such as rent, food, utilities, and transportation. Organizational activities implemented in most States have included interagency collaboratives, enhanced worker training, and reorganization of child welfare teams or work structures.

Table 2
Summary of Major Services and Activities Implemented by Local Child Welfare Agencies in States With Flexible Funding Waivers

Service or Activity	State			
	Indiana	North Carolina	Ohio	Oregon
Family-centered child welfare models		X	X	X
Family preservation services/in-home parenting services (e.g., parent training, monitoring, and coaching)	X		X	X
Mental health/counseling services	X	X	X	

Child care/respite care	X		X	
Discretionary spending for basic family needs (e.g., payments for rent, food, utilities, car repairs, housing specialists, etc.)	X	X	X	X
Medical/dental services	X		X	
Special education services	X			
Legal services or fees	X	X		X
Child and family assessments		X	X	X
Substance abuse treatment services	X	X	X	X
Managed care strategies (e.g., utilization review, quality assurance mechanisms)			X	
Family reunification/enhanced visitation services	X	X	X	X
Improved screening/intake procedures			X	
Interagency collaboration (e.g., with mental health service organizations, juvenile courts, etc.	X	X	X	X
Adoption/post-placement services		X	X	
Organizational changes (e.g., worker training, restructuring of child welfare work teams, etc.)		X	X	X

Capped IV-E Allocations

In exchange for greater flexibility and control over the provision of child and family services, localities in two States - Ohio and Oregon - agreed to fixed allotments of title IV-E funds. Ohio, for example, based each county's lump sum allocation on its historical foster care expenditures, adjusted each year based on changes in foster care utilization and unit costs for a group of control counties not participating in the waiver. In contrast, Indiana capped allocations to counties on a per-child basis by creating 4,000 waiver "slots" per year for allocation among its annual foster care population of approximately 10,000 children.[4] Indiana then allotted these slots to counties according to their population size and poverty rates, with each county having discretion in determining which children to place in the slots. In North Carolina, the flexible funding waiver enabled participating counties to use a portion of resources formerly restricted to foster care maintenance to underwrite prevention, reunification, and aftercare services. North Carolina differed from other States in that it placed no set limits on the amount of title IV-E funds that counties could spend, although it expected counties to maintain cost neutrality by offsetting new title IV-E expenditures with reductions in foster care costs.

[1]Aid to Families with Dependent Children, the predecessor to the current Federal Temporary Assistance to Needy Families (TANF) program. [2]In 2004 and 2005, three additional States - Arizona, Minnesota and Wisconsin - received approval for, but have not yet implemented, their child welfare waiver demonstrations.

[3]U.S. Department of Health and Human Services (2004). Child welfare outcomes 2001: Annual report. Washington, DC: Author.

[4]U.S. Department of Health and Human Services (2004). Child welfare outcomes 2001: Annual report. Washington, DC: Author.

Evaluation Methodologies

As with all waiver demonstrations, the Children's Bureau requires States with flexible funding waivers to conduct process and outcome evaluations as well as a cost analysis. Beyond a determination of cost neutrality, most States have provided limited cost data and have focused primarily on their process and outcome evaluations. Table 3 summarizes the States' approaches to evaluating their flexible funding demonstrations.

Table 3
Evaluation Designs of Flexible Funding Waiver Demonstrations

State	Research Design	Sample Size/Number Served
Indiana	Matched case comparison design. Evaluators matched each child assigned to a waiver slot with a corresponding non-waiver child, creating a comparison group of non-waiver children. Matching was based on demographic, geographic, and case-related variables.	5,259 children in the experimental group matched with the same number in the matched comparison group.
North Carolina	Comparison group design. Comparison counties selected based on size, demographics, number of title IV-E eligible children, and socio-economic status of families.	Data analyzed for 103,706 children with an initial substantiated maltreatment report and 41,585 children entering out-of-home placement for the first time between State fiscal years 1994 and 2001 in experimental and comparison counties.
Ohio	Comparison group design. 14 experimental counties; counties with demographic and caseload characteristics similar to experimental counties served as the comparison group.	Data analyzed on 18,500 children who entered out-of-home placement for the first time between 1/1/1998 and 2/28/2002. [5]

Oregon	Comparison group design. Children divided into four non-equivalent groups according to the availability of waiver and/or System of Care (SOC)[6] funds during a one-year observation period: • *Waiver/System of Care (SOC)*, for children in branches that were Waiver and SOC active during the study period. • *Waiver/non-SOC*, for children from branches that were Waiver but not SOC active. • *Non-Waiver/SOC*, for children from branches that were SOC but not Waiver active. • *Non-Waiver/non-SOC*, for children from branches that were neither Waiver nor SOC active.	Sample drawn from families active in child welfare services statewide between 1997 and 2000. Resulted in a combined sample of 6,748 children across the 4 comparison groups.

Challenges in Evaluating Flexible Funding Waivers

States with flexible funding waivers have encountered special challenges in evaluating the effects of their demonstrations on child welfare and fiscal outcomes. These challenges have arisen both from the underlying theories and assumptions of States' flexible funding models and from problems with the implementation of organizational, fiscal, and service innovations at the local level.

Theories of Change in Flexible Funding Waiver Demonstrations

In their evaluations, most States sought to test the benefits of flexible funding per se on child welfare outcomes. In other words, rather than testing a specific intervention, service, or treatment, the States hypothesized that the very availability of flexible funding at the local level would lead to better permanency outcomes for children at reduced or equal cost. This assumption, however, "skips a step" in the waiver demonstrations' theory of change by not establishing logical linkages between funding sources, services, and desired child welfare outcomes. Children to do not simply return home or otherwise achieve permanency because of the existence of flexible IV-E dollars; rather, the dollars must be used to provide a service or treatment that prevents placement or facilitates a timely exit from foster care. In its own experience, Ohio found that "flexible funding, by itself, is not the lone catalyst in achieving optimal program performance … Leadership is the imperative ingredient; the willingness of the agency to deploy the new practice tools afforded by financing flexibility."[7] The fact that States' waiver evaluations did not link specific services or interventions to observed changes in child welfare outcomes seriously limits their ability to assess the effects of the flexible funding demonstrations.

Availability of Alternate Funding Sources

In many States, title IV-E was only one of many funding streams within the context of public funding for child welfare services. Consequently, many local governments without access to flexible funding dollars were able to implement innovative child welfare services similar to those used in jurisdictions with access to waiver dollars. The availability of alternative funding sources for new programs and services thereby attenuated observable differences in child welfare outcomes between waiver and non-waiver jurisdictions. The experiences of several States illustrate the diluting effects of other funding sources on program impacts attributable to flexible IV-E funding:

- Local tax levies in Ohio, which account for more than half of the budgets of local child welfare agencies, could have been used flexibly for new programs and services; in fact, many comparison counties implemented some of the same managed care strategies as the experimental counties.
- Funds available through the W. K. Kellogg Foundation and the State of North Carolina for the Families for Kids initiative provided another route to reform for counties not participating in the IV-E waiver demonstration. The availability of alternative funding streams in non-waiver counties blurred the distinction between changes attributable to the waiver and those attributable to non-waiver initiatives and programs.
- Oregon's final evaluation reported that its waiver demonstration accounted for only a small fraction of child welfare services and spending in the State, making it difficult to distinguish the unique effects of waiver-related services on child and family outcomes. Oregon's evaluators concluded in their final report that the impact of the State's waiver could only be interpreted within the context of ongoing budgetary and policy issues and statewide reform efforts.

Inclusion of Populations "at Risk" of Placement

All four States with flexible funding demonstrations included children "at risk" of out-of-home placement in their target populations. However, the inclusion of children in the demonstrations who may have been in need of services, but who were not likely to be placed, diminished the likelihood that States could demonstrate placement avoidance. In all the demonstrations, it proved difficult to develop an operational definition of "imminent risk" that child welfare workers could apply consistently to their cases. This problem is not unique to the flexible funding waivers, but has also emerged in the evaluation of other child welfare programs that have attempted to serve cases identified as "at risk" of placement.

Incomplete or Inconsistent Waiver Implementation

Some States described problems with the incomplete, inconsistent, or delayed implementation of waiver activities and services in local jurisdictions, further attenuating their ability to measure the effects of flexible funding. North Carolina and Indiana, for example, both identified "less active" counties that appeared reluctant to use flexible IV-E funds for innovative services. Reasons cited by local jurisdictions for limited implementation of waiver activities included insufficient numbers of IV-E eligible children, increases in staff workloads, confusion regarding policy or practice issues, and concerns about the financial risks of paying for enhanced services with local resources beyond the end of the waiver. In its final evaluation report, Oregon noted that the time required to develop the infrastructure for implementing a statewide demonstration caused delays in the startup of waiver activities, thus limiting the time available to assess the impact of flexible funding on child welfare outcomes.

Lack of Random Assignment

Because they are generally systemic in nature, encompassing entire geographic regions and serving a wide range of children and families, flexible funding demonstrations are less amenable to the most rigorous research designs, including random assignment. None of the four States that implemented flexible funding waivers used random assignment research designs. Three States - North Carolina, Ohio, and Oregon - used comparison group designs that measured findings from counties or local child welfare districts with access to waiver funds against findings from counties or districts without access to the waiver. Although rigorous, high-quality evaluations are possible without random assignment, the use of county- or region-level comparison groups makes it difficult to distinguish the effects of the waiver from broader social, economic, and demographic forces operating in a wide geographic area.

Indiana achieved greater rigor in its evaluation by employing a matched case comparison design. This approach matched each child assigned to a waiver slot with a corresponding comparison group child according to a set of demographic, geographic, and case-related variables. This matching process using child-level data allowed Indiana's evaluators to create a comparison group with characteristics very similar to those of children receiving waiver services, thereby increasing the validity of comparisons in child welfare outcomes between waiver and non-waiver children.

Analysis of Aggregate-Level Data

The analysis of evaluation data on an aggregate, county-wide basis places further limits on conclusions regarding the effects of flexible funding waivers. Ohio noted in its final evaluation report that county-level analysis limited its ability to isolate the effects of other, non-waiver initiatives given a sample size of only 14 experimental and 14 comparison counties. The small size of many Ohio counties further complicated evaluation efforts because their child welfare caseloads were often too small for complex and rigorous analysis. In the fifth year of the waiver demonstration, the State's evaluation team used a different analytic method that simulated a "counterfactual" measure (i.e., an estimate of what would have happened had the waiver not been in place) for key child welfare outcomes. Ohio's evaluators then compared the counterfactual simulations with actual outcomes in experimental counties to estimate the waiver's effects.

Unlike Ohio, Oregon's evaluation involved an analysis of case-level data, with process and outcome data studied on a total sample of over 6,700 children. However, case samples from counties with access to flexible funds included both children who received waiver-funded services along with those who did not, thereby diluting observed differences in child and family outcomes across the experimental and comparison groups. Similarly, North Carolina used case-level data to identify differences between waiver and non-waiver counties in key child welfare outcomes, basing its analysis on tens of thousands of cases that entered the State's child welfare system between 1994 and 2001. Like Oregon, North Carolina could not identify the specific cases that received services paid for with flexible funds, thereby limiting its ability to attribute observed differences in child welfare outcomes to the availability of flexible funds.

Due to its different program design, Indiana was able to use case-level data analysis in which each child in the experimental group was matched with a comparison child using a set of demographic, geographic, and case-related variables. Using this approach, Indiana avoided some of the limitations common with aggregate-level data analysis and could draw more definitive conclusions regarding the effects of its waiver demonstration on targeted child welfare outcomes.

State Process Evaluations - Summary of Key Findings and Issues

As the rigor and scale of States' evaluations have differed, so have the conclusiveness of their findings to date. The following sections explore key process, outcome, and cost findings that have emerged from States with flexible funding waivers.

Participation in the Waiver

Some States implementing flexible funding demonstrations discovered that the mere availability of flexible funds was not always sufficient to encourage active participation in the waiver by counties or local child welfare agencies. In Indiana, evaluators identified a group of 25 "high use" counties that actively used waiver funds to augment child protection services. These counties expanded ongoing local initiatives, services, and programs to decrease out-of-home placements and increase the delivery of family preservation services, individual counseling, childcare and respite care, basic household assistance, and special education services. Many counties, however, made limited use of the waiver program; according to Indiana's final evaluation report, 20 percent of counties had not assigned any cases to the demonstration by the end of the second year and most were not utilizing their full allocation of slots. As noted earlier, reasons for waiver under-utilization identified by county administrators included insufficient numbers of IV-E eligible children, increases in staff workloads, problems or disagreements among waiver planning partners, and confusion regarding policies and practices related to the waiver.

In North Carolina, utilization of waiver dollars also got off to a slow start. Although its demonstration began operations in 1997 and experimental counties could access funds in local waiver trust accounts by 1998, many counties initially appeared reluctant to use these funds, with most trust account dollars spent only during the final year of the waiver. The State noted in its final evaluation report that this fiscal conservatism may have resulted from concerns about honoring funding commitments with local resources beyond the end of the waiver. Counties increased their use of flexible funds over time as they became more familiar with the demonstration, procedures for accessing flexible funds, and cost neutrality requirements.

Maintaining Cost Neutrality

The cost neutrality requirement of the waiver - the stipulation that States may be reimbursed for no more title IV-E funds than they would have received in the absence of the waiver - emerged as a challenge for counties in some States. Oregon child welfare agencies risked loss of funding for flexible services if they failed to maintain cost neutrality. According to Oregon's final evaluation report, many innovative services implemented by local child welfare branches early in the waiver demonstration were curtailed, discontinued completely, or shifted to other funding sources by the State because they failed to remain cost neutral. Oregon, which assumed responsibility for all costs for innovative services in excess of the child welfare branches' waiver allotment, placed more stringent limits on the startup or continuance of innovative services in an effort to limit its own financial risk.

Cost neutrality requirements also created risks for counties participating in North Carolina's demonstration. According to that State's final evaluation report, the expectation of remaining cost neutral may explain the reluctance of some counties to draw down waiver dollars. Although the State shared with counties any overruns in title IV-E expenditures to cover the costs of licensed foster care, the counties were required to pay half the difference between actual expenditures and the amount necessary to remain cost-neutral. For example, if the Federal matching rate for title IV-E dollars for licensed care were 63.09 percent, the remaining 36.91 percent of costs would be split evenly between the State and county, with each responsible for 18.45 percent of the cost of licensed care up to the State's foster care board rate.[8] To offset risks to the counties, and to encourage maintenance of cost neutrality, North Carolina adopted a reinvestment strategy that established a trust fund for each county; through the trust funds, cost neutral counties could access their share of savings realized through the waiver demonstration after receiving State approval to amend their waiver plans to provide new or expanded services.

Contracts with Outside Service Providers

Flexible funding waivers gave local child welfare agencies more latitude to purchase contracted services for children and families through non-profit and private service providers. Evaluation findings from some States reveal both successes and challenges in establishing service contracts with outside providers:

- Oregon's evaluation cited several difficulties in making available high-quality contracted services, including problems with the recruitment and retention of qualified service providers and the complexity and lengthiness of the contract process.
- North Carolina successfully used its waiver to offer a range of new services through contracted providers, including family support, assessment, family reunification, post-placement and post-adoption services. By early 2001, all but three of North Carolina's waiver counties had used outside contracts to provide new or enhanced services for at-risk families.

Interagency Collaboration

All four States reported on their efforts to promote collaborative relationships among child welfare agencies, the courts, and other public and non-profit agencies that serve children and families. Overall, the waivers appeared to exert a moderate positive effect on the development of collaborative relationships among public agencies and community-based service organizations:

- Ohio concluded in its final evaluation report that experimental and comparison counties had similarly strong relationships with local juvenile courts and local mental health boards; however, experimental counties were somewhat more likely to adopt joint funding and cost sharing mechanisms than comparison sites. In addition, a survey of child and family service organizations in the fifth year of Ohio's waiver revealed that demonstration partners in all 14 experimental counties viewed their collaborations with local county child welfare agencies as more successful than did partners in comparison counties.
- North Carolina's final evaluation report described the positive effects of its waiver on collaboration between child welfare agencies and community service providers, with eleven county agencies reporting greater involvement in at least one collaborative effort, including shared funding and Family Group Conferencing.
- In Indiana, a certain degree of cross-organizational collaboration was enforced during the waiver planning process through the use of Interagency Agreements, which were required to include the juvenile court, the child welfare agency, a local mental health center, and the school district as signatories. However, Indiana noted that the involvement of these planning partners diminished in a majority of counties following the end of the demonstration's planning phase, and hopes for revived partnerships between the child welfare agency, schools, and other local community agencies went unrealized. In the final year of the waiver, fewer than 50 percent of child welfare agency administrators reported active involvement in the demonstration by mental health services personnel, school personnel, or staff from other community-based organizations. Juvenile judges, who played an ongoing and mandated role in the demonstration due to their legal charge of assigning children to the waiver, were the major exception to this decline in involvement.
- Like Indiana, Oregon built interagency collaboration into its waiver demonstration by requiring each participating county to involve community-based social service organizations, the courts, and law enforcement agencies in the development of its waiver plan. The State reported that it achieved some success in engaging community-based organizations, with local agencies representing nearly half of all organizations involved in the development and implementation of waiver plans. However, active participation by the majority of community stakeholders was somewhat limited, with representatives from most agencies typically attending only one meeting or providing indirect input on needed community services. Local school districts, mental health agencies, and adult and family service organizations were most frequently involved in waiver plan development and implementation.

Access to Services

States have used flexible IV-E funds to provide a wide variety of new or expanded services for families involved in the child welfare system. With the exception of Indiana, however, it remains unclear whether families residing in local jurisdictions with access to flexible funds received more or a greater diversity of services than families in non-waiver jurisdictions:

- Indiana's evaluation found that experimental group cases received significantly more services than matched comparison cases, especially services that promoted family stability. Experimental group cases received significantly more family preservation services, individual counseling, childcare, respite care, help with basic household needs, and special education services. In addition, experimental group cases were more likely to receive these services through community-based organizations.
- Ohio reported few differences between experimental and comparison counties in terms of improved service availability, the array of new services, or timely access to services. One notable exception was in the area of placement prevention, with experimental counties offering more new preventive services to eligible families.
- In North Carolina, experimental group counties contracted with outside service providers to offer new combinations of family support, assessment, family reunification, post-placement, post-adoption, and legal services. The typical experimental group county contracted for three different types of services, with child welfare agencies most often using waiver funds to provide family support services. However, it was unclear from the State's evaluation whether families in experimental group counties had access to more or to a greater diversity of services than families in comparison counties.

Staff Training

In some States, the quality and quantity of staff training regarding flexible funding rules and procedures stood out as a factor affecting the success of waiver implementation. In Indiana, many child welfare agency administrators and family case managers indicated a need for additional training related to the waiver; about half of all case managers surveyed for the State's evaluation believed that insufficient training had lessened the effectiveness of the waiver in their county. Oregon's final evaluation report identified a lack of training for caseworkers regarding procedures for referring families for Family Decision Making services as an issue that limited the effectiveness of this component of its flexible funding demonstration.

Use of Managed Care Strategies

Among the States with flexible funding waivers, Ohio initially focused on the effectiveness of managed care strategies to both improve child welfare outcomes and control costs. To evaluate experimental and comparison counties in their adoption of managed care, the State developed a "managed care index" to compare counties in their use of common managed care activities, including expanded service arrays, the use of capitation and other financial risk sharing mechanisms, provider competition, utilization review, and quality management. Although a statistically significant difference in favor of experimental counties in the use of managed care strategies was noted in the second year of the State's demonstration, no significant differences emerged between experimental and comparison counties in their overall use of managed care approaches during the five years of the waiver. Over time, experimental counties placed less emphasis on managed care and concentrated instead on the provision of new child welfare services, especially placement prevention activities.

State Outcome Evaluations - Summary of Key Findings and Issues

Given the ultimate goal of all IV-E waivers of improving child welfare outcomes, a key question regarding flexible funding waivers relates to their effectiveness in keeping children in safe, stable home environments that provide for their physical, emotional, and developmental needs. In designing their evaluations, States posed several questions about the impact of flexible funding waivers on child welfare outcomes:

- Are children who receive services through flexible funding programs more likely to avoid placement?
- Do flexible funding programs increase the number of children who achieve permanency?
- Do flexible funding programs reduce the length of time spent in out-of-home placement?
- Are children who receive services through flexible funding programs safer from abuse and neglect?
- Are children who receive services through flexible funding programs less likely to re-enter foster care?
- Do flexible funding programs increase placement stability, i.e., do they reduce the number of placement episodes a child experiences over time?
- Do services offered through flexible funding programs improve the physical, emotional, and developmental well-being of children?

States' flexible funding waivers have produced mixed results regarding these evaluation questions. As discussed earlier, the diffuse, systemic nature of many flexible funding demonstrations makes it difficult to attribute local or statewide changes in child welfare outcomes to waiver services and activities. Indiana, which adopted a matched case comparison design with case-level data analysis, has produced the most conclusive findings to date about the effects of flexible funding service models. The following section discusses highlights from the States' final evaluations regarding the impact of flexible funding waivers on key child welfare outcomes.

Placement Avoidance

One key outcome of interest with respect to flexible funding waivers is placement avoidance, that is, their effectiveness in keeping children home and out of foster care. Three States - Indiana North Carolina, and Oregon - studied the effects of their waiver demonstrations on the likelihood of out-of-home placement. Ohio did not specifically examine placement prevention as part of its evaluation. In all three States, a statistically significant positive association emerged between access to services through the flexible funding demonstrations and reduced entries into foster care:

- In Indiana, the number of children placed in out-of-home care (including family, group, and institutional settings) declined each month during the demonstration, with 10,139 children in care one year before the waiver began in January 1997 and only 9,377 children in care by the end of the initial phase of the demonstration in December 2002. During this interval, 45.6 percent of children assigned to the experimental group never entered placement compared to 38 percent of control group children, a statistically significant difference.

- North Carolina's evaluation indicated that the likelihood of entering placement for children with a substantiated report of abuse or neglect declined significantly more in experimental counties than in comparison counties or in other counties not participating in the waiver demonstration. The effects of the waiver in reducing out-of-home placement rates appeared to hold, even in the presence of other child welfare reform initiatives such as Families for Kids.
- Children in child welfare branches with access to title IV-E funds or State-funded System of Care dollars in Oregon's demonstration were over three times more likely to remain home as children in branches without access to either title IV-E or System of Care funded services, a statistically significant difference.

Achievement of Permanency

States defined permanency in somewhat different ways for the purposes of their evaluations. Two States - Indiana and Oregon - focused on exits to reunification. Ohio examined exits to reunification, adoption, and relative custody following an initial placement in foster care, whereas North Carolina studied overall rates of exit from out-of-home placement. With the exception of Indiana, findings regarding the effects of the flexible funding waivers on achievement of permanency have proved largely inconclusive:

- Indiana produced significant positive findings regarding the effects of the waiver on reunification rates, with nearly 77 percent of experimental group children in out-of-home placement reunified either with the original caregiver or a non-custodial parent compared with 66 percent of control group children.
- Oregon uncovered no differences between experimental and comparison sites in the likelihood of reunification one year following out-of-home placement.
- In Ohio, the availability of the waiver was associated with an actual drop of 11 percent in exits to reunification from first foster care placements, a decrease driven largely by one large Ohio county. The State's evaluators noted that the reasons behind this drop in reunification rates are unclear, but could have been associated with waiver-related changes in screening, risk assessment, or case management practices in experimental group counties. Although adoptions increased in one county with access to flexible funds, the availability of the waiver was not associated with significant changes in overall adoption rates. However, Ohio did find a statistically significant positive effect of the waiver demonstration on exits to relative custody from first placements, with 18 percent of children in experimental counties exiting to relative custody compared to a counterfactual projection of about 14.5 percent.
- North Carolina reported that children entering placement in more recent years in which the waiver was available were more likely to exit placement than children who entered in pre-waiver years; however, this downward trend was present in all county groups, whether they were experimental counties, comparison counties, or other counties not participating in the demonstration. Thus, no strong evidence emerged that access to flexible funds had an independent positive effect on foster care exit rates in North Carolina.

Length of Foster Care Placement

Three States - Indiana, North Carolina, and Ohio - explored whether the availability of flexible funding facilitated more timely exits from out-of-home care. Oregon did not specifically examine the effects of its flexible funding waiver on placement duration. As with exits to permanency, results have varied widely across demonstrations:

- In Indiana, the mean length of placement for all experimental group children removed from their homes was 290 days compared with 316 days for matched comparison children, a difference of 8.2 percent in the average number of days in placement. When the State's evaluators controlled for risk and severity of maltreatment, severity of delinquency, and the age of the child, the difference in mean placement length was even greater at 271 days for waiver children and 319 days for matched comparison children, a statistically significant difference of 15 percent in the average number of placement days.
- North Carolina's evaluation highlighted a statewide, downward trend in the duration of out-of-home placements prior to the implementation of the waiver. Due to a mature reform agenda in many counties, many local child welfare agencies had made significant progress in achieving permanency more quickly as early as 1996. Although the duration of placements continued to decline statewide throughout the period of the waiver, comparison counties and other counties not involved in the waiver demonstration appeared to have a greater overall rate of reduction in placement length. To explain this trend, North Carolina theorized that because experimental counties had reduced the likelihood of placement for children with a maltreatment report more than comparison counties, those children who did need placement presented "high risk" profiles. In other words, once children who could be effectively served in their own homes and neighborhoods were diverted from placement, the evaluators hypothesized that the remaining children required longer stays in foster care. In light of this hypothesis, North Carolina found it meaningful that overall lengths of stay in out-of-home placement continued to decline in experimental counties.
- Ohio's evaluation found no significant effects of the waiver on median length of stay in placement prior to reunification, adoption, or exit to relative custody.

Maltreatment Recurrence

The available evidence from three States' evaluations suggests that children served through flexible funding waivers are generally as safe from recurrences of abuse or neglect as children without access to the waiver:

- Indiana discovered no differences between experimental and control cases in rates of new maltreatment reports or substantiations, nor did differences between experimental and matched comparison cases emerge when specific types of child abuse and neglect were examined.
- Ohio's evaluation indicated that the safety of children in experimental counties who exited out-of-home placement was maintained at the same level as that of children in comparison counties, alleviating concerns that flexible funding services could result in premature reunification for some at-risk children.

- In Oregon, access to the flexible funding waiver had no impact on the likelihood of repeat abuse or neglect of children by their original caregivers within one year of the original maltreatment incident.

North Carolina did not study the effects of its flexible funding demonstration on the probability of maltreatment recurrence.

Foster Care Re-entry

Children who experience a maltreatment recurrence or other crisis may need to return to the custody of a public child welfare agency and subsequently to foster care. Overall, access to flexible funding did not appear to affect rates of foster care re-entry:

- When taking child and case characteristics into account, Ohio found no significant effects from its waiver demonstration on rates of foster care re-entry for children reunified with their families of origin.
- Marginal, insignificant differences were found during Indiana's demonstration between experimental and matched comparison cases on rates of foster care re-entry, with five percent of all experimental group children having a subsequent placement episode prior to the end of the demonstration compared with 7.7 percent of matched comparison children.
- North Carolina's evaluation determined that experimental group counties making active use of the waiver showed a larger decrease in foster care re-entry rates during the early years of its demonstration, although counties making less active use of the waiver surpassed active counties in lowering re-entry rates during later waiver years. Overall, the availability of flexible funds for new services and supports in experimental counties had no statistically significant effect in either direction on the likelihood of foster care re-entry. The State's evaluators cautioned that the effects of the waiver on foster care re-entry must be analyzed in the context of statewide re-entry rates that have historically remained very low.

Oregon did not examine foster care re-entry rates as part of its impact evaluation.

Placement Stability

Some States examined placement stability, defined as the degree to which children experience multiple placement settings during the period of their removal from the home. Results from the two States that tracked this outcome are largely inconclusive:

- In Ohio, both experimental and comparison counties increased the percentage of children who made no moves following their first placement and decreased the percentage making five or more moves. Experimental counties in Ohio were also no more successful than comparison counties in moving children to less restrictive settings.
- Oregon reported in its final evaluation that access to flexible funds was associated with an increased likelihood of change in out-of home placements within one year. However, the State's evaluators could not determine whether this finding reflected negative or

positive outcomes (for example, final placement into a permanent setting) since data regarding the reason for placement changes were not collected.

Neither North Carolina nor Indiana included measures of placement stability in their projects' outcome evaluations.

Child Well-Being

Among the States, only Indiana examined the effects of flexible funding on child well-being outcomes, such as school performance and attendance, engagement in risky behaviors, access to supports and services, mental health, and overall quality of life. Indiana's evaluation studied the school performance of children involved in the waiver demonstration and found a higher percentage of school-age children assigned to the experimental group in school at case closure (91.1 percent) than children assigned to the matched comparison group (83.6 percent). This difference was most notable among children adjudicated delinquent, with 87 percent of delinquent youths in experimental cases in school at case closure compared with 71.6 percent of their matched comparison counterparts. Findings from satisfaction surveys distributed to families enrolled in Indiana's evaluation revealed additional positive effects of the waiver demonstration on child and family well-being. For example, experimental group caregivers residing in active waiver counties were significantly more likely to report that their children were better off because of the involvement of the child protection agency and that they were involved in making decisions about their case welfare case.

Cost Analyses of the Flexible Funding Waivers - Summary of Key Findings and Issues

The four States applied varying approaches to studying the cost implications of their flexible funding waivers. Indiana's cost study found evidence that its demonstration produced improved child welfare outcomes at the same or reduced costs as traditional child welfare services. Findings from North Carolina and Ohio suggest that their waivers generated some savings that could be used to offset the costs of additional placement or non-placement related services, whereas Oregon concluded that its waiver had little effect on statewide patterns in child welfare spending. Major findings from the States' cost analyses are summarized below.

Indiana

Indiana undertook a formal examination of the cost effectiveness of its demonstration, which it defined in terms of improvements in child welfare outcomes while maintaining costs at similar or reduced levels. Overall, average expenditures from all sources per experimental group child during the 24-month period following case opening were $12,614 compared with $11,123 per non-waiver child. However, costs were lower in active waiver counties for three of four child welfare measures: placement avoidance, length of placement, and reunification. Only for the fourth outcome measure - avoidance of out-of-state placement - did costs for experimental group children exceed those of matched comparison children. Although increases in cost-effectiveness for these three outcome measures were modest in size, Indiana's waiver demonstrated improved child welfare outcomes for similar or reduced costs.

North Carolina

Through its title IV-E reinvestment strategy, North Carolina made additional IV-E dollars available for services to both IV-E-eligible and non-IV-E-eligible children that probably would not have been provided without the waiver. Many counties used these reinvestment funds to cover the costs of care for non-IV-E eligible children. Although experimental group counties reduced the number of children in licensed care and thus lowered the Federal share of IV-E maintenance costs, they had substantially higher average costs for children in licensed care toward the end of the demonstration. This finding suggests that as the risk profiles and needs of the population of children entering placement changed, waiver counties used higher-priced and more restrictive forms of care to meet their needs.

Ohio

Overall, no significant differences in child welfare spending emerged between experimental and comparison counties in Ohio's waiver demonstration. Both experimental and comparison counties experienced growth in paid placement days and in the average daily cost of foster care, and neither group significantly changed its percentage of placement days in residential settings. Most experimental counties generated some revenues that could be used for non-placement-related services, with 10 of 14 experimental group counties spending more than their capped IV-E allocations to increase the availability of other child welfare services.

Oregon

Oregon concluded that its flexible funding waiver exerted minimal influence on statewide trends in child welfare spending. In its final evaluation report, Oregon noted that overall patterns of child welfare expenditures - including TANF, title XIX, State General Fund, and title IV-E - changed significantly in the State during the demonstration period, with total spending growing 53 percent over the five-year waiver period. However, waiver-related expenditures represented less than one percent of total child welfare spending during that time.

[5] Not all children on whom data were analyzed actually received services through the flexible funding demonstration, but lived in a county designated as either an experimental or a comparison county for the purposes of the evaluation.

[6] In its evaluation, Oregon examined the effects of SOC on child welfare outcomes in conjunction with the effects of its flexible funding waiver.

[7] Letter to Dr. Susan Orr, July 25, 2003.

[8] Jordan Institute for Families (2002). Evaluation of North Carolina's title IV-E waiver demonstration. Chapel Hill, NC: University of North Carolina at Chapel Hill.

Lessons Learned from States' Experiences with Flexible Funding Waivers

The flexible funding waivers reflect State efforts to seek new and creative ways of using title IV-E funds. The States have longed believed that the imbalance between federal funds available for foster care placement versus those available for services created incentives for foster care placement rather than for the provision of services aimed at preventing placement or hastening permanency. Nevertheless, findings from these early demonstrations suggest that issues driving the use of title IV-E funds are more complex than initially anticipated. Surprisingly, localities did not extensively embrace the use of IV-E funds for services. In addition, evaluation findings were not consistent and the benefits of using IV-E dollars more flexibly are not entirely clear. Key lessons learned through the flexible funding waiver demonstrations are outlined below.

States needed to provide more training and technical assistance to local child welfare agencies if the flexible funding waivers are to be used to their maximum potential.

Localities were often reluctant to use title IV-E funds for services other than placement. This finding was somewhat surprising given the expectation that child welfare agencies were eager to use IV-E funds more flexibly. Both Indiana and North Carolina noted that several counties with access to flexible funds did not use them or did not use them to any great extent. It appears that States may not have anticipated the amount of training and technical assistance required for local agencies to fully understand the waiver and to use the newly available flexibility to the greatest advantage. In addition, localities in States with capped IV-E allocations (Ohio and Indiana) were responsible for covering all or most of the costs of child welfare expenditures that exceeded their capped allotment. In light of these financial risks, local child welfare agencies in these States may have been reluctant to use flexible IV-E dollars to a fuller extent.

The availability of flexible funds does not automatically lead to the development of new or innovative service delivery programs.

Flexible funds were typically used to address case-specific needs rather than to undertake the development of new service delivery programs. For example, States often used waiver funds to meet basic physical needs (e.g., rental assistance, food, utilities) and to purchase some services from existing providers (e.g., mental health or substance abuse services). Although these represent perfectly legitimate approaches to the use of flexible funds, the assumption that flexibility in the use of funds would generate new, creative approaches to meeting family needs did not materialize. The reasons underlying the limited development of innovative service strategies are not fully known; however, several factors may have affected how local agencies used their flexible dollars. First, as noted above, uncertainties about procedures and policies for using flexible funds and concerns about assuming financial risks may have encouraged local agencies to take a more cautious, incremental approach to the allotment of flexible dollars. Second, the design and establishment of completely new programs requires greater up-front expenditures of funds that may presumably save money at a later date. Currently, no mechanism exists for local governments to draw down more IV-E funds at the outset of a demonstration to finance new and innovative programs. Localities would have had to spend their own funds in the hope of realizing savings in title IV-E dollars at a later date to cover their initial financial investments.

Approaches to sharing risk among Federal, State and local governments need to be more fully developed and tested.

Under the waiver demonstrations, the Federal government passes all financial risks to the States in exchange for giving them greater flexibility in the use of these funds. In turn, Indiana, North Carolina, and Ohio passed some or most of the financial risks associated with the waiver down to local child welfare agencies. In contrast, Oregon bore all costs of local agency efforts that did not prove to be cost neutral. As a result, the State scrutinized local plans more carefully and quickly discontinued any local agency effort that was not cost neutral. The greater degree of risk assumed by localities in some States may have negatively affected their willingness to participate in the demonstrations and test innovative approaches to service delivery.

It is difficult for managed care strategies alone to improve child welfare outcomes while containing costs.

Ohio initially expected that its experimental counties would control the growth of foster care placement costs by instituting a variety of managed care strategies. Although experimental counties initially implemented several managed care strategies, many counties later discontinued some of these approaches. At the same time, several comparison counties implemented similar managed care strategies, making it difficult to identify any positive effects of such strategies on child welfare outcomes. Ohio now believes that its initial focus on instituting financial controls on child welfare spending was insufficient to achieve desired outcomes for children and families.

Improved evaluation strategies are needed to enhance understanding of the effects of the flexible funding waivers.

As previously noted, the inability of most demonstrations to link the use of funds to specific interventions that, in turn, affected outcomes, limited the utility of their evaluation findings. It is also possible that designs that relied on aggregate county-level data experienced more difficulty teasing out the effects of the waiver. Indiana, which had the most consistently positive findings, analyzed case-level data from matched experimental and comparison cases. It is understandable that flexible funding demonstrations supporting an array of interventions did not lend themselves to the use of experimental evaluation designs. The systemic nature of these interventions makes it difficult to isolate the impact of a specific service on child welfare outcomes. Nevertheless, it should be possible to compare outcomes for children and families that actually received a service funded using flexible funds with outcomes for children and families without access to these funds. Improved evaluation strategies will enhance future knowledge regarding the effectiveness of these demonstrations.

Next Steps

All four States - Indiana, Ohio, Oregon, and North Carolina - have received five-year extensions of their original flexible funding demonstrations. As States prepare to evaluate their extended waiver projects, the Children's Bureau will work with States to address issues identified in earlier evaluations. In particular, States will be encouraged to implement improved research designs that enhance the robustness of evaluation findings, for example, by incorporating case-level analysis of child welfare data.

Through these waiver extensions, the States are refining some aspects of their original flexible funding models or introducing new innovative services and interventions:

- Ohio received a five-year extension through September 2009 that will operate in the 14 counties that participated in the first phase of the State's waiver demonstration, with the option to expand the demonstration to additional counties. During this extension, the State will place less emphasis on the use of managed care strategies and will instead focus on the use of capped allocations of IV-E funds to implement a more limited range of services. All participating counties will implement a Family Team Meeting service component to involve family members in case planning and decision making. In addition, each participating county will implement at least one and up to four other service components:
    - Visitations between parents/caregivers and children in out-of-home placement to promote reunification;
    - Services and supports to facilitate and maintain kinship and adoptive placements (e.g., post-placement support services, peer mentoring, counseling, and assessments of the child's interest in adoption);
    - Managed care strategies; and
    - Enhanced mental health and substance abuse services.
- Oregon has received a five-year waiver extension through March 2009, during which it will continue its demonstration of the flexible use of title IV-E funds and undertake a special study of Family Decision Meeting Service Coordination (FDM-SC) for families newly entering Oregon's child welfare system. The State plans to implement the FDM-SC study in five counties, with families in three counties receiving FDM-SC services and families in two counties serving as a comparison group. Oregon's evaluation plan for its waiver extension includes several new features and requirements. For example, each participating county must develop and submit to the State a logic model that illustrates the linkages between its proposed services and desired child welfare outcomes. In addition, the State will use case-level data to evaluate the FDM-SC component of its waiver, while the evaluation of other waiver components will rely on an analysis of aggregate county-level data. As an alternative to random assignment, the State will explore using a statistical technique known as the Propensity Scoring Method (PSM) to facilitate selection of the most comparable cases in comparison counties.
- North Carolina began a five-year extension of its flexible funding waiver that will continue through June 2009. During its extension, the State will continue to explore the use of flexible funds to improve child welfare outcomes in 17 of its original experimental counties while expanding the demonstration to 21 newly selected volunteer counties. In addition, North Carolina has modified its original evaluation design to place more emphasis on the collection and analysis of case-level process and outcome data.
- Through its five-year waiver extension, Indiana will continue efforts to build local capacity to provide community-based services and home-based placement alternatives to restrictive institutional placements. The State will maintain its existing funding

mechanism of capitated waiver "slots," with slots allocated to counties based on variables such as population size, poverty rates, and number of children in out-of-home placement.

Evaluation findings from these ongoing demonstrations will add to the knowledge base on flexible funding demonstrations and will shed further light on the issues presented in this paper.