

## Chapter 6

### Legislative Fiscal Office

*“Cost is the other thing. In some states . . . the purpose has been to reduce costs. The experience in Kansas and Florida is that costs don't go down in the short or medium term; indeed, they go up. The costs in Florida have about doubled and in Kansas [costs] have increased substantially”*

*~ Program director,  
National Council of State Legislatures.*

# **Fiscal Overview of Child Welfare Privatization in Nebraska**

**Legislative Fiscal Office  
October 18, 2011**

## ***Introduction***

The major thrust of child welfare reform began in 2009 when lead agency contracts were signed and cases were transferred over a period of months to the private contractors. Since the initial contracts were signed, three contractors dropped out and there have been many contract amendments increasing funding. To assist state senators in their examination of the child welfare reform effort, the approach taken in this analysis of the fiscal aspects of child welfare reform and the privatization of service coordination and case management was to ask the public policy questions that are needed for making decisions in the future. The questions that will attempt to be answered are:

- Why were increased costs needed?
- How much did child welfare aid increase?
- How was the increase paid for?
- Will additional funds be needed in FY11-12 and FY12-13?
- Are additional funds available?
- What is the state getting through privatization?

## ***Why Were Increased Costs Needed?***

The contracts were global transfer contracts which are the most "at-risk" type of contracts. Under a global transfer contract, the contractor receives a set amount regardless of the number of children served or the level or cost of the services. Under a case-rate contract, the contractor would receive a set amount per child regardless of the level of care or cost of the service. Under the latter payment type, payments account for variations in workload. A case-rate contract was not established in the beginning as there was not adequate information to establish a case-rate contract. The state had entered into a contract to move to a case-rate contract, but the consultant died and the process of developing a case-rate stopped.

Approaches in other states could have mitigated the risk for the contractors while also vetting the contractors better. In Texas the contractors were held harmless in the first year to allow for better information on how the privatization effort was proceeding. Florida requires a readiness assessment of the contractors prior to turning over cases.

If providers would have been held harmless, it is likely Cedars would have been able to continue providing services. Had there been an assessment of readiness, Boys and Girls Home may not have been a contractor. When Boys and Girls Home pulled out of their contract, they stated they were experienced in the provision of services, but lacked the ability to act in the service coordination capacity.

The contracts were always intended to be handled within existing resources. The agency did not ask for additional funding for any part of the welfare reform effort in their budget request. Todd Landry who headed the Division of Children and Family Services and the person who initiated the move to turn service coordination over to private contractors, stated that no state employees would be laid off. According to Mr. Landry, caseloads were too high which delayed movement toward permanency as the caseworkers did not have adequate time to perform the work. By removing the day-to-day activity of obtaining services for children, the state case managers' time would be freed up to move the cases towards permanency. Initially there were no savings for personnel or operating expenses.

Contractors were offered the amount appropriated for services only, even though they were required to hire staff and pay for operating expenses. The contractors in essence were required to pay all personnel and operating costs from funding other than from the contract. In addition they had to cover the cost of 12-months of aftercare which had not previously been offered by the state and therefore was not included in the aid amount that was the basis for the contract amounts. This business model for the for-profit Visinet, would not have seemed to be workable from the very beginning. The non-profit organizations had a donor base on which to turn to subsidize welfare reform efforts and all of the non-profits contributed private dollars to the reform effort. Visinet did not.

Knowing that the global transfer contract placed the contractor most at-risk, the non-profit contractors knew and were prepared to contribute private funds toward the effort. However, the basis on which the contracts were signed was inaccurate and the costs were far greater than projected based on that information.

During the meeting with the two remaining contractors and from articles written about contractors who withdrew from the contracts, it was universally stated that the costs were substantially higher than anticipated based on information provided prior to signing the contracts.

Areas where projected costs exceeded those projections were in three areas: 1) youth in foster care, 2) non-court involved cases and 3) treatment costs ordered by the court and not covered by Medicaid.

#### Case Management Transfer

One of the reasons for the transfer of case management to the lead agencies was to give them some control over the services provided. Under the global transfer type funding scenario, the lead agencies are required to pay for all children referred to them and for all services. No provision is provided if case referrals differed from the historical information HHS provided to them. In addition, lead agency contractors are required to serve all children with a "no reject, no eject" contract with little to no decision-making authority. As stated earlier, the number of children and level of services were much higher than any of the contractors anticipated. That coupled with no decision-making authority led to higher costs and the contract amendments. Case management was transferred to the lead agency contractors on January 3, 2011 to provide them with some limited decision-making authority.

Although case management transferred to the lead agency contractors, it was not a full transfer of decision-making authority and it is never likely to be. First, the state is ultimately responsible for children entrusted to its care. Second judges have the ability to order services as well making decisions on the status of state wards.

Although no state positions were eliminated initially, after case management was transferred, 77 FTEs were eliminated in DHHS. This was a different direction than what Todd Landry had envisioned. Although this may have been a necessary step to address some role confusion and tie funding closer to control over the decision-making process, it basically dismantled the state's infrastructure, thereby eliminating the "back stop" for case management and service coordination in the event the contractors provide notice of termination.

Judges may order specific placements which may or may not be in agreement with the recommendations of the state or the State Foster Care Review Board. The contractors cited specific placements by judges as one of the cost drivers that led to the request for increased funding from the state.

### ***How much did Child Welfare aid increase?***

Child Welfare costs as expended through Program 347-Public Assistance and Subprogram 48-Child Welfare has increased substantially over the past two years and exceeded the budgeted amounts as derived in the appropriations process. The following table compares the budgeted amounts versus actual expenditures over the past five years and the current biennial budgets for this program and subprogram. The table below shows statewide expenditures for child welfare grew from \$105.2 million in FY 2008-09 to \$127.4 million in FY 2009-10 and to \$139.2 million in FY 2010-11 and the total increase in expenditures compared to the budget increased by \$20.5 million in FY 2009-10 and by \$29.1 million in FY 2010-11.

Table 1 Appropriations and Expenditures, Program 347, Subprogram 48

Child Welfare	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
<u>New Appropriations</u>						
General	101,133,823	100,471,590	100,812,721	106,051,233	103,978,106	101,706,331
Cash	2,522,277	2,522,277	2,522,277	2,522,277	2,522,277	2,522,277
Federal	444,000	1,748,656	3,488,656	1,558,047	10,674,724	8,402,949
Total	104,100,100	104,742,523	106,823,654	110,131,557	117,175,107	112,631,557
<u>Actual Expenditures</u>						
General	99,491,589	101,014,519	123,285,672	133,295,581	?	?
Cash	2,522,277	2,522,277	2,522,277	2,522,277	?	?
Federal	434,761	1,617,668	1,542,214	3,420,161	?	?
Total	102,448,627	105,154,464	127,350,163	139,238,019	?	?
<u>Difference</u>						
General	(1,642,234)	542,929	22,472,951	27,244,348	?	?
Cash	0	0	0	0	?	?
Federal	(9,239)	(130,988)	(1,946,442)	1,862,114	?	?
Total	(1,651,473)	411,941	20,526,509	29,106,462	?	?

Keep in mind that there are 27 individual aid programs within the broad appropriation in Program 347- Public Assistance. Monies can be reallocated within these individual programs but not between budgetary programs. Also the federal fund budgeted amounts are estimates and the use of federal funds is not limited to the amounts shown in the appropriation bills.

***This table should not be used as an indicator that Child Welfare costs went up substantially in FY10 and FY11 due to privatization. The actual expenditures for Program 347, Subprogram 48 for FY08 through FY11 are very close to the comparison table in the Auditors Report. It's also known that the expenditures in Program 347, Subprogram 48 do not include any administrative costs nor do they include any of the staffing costs related to case management and service coordination.***

### ***How was the increase paid for?***

Child Welfare is one of 27 programs in budget Program 347. Budget Program 347 includes aid programs that serve many different populations, including the aged, persons with disabilities and safety net program for low-income families. Some of the subprograms in Program 347 other than Child Welfare are Adoption Assistance, Child Care, ADC, Employment First, State Disability Medical and Maintenance, Emergency Assistance and Domestic Violence. The additional amounts expended in Child Welfare were basically financed through a combination of the following: 1) use of carryover funding, 2) savings from staff reductions and 3) federal funding offsets to the General Fund among the subprograms within Program 347.

The additional funds paid to the contractors were funds that either would have eventually been lapsed to the General Fund at the end of the biennium or could have been used to lower General Fund expenditures, as in the case of ARRA funds that were used to offset General Fund spending.

#### **Amendment Five (October 2010)**

The \$6 million in contract adjustments in October 2010 were paid from the \$9 million in Emergency TANF dollars the state received. The Emergency TANF funding had not been factored in when the appropriation was set because it was not clear if Nebraska would qualify for that funding at the time the appropriation was being determined. The \$6 million was used in TANF programs, i.e. ADC and Employment First to lower General Funds expended those programs. The freed up General Funds were then used for the contract.

### **Amendment Seven (January 2011)**

The \$19 million contract adjustments were from the following sources:

- General Fund offset using the remaining amount of Emergency TANF funding (\$3.8 million)
- Savings from staff reductions due to the transfer of case management responsibilities to the lead agencies (\$4.6 million)
- FY 2010 carryover balance (\$4.3 million)
- General Fund offset resulting from changing the Aid to Dependent (ADC) fund mix from 30/70 to 20/80 (\$2.3 million)
- New use of TANF funding for family preservation services (\$4.0 million)

In Subprogram 43-AFDC/TANF (in Program 347), General Fund actual expenditures for both FY2010 and FY 2011 were approximately \$6 million below the budgeted amount due to the use of Emergency TANF funds. The FY 2012 and FY 2013 budget already shows lower General Fund appropriations of \$3 million per year due to using the one-time federal funds, so there may not be any significant amounts that could be reallocated.

Similarly, actual General Fund expenditures in Subprogram 46-Employment First were about \$9 million less than budgeted in FY11. This is attributed to additional federal funds not to a reduction in overall expenditures. These "savings" will not be available in FY12 and FY13 as the additional level of federal funds has already been reflected in lower new General Fund appropriation amounts.

Funding from the change in the TANF federal allocation for FY 2011-12 and FY 2012-13 are intended to be permanent changes in the allocation of TANF federal funds and the General Fund appropriation was reduced to reflect this as ongoing.

The savings from the staff reductions are also ongoing. The Appropriations Committee only transferred the funding for FY 2011-12. The balance remains in the Department of Health and Human Services' administrative program but is available for the contracts in FY 2012-13.

### **Amendment Eight (June 2011)**

The \$5.5 million increase in the KVC contract in June 2011 was from the under spending in other subprograms located in Program 347.

During the 2009 Session, all unexpended balances from FY2008-09 were reappropriated for the FY09-10 and FY10-11 biennium. While this was intended mostly for operational programs to assist agencies in meeting reduced levels of new appropriations, this reappropriation was applied to all programs including aid programs, such as Program 347. As actual expenditures were well below appropriated levels in both FY08 and FY09, a large amount of unexpended funds were reappropriated. Even though \$16.5 million was lapsed during the 2009 special session carryover, funds allowed FY2009-10 expenditures to be about \$9 million higher than the new appropriation amounts. These were one-time monies only used in FY09-10.

Significant under expending occurred in two areas where actual expenditures were less than budgeted. The programs are 34--State Subsidized Adoption and 38--State Disability-Medical. Actual expenditures for Subprogram 34--State Subsidized Adoption were below budgeted amounts by \$4.5 million in FY10 and \$5.7 million in FY11. These "savings" appear to be on-going as actual expenditures to date have consistently been below budgeted.

Savings from Subprogram 38--State Disability-Medical only occurred in FY2010-11 and seem to be of a more one-time nature. Expenditures to date in FY 2011-12 appear to confirm that this is the case. This program is funded solely with General Funds, so there was no fund shift. Actual expenditures have ranged from \$7 to \$10 million and have only fluctuated by \$1 to \$2 million over the other four years.

Table 2 shows the appropriations compared to expenditures for the FY 2009-2011 biennium. It shows FY2009-10 expenditures exceeding the new appropriation amount by \$8.8 million in FY 2009-10 but \$3.8 under spent in FY 2010-11.

Table 2 General Fund Appropriations and Expenditures, FY10 and FY11 Program 347 by Subprogram

Budgeted vs. Actual Expenditures (General Funds Only, Prog 347)	New Appropriation		Actual Expenditure		Expend vs Appropriation	
	FY2009-10	FY2010-11	FY2009-10	FY2010-11	FY2009-10	FY2010-11
14 Food stamps	349,802	1,055,069	1,004,828	729,229	655,026	(325,840)
15 Birth Certificates	150,000	150,000	52,188	103,577	(97,812)	(46,423)
16 Juvenile predisposition detention	156,536	156,536	198,432	133,007	41,896	(23,529)
17 Post-adoption/guardianship services	1,221,840	2,027,970	547,667	828,578	(674,173)	(1,199,392)
18 Protection and Safety of Children	1,889,556	1,889,556	1,924,540	2,028,420	34,984	138,864
19 Adoption incentives	0	0	0	0	0	0
22 AABD Special Rates	2,646,712	1,615,576	1,935,548	2,083,508	(711,164)	467,932
23 Winnebago/TANF/MOE	299,187	339,929	222,241	203,498	(76,946)	(136,431)
28 Food stamp employment	185,395	185,395	20,441	7,639	(164,954)	(177,756)
29 Medically handicapped children	1,404,051	1,416,270	794,888	414,801	(609,163)	(1,001,469)
30 Title IV-E Foster Care	3,757,003	3,345,539	3,129,027	2,922,351	(627,976)	(423,188)
31 Title IV-E Adoption	5,675,009	5,261,624	5,861,263	5,804,337	186,254	542,713
33 Energy Assistance	0	0	0	0	0	0
34 State subsidized adoption	10,924,651	12,748,901	6,438,228	7,023,044	(4,486,423)	(5,725,857)
35 Domestic Violence	1,347,300	1,347,300	1,277,835	1,229,840	(69,465)	(117,460)
36 Education Assistance, State Wards	17,366,709	17,540,376	17,106,298	16,265,017	(260,411)	(1,275,359)
37 Disabled persons/family support	910,000	910,000	899,861	872,709	(10,139)	(37,291)
38 State Disability-Medical	8,701,718	9,097,211	10,334,043	2,195,556	1,632,325	(6,901,655)
39 State Disability-Maintenance	795,945	466,684	444,461	290,670	(351,484)	(176,014)
40 Title XX Social Services	5,667,327	5,783,807	5,472,766	4,917,452	(194,561)	(866,355)
42 State supplement-SSI	7,895,255	6,923,135	6,593,462	6,478,530	(1,301,793)	(444,605)
43 AFDC / TANF	20,467,461	16,436,293	14,096,819	9,907,865	(6,370,642)	(6,528,428)
44 Title IV-D Child Care	32,244,539	41,847,035	32,188,305	44,752,361	(56,234)	2,905,326
45 Emergency Assistance	1,392,490	1,738,126	1,580,114	1,222,454	187,624	(515,672)
46 Employment First	10,201,815	9,791,421	9,747,752	586,698	(454,063)	(9,204,723)
48 Child Welfare Services	100,812,721	106,051,233	123,285,672	133,295,581	22,472,951	27,244,348
Total Program 347	236,346,958	248,124,986	245,156,679	244,296,723	8,809,721	(3,828,263)

Table 3 shows actual expenditures for Program 347, Subprogram 48 for the past four years and appropriations for FY12 and FY13. A review of this table helps indicate whether the appropriation amounts in FY12 and FY13 will meet expenditure levels based on the prior four years actuals.

Table 3 General Fund Expenditures and Appropriations, Program 347 by Subprogram

Actual Expenditures and Budgeted (General Fund Only)	Expend	Expend	Expend	Expend	Approp	Approp
	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
14 Food stamps	319,350	523,664	1,004,828	729,229	0	0
15 Birth Certificates	124,098	71,128	52,188	103,577	150,000	150,000
16 Juvenile predisposition detention	--	--	198,432	133,007	156,536	156,536
17 Post-adoption/guardianship services	--	--	547,667	828,578	2,027,970	2,027,970
18 Protection and Safety of Children	--	--	1,924,540	2,028,420	1,889,556	1,889,556
19 Adoption incentives	0	0	0	0	0	0
22 AABD Special Rates	2,307,230	2,098,416	1,935,548	2,083,508	1,615,576	1,615,576
23 Winnebago/TANF/MOE	300,894	283,517	222,241	203,498	339,929	339,929
28 Food stamp employment	51,136	140,339	20,441	7,639	185,395	185,395
29 Medically handicapped children	755,018	789,489	794,888	414,801	1,416,270	1,416,270
30 Title IV-E Foster Care	4,297,141	3,345,188	3,129,027	2,922,351	3,724,509	3,831,377
31 Title IV-E Adoption	5,403,054	7,491,501	5,861,263	5,804,337	5,846,061	6,006,364
33 Energy Assistance	0	0	0	0	0	0

(Table 3 continued)	Expend FY2007-08	Expend FY2008-09	Expend FY2009-10	Expend FY2010-11	Approp FY2011-12	Approp FY2012-13
34 State subsidized adoption	7,791,518	2,269,914	6,438,228	7,023,044	12,748,901	12,748,901
35 Domestic Violence	1,343,280	1,351,380	1,277,835	1,229,840	1,347,300	1,347,300
36 Education Assistance, State Wards	16,375,963	17,042,823	17,106,298	16,265,017	17,540,376	17,540,376
37 Disabled persons/family support	976,942	808,846	899,861	872,709	910,000	910,000
38 State Disability-Medical	6,958,788	6,162,183	10,334,043	2,195,556	9,097,211	9,097,211
39 State Disability-Maintenance	633,672	578,482	444,461	290,670	466,684	466,684
40 Title XX Social Services	5,529,297	6,274,074	5,472,766	4,917,452	5,783,807	5,783,807
42 State supplement-SSI	6,285,668	6,359,862	6,593,462	6,478,530	6,906,909	6,906,909
43 AFDC / TANF	19,309,522	13,702,182	14,096,819	9,907,865	13,043,345	13,043,345
44 Title IV-D Child Care	32,232,645	31,214,636	32,188,305	44,752,361	46,467,109	46,467,109
45 Emergency Assistance	1,179,237	1,619,391	1,580,114	1,222,454	1,738,126	1,738,126
46 Employment First	10,753,674	9,233,587	9,747,752	586,698	2,143,260	8,143,260
48 Child Welfare Services	99,491,589	101,014,519	123,285,672	133,295,581	103,978,106	101,706,331
Total-New	222,606,961	212,584,993	245,156,679	244,296,723	239,522,936	243,518,332

### ***Will Additional Funds be Needed in FY11-12 and FY12-13?***

Based on the contracts with KVC and NFC for FY12 and FY13 as of August 2011 and rough estimates for the other three regions based on FY11 actual expenditures for the last nine months, the current appropriation amount appears more than adequate. However, there are many assumptions attached to the contracted amounts, and it will require significant changes to stay within those levels.

The contract amendments that increased funding have consistently been labeled as "one-time" funding. Since there have been multiple adjustments labeled as "one-time," it is easy for policy makers to be skeptical that more "one-time" adjustments might be forthcoming. The fact that the contracts in FY 11-12 in actual dollars are less than in FY 2010-11 for KVC and are less for NFC when adjusted for the additional caseload they will be assuming, this further fuels the skepticism.

The KVC contract amount for the Southeast Service Area for FY2011-12 is \$9.1 million less than actual payments in FY2010-11; for the KVC Eastern Service Area the FY2011-12 amount is \$4.7 million less. However, their contracts were increased by a total of \$5.5 million at the end of June 2011. Since the \$5.5 million was paid at the end of the fiscal year, it assumed the entire \$5.5 million will be spent in FY 2011-12. Adjusting the figures to reflect the use of the \$5.5 million in FY 2011-12, KVC has approximately \$2.7 million less in funding.

	FY2010-11	FY2011-12	Change FY11 to FY12
<b><u>Actual Contract Amounts</u></b>			
Southeast	43,806,962	34,720,877	
Eastern	21,019,548	16,365,254	
Total for KVC	64,826,510	51,086,131	(13,740,379)
<b><u>Contract Amounts with adjustment</u></b>			
Southeast	43,806,962	34,720,877	
Eastern	21,019,548	16,365,254	
Adjustment for cash flow	(5,500,000)	5,500,000	
Total for KVC	59,326,510	56,586,131	(2,740,379)

NFC is assuming one-third of the caseload in the Eastern Service Area that was transferred back to the state when Visinet pulled out. Through the end of the 2011, the caseload assigned to NFC will be doubling from 13% to 26% of the statewide total. However, the amount the contract is only increasing by



54% to 56% depending on whether a year over year comparison is made or the figures are compared after case management was transferred in January 2011 to NFC. In either case, the dollar increase is substantially lower than the workload increase.

For both contractors to stay within the contracted amounts, significant changes are required. Based on conversations with both NFC and KVC these contract levels appear "doable" assuming a significant shift in how the child welfare system operates. Fewer children must enter care and permanency must accelerate. The lowering of the overall costs is the result of the assumption that there will be a reduction in the number of children served by approximately 15%. The two contractors and Kerry Winterer believe this is possible and will not be the result of simply denying needed services. To reduce the overall number of children will require new standards to be instituted in assessing when a child should be taken into the state's custody. This has already begun with the establishment of the initial assessment teams. The number of children achieving permanency also must accelerate. It is hoped that the implementation of structured decision making will work toward this goal. Both the state and the contractors must improve their performance, as the two providers have some control over the closures but depend on DHHS to reduce the number of referrals.

If the overall number of children being provided services is not reduced it's very likely that further amendments to the contract will be in order. KVC stated in our meeting with them that they had contributed approximately \$14 million in private funds to the reform effort in Nebraska and no further private funding would be made available. NFC stated they had paid approximately \$7.5 million and would contribute up to \$2.0 million more. Any further shortfalls beyond these commitments would bring the contractors back to the negotiating table.

### ***Are Additional Funds Available?***

The agency will have less excess or flexible funding available in FY 2012 and FY 2013, as ARRA funds were temporary and have been exhausted and the Legislature did not authorize the unexpended balance at the end of FY 2010-11 to be reappropriated. The agency does have approximately \$7.1 million in FY 2011-12 and \$9.4 million in FY 2012-13 that could be used for additional child welfare costs.

The appropriation for child welfare and the Office of Juvenile Services combined were increased. The agency requested a \$5 million increase each year for "detention services." The actual amounts needed for increased costs in detention were \$200,000 in FY 2011-2012 and \$400,000 in FY 2012-2013. The balance of the \$5 million was an indirect way to increase funding for services to state wards. DHHS had been paying for services for OJS wards out of Program 250, which is the appropriate program for those services to be paid. When Program 250 ran out of appropriations, they would transfer the expenditures via journal entry to Program 347 Subprogram 48 – Child Welfare instead of asking the Legislature to transfer the funds to the appropriate budget program.

With the \$5 million increase, they will no longer transfer the expenditures. Instead of asking for a reduction in Program 347 of \$4.8 million and an increase of the same amount in Program 250 in their budget request, they instead asked for the \$5 million increase for "detention services," which resulted in an overall appropriation increase for state ward services.

Although information about the need for the \$5 million increase was requested from the agency in November, the response was not provided until late in January and came after the initial analysts' briefing to the Appropriations Committee. The Appropriations Committee was aware that approximately \$4.8 and \$4.6 million in FY 2011-12 and FY 2012-13 respectively could be used to cover additional expenditures in child welfare.

### ***What is the State Getting through Privatization?***

It is clear the move to privatization resulted in higher costs to date. The structure alone lends itself to higher costs. Initially, contractors had to hire service coordinators and management and administrative personnel and the corresponding operating costs associated with establishing such an organization, while

state staff was not reduced. The work formerly handled entirely by state workers was divided between state case managers and contracted service coordinators. Essentially, two systems were being supported under the privatization model. Even after case management moved to the contractors and 77 FTEs were eliminated, some staff has been retained by the state for oversight. Contracting did cost more and may continue to cost more at least in the near future, but the major issue for policy makers is, has or will the move to privatization produce better services or improve outcomes? That question will likely be answered as information is gathered that measures performance over time. Privatization does differ from the staff-only managed system. A few of those differences that are intended to have positive impacts are mentioned below.

The contractors are required to meet certain standards, assuming those standards are enforced by the state through its oversight. For example, the state had stated goals for caseloads, recognizing various case mixes, but there was no enforcement if not held to those caseload standards. For the private contractors, the state should be holding them to those standards. In addition, the contractors must maintain current accreditation and be fully accredited by July, 1, 2013. Accreditation should provide an additional check to ensure contracted organizations are using best practices and performing within established standards.

The contractors are required to provide access 24 hours a day, seven days a week for 365 days a year.

Twelve months of aftercare is a new service provided under the contract. There are approximately 2,000 children who are receiving this service which lowers the rate of reentry into the child welfare system.

In his presentation to this committee on June 23<sup>rd</sup>, Jack Tweedy talked about one of the reasons for privatization is a change in culture. The private contractors are committed to right-sizing the child welfare system. Nebraska far exceeds other states in the removal of children from their homes. A considerable shift in what is best for children in deciding to remove or not remove a child from their parental home will be required to bring Nebraska closer to the national average. Citing documented studies both contractors believe Nebraska removes too many children from their homes and this type of intervention, when not needed, can cause harm.

## ***Conclusion***

The child welfare contracts were increased substantially over the last biennium. There was little or no involvement of the Legislature on this decisions that led to the increases, even though the Legislature controls the appropriation process. The agency was able to make the substantial adjustments due to a convergence of several factors. First, the budget program in which child welfare is located contains a large number of aid programs and this allows for great flexibility to move money among the various subprograms. Second, as an overall policy for all state agencies, agencies were allowed to carryover unused balances for the prior three years and other subprograms within Program 347 were under spending. Third, the American Recovery and Reinvestment Act (ARRA) provided additional federal funding not anticipated when the appropriation was established, allowing for fund shifting that freed up State General Funds. And finally, the administrative decision to transfer case management to the private contractors resulted in savings that could be used for the contracts.

The contractors and DHHS are comfortable with the lower level of spending in the FY 2011-2013 biennium with efforts being made toward huge system changes that will help to keep the costs within the contracted amounts. If additional funding is needed, the agency has some flexibility, but far less than what was available to them in the last two years.

# Summary by Fiscal Year by Contract

## Service Delivery, Coordination, Case Management

	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	2 Year Total	Change	5 Year Total	Change
<b>Original Contract October 2009</b>									
KVC-ESA	5,905,605	13,823,484	0	0	0	19,729,089	--	--	--
KVC-SESA	4,375,049	10,372,440	0	0	0	14,747,489	--	--	--
NFC-ESA	5,361,968	13,823,484	0	0	0	19,185,452	--	--	--
B&G-NSA	3,576,509	10,905,024	0	0	0	14,481,533	--	--	--
B&G-CSA	2,668,494	6,067,920	0	0	0	8,736,414	--	--	--
B&G-WSA	3,508,033	11,768,244	0	0	0	15,276,277	--	--	--
Visinet-SESA	4,375,049	10,372,440	0	0	0	14,747,489	--	--	--
Visinet-ESA	5,304,744	13,823,484	0	0	0	19,128,228	--	--	--
Cedars-SESA	4,375,049	10,372,440	0	0	0	14,747,489	--	--	--
Total	39,450,500	101,328,960	0	0	0	140,779,460	--	--	--
		140,779,460		0					
<b>With Amendment 1 (Dec 2009 &amp; Jan 2010)</b>									
KVC-ESA	7,429,524	13,802,556	0	0	0	21,232,080	1,502,991	--	--
KVC-SESA	5,516,830	10,215,451	0	0	0	15,732,281	984,792	--	--
NFC-ESA	6,900,193	13,802,556	0	0	0	20,702,749	1,517,297	--	--
B&G-NSA	4,794,287	11,952,290	0	0	0	16,746,577	2,265,044	--	--
B&G-CSA	5,676,850	10,740,047	0	0	0	16,416,897	7,680,483	--	--
B&G-WSA	4,661,719	11,590,743	0	0	0	16,252,462	976,185	--	--
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	984,792	--	--
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	1,517,297	--	--
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	984,792	--	--
Total	52,856,032	106,337,101	0	0	0	159,193,133	18,413,673	--	--
		159,193,133		0					
<b>With Amendment 3 Where Applicable (Dec 2009 &amp; Jan 2010)</b>									
KVC-ESA	7,429,524	13,764,548	0	0	0	21,194,072	(38,008)	--	--
KVC-SESA	5,516,830	30,561,962	0	0	0	36,078,792	20,346,511	--	--
NFC-ESA	6,900,193	13,764,548	0	0	0	20,664,741	(38,008)	--	--
B&G-NSA	4,794,287	10,710,473	0	0	0	15,504,760	(1,241,817)	--	--
B&G-CSA	5,676,850	11,919,377	0	0	0	17,596,227	1,179,330	--	--
B&G-WSA	4,661,719	11,558,827	0	0	0	16,220,546	(31,916)	--	--
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	--	--
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	0	--	--
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	--	--
Total	52,856,032	126,513,193	0	0	0	179,369,225	20,176,092	--	--
		179,369,225		0					
<b>With Amendment 4 Where Applicable (July 2010)</b>									
KVC-ESA	7,429,524	13,764,548	0	0	0	21,194,072	0	--	--
KVC-SESA	5,516,830	30,561,962	0	0	0	36,078,792	0	--	--
NFC-ESA	6,900,193	13,764,548	0	0	0	20,664,741	0	--	--
B&G-NSA	4,794,287	10,710,473	0	0	0	15,504,760	0	--	--
B&G-CSA	5,676,850	11,919,377	0	0	0	17,596,227	0	--	--
B&G-WSA	4,661,719	11,558,827	0	0	0	16,220,546	0	--	--
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	--	--
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	0	--	--
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	--	--
Total	52,856,032	126,513,193	0	0	0	179,369,225	0	--	--
		179,369,225		0					

	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	2 Year Total	Change	5 Year Total	Change
<b>With Amendment 5 Where Applicable (July 2010)</b>									
KVC-ESA	7,429,524	14,874,548	0	0	0	22,304,072	1,110,000	--	--
KVC-SESA	5,516,830	32,451,962	0	0	0	37,968,792	1,890,000	--	--
NFC-ESA	6,900,193	16,764,548	0	0	0	23,664,741	3,000,000	--	--
B&G-NSA	4,794,287	10,710,473	0	0	0	15,504,760	0	--	--
B&G-CSA	5,676,850	11,919,377	0	0	0	17,596,227	0	--	--
B&G-WSA	4,661,719	11,558,827	0	0	0	16,220,546	0	--	--
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	--	--
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	0	--	--
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	--	--
Total	52,856,032	132,513,193	0	0	0	185,369,225	6,000,000	--	--
		185,369,225		0					

<b>With Amendment 7 Where Applicable (Dec 2010)</b>									
KVC-ESA	7,429,524	19,314,548	13,764,548	13,764,548	13,764,548	26,744,072	4,440,000	68,037,716	--
KVC-SESA	5,516,830	40,011,962	30,561,962	30,561,962	30,561,962	45,528,792	7,560,000	137,214,680	--
NFC-ESA	6,900,193	21,431,215	16,097,881	13,764,548	13,764,548	28,331,408	4,666,667	71,958,385	--
B&G-NSA	4,794,287	10,710,473	0	0	0	15,504,760	0	15,504,760	--
B&G-CSA	5,676,850	11,919,377	0	0	0	17,596,227	0	17,596,227	--
B&G-WSA	4,661,719	11,558,827	0	0	0	16,220,546	0	16,220,546	--
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	15,732,281	--
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	0	20,645,525	--
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	15,732,281	--
Total	52,856,032	149,179,860	60,424,392	58,091,058	58,091,058	202,035,892	16,666,667	378,642,400	--
		202,035,892		118,515,450					

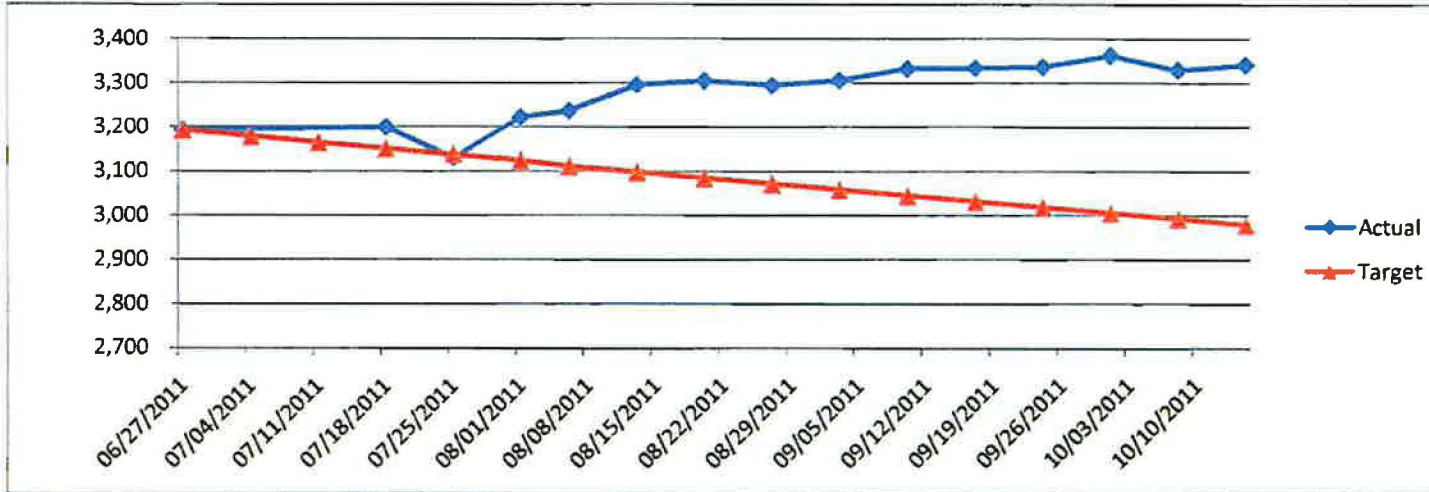
<b>With Amendment 8 Where Applicable (June 2011)</b>									
KVC-ESA	7,429,524	21,019,548	16,365,254	13,764,548	13,764,548	28,449,072	1,705,000	72,343,422	4,305,706
KVC-SESA	5,516,830	43,806,962	34,720,877	30,561,962	30,561,962	49,323,792	3,795,000	145,168,594	7,953,915
NFC-ESA	6,900,193	21,431,215	16,097,881	13,764,548	13,764,548	28,331,408	0	71,958,385	0
B&G-NSA	4,794,287	10,710,473	0	0	0	15,504,760	0	15,504,760	0
B&G-CSA	5,676,850	11,919,377	0	0	0	17,596,227	0	17,596,227	0
B&G-WSA	4,661,719	11,558,827	0	0	0	16,220,546	0	16,220,546	0
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	15,732,281	0
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	0	20,645,525	0
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	15,732,281	0
Total	52,856,032	154,679,860	67,184,012	58,091,058	58,091,058	207,535,892	5,500,000	390,902,021	12,259,621
		207,535,892		125,275,070					

<b>With New Nebraska Families Collaborative (NFC) (August 2011)</b>									
KVC-ESA	7,429,524	21,019,548	16,365,254	13,764,548	13,764,548	28,449,072	0	72,343,422	0
KVC-SESA	5,516,830	43,806,962	34,720,877	30,561,962	30,561,962	49,323,792	0	145,168,594	0
NFC-ESA	6,900,193	21,431,215	33,068,885	34,887,454	29,037,373	28,331,408	0	125,325,120	53,366,735
B&G-NSA	4,794,287	10,710,473	0	0	0	15,504,760	0	15,504,760	0
B&G-CSA	5,676,850	11,919,377	0	0	0	17,596,227	0	17,596,227	0
B&G-WSA	4,661,719	11,558,827	0	0	0	16,220,546	0	16,220,546	0
Visinet-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	15,732,281	0
Visinet-ESA	6,842,969	13,802,556	0	0	0	20,645,525	0	20,645,525	0
Cedars-SESA	5,516,830	10,215,451	0	0	0	15,732,281	0	15,732,281	0
Total	52,856,032	154,679,860	84,155,016	79,213,964	73,363,883	207,535,892	0	444,268,756	53,366,735
		207,535,892		163,368,980					

	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
With New Nebraska Families Collaborative (NFC) (August 2011)					
KVC-ESA	7,429,524	21,019,548	16,365,254	13,764,548	13,764,548
KVC-SESA	5,516,830	43,806,962	34,720,877	30,561,962	30,561,962
NFC-ESA	6,900,193	21,431,215	33,068,885	34,887,454	29,037,373
Total	19,846,547	86,257,725	84,155,016	79,213,964	73,363,883

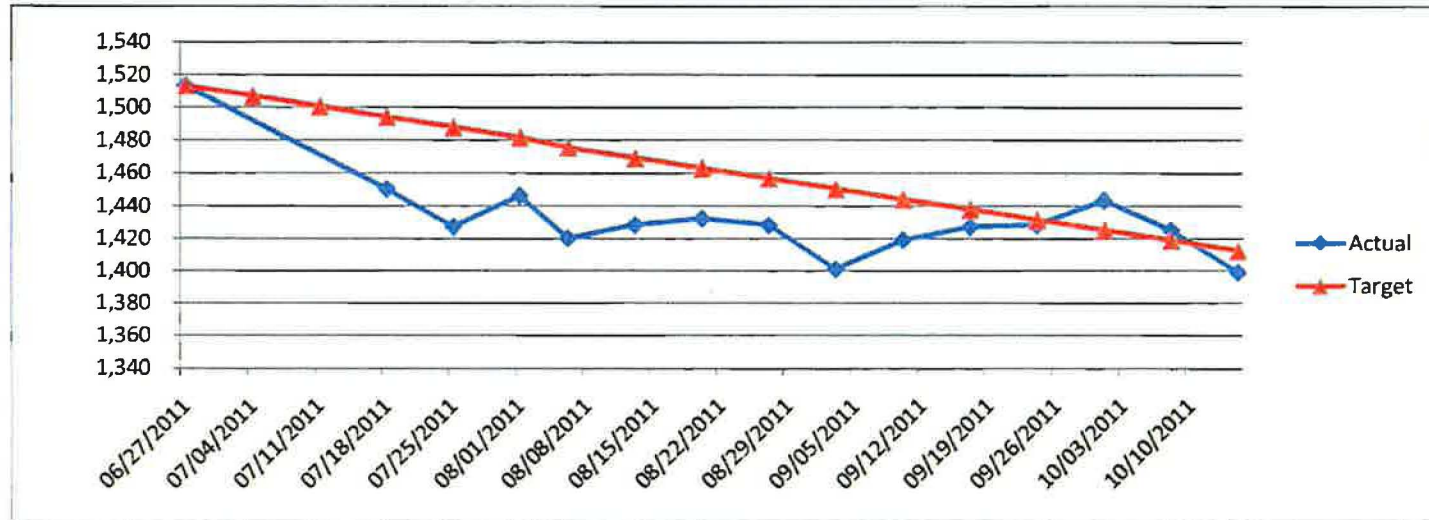
KVC Behavioral Healthcare Nebraska, Inc.  
All Children by Service Area

KVC - Southeast Service Area



As of October 15, 2011, actual exceeds target by 361 kids (difference was 95 as of August 1, 2011 and 246 as of September 3, 2011)

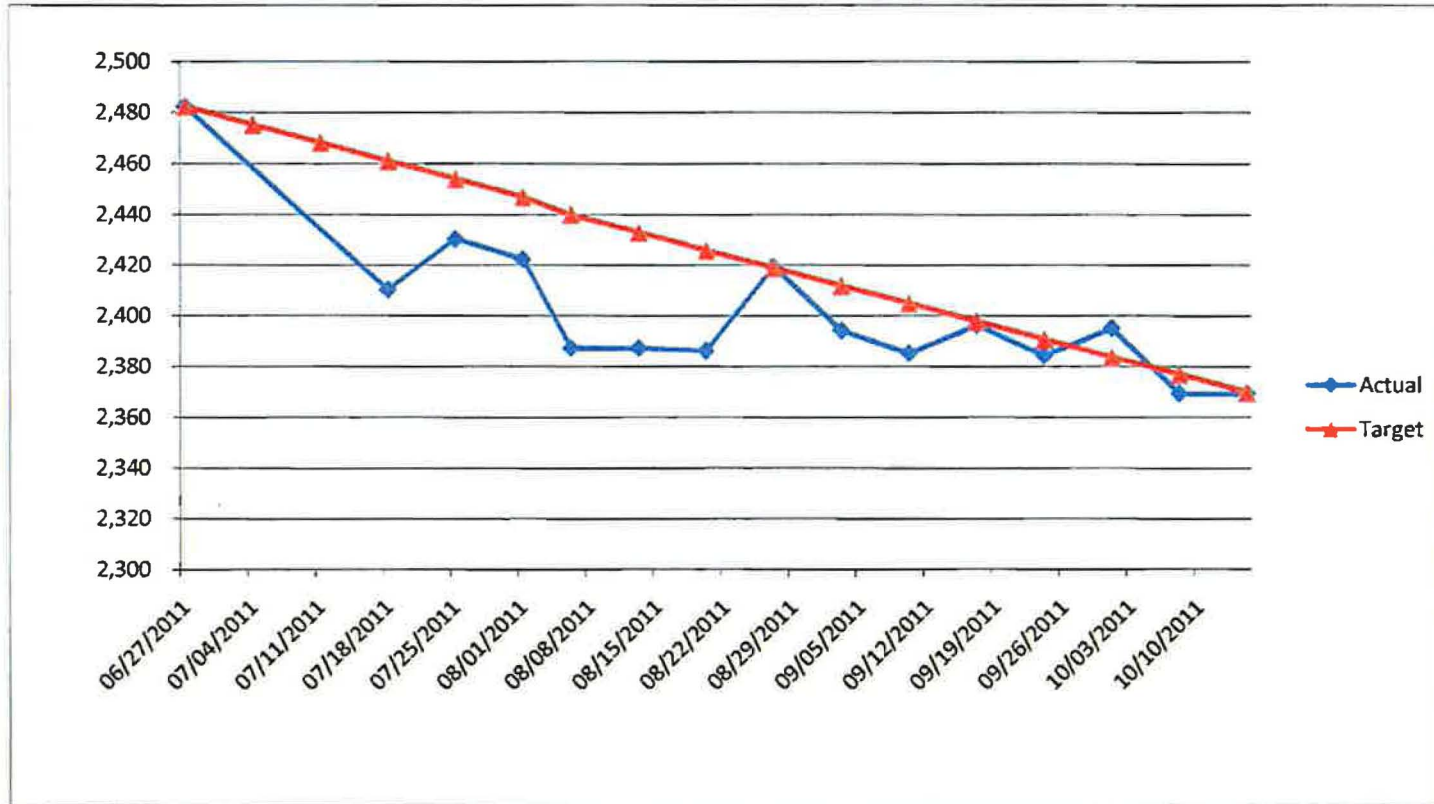
KVC - Eastern Service Area



As of October 15, 2011, target exceeds actual by 14 kids (difference was 36 as of August 1, 2011 and 49 as of September 3, 2011)

Nebraska Families Collaborative

NFC - Eastern Service Area

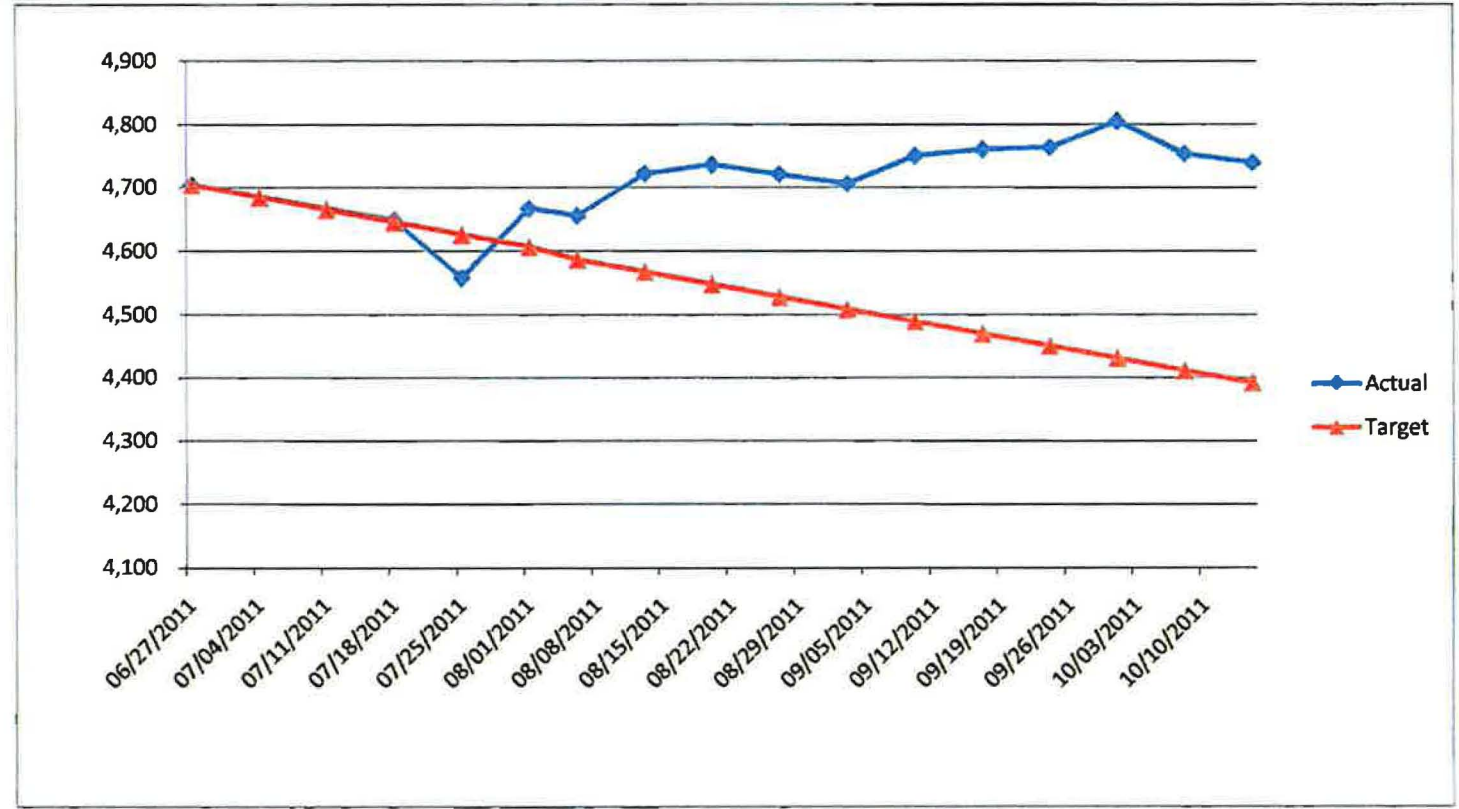


As of October 15, 2011, target exceeds actual by 1 kid (difference was 25 as of August 1, 2011 and 18 as of September 3, 2011)

\* - Target amounts based on a 15% reduction for the fiscal year ended June 30, 2012

KVC Behavioral Healthcare Nebraska, Inc.  
All Children by Service Area

KVC - Combined



As of October 15, 2011, actual exceeds target by 347 kids (difference was 60 as of August 1, 2011 and 197 as of September 3, 2011)

\* - Target amounts based on a 22% reduction for the fiscal year ended June 30, 2012

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