

# Improving Outcomes for Children & Families through Performance Based Contracting - PBC



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# Presentation Outline



- ⌘ What is performance based contracting
- ⌘ Current PBC models
- ⌘ Required Components
- ⌘ Montana Pilot Project

# Performance Based Contracting Driven by State & Local Budget Issues



- ⌘ Government budget deficits are driving the need to decrease government spending in health care and restructure role of government in health and human services
- ⌘ State budgets are changing the basic operating assumptions of provider organizations
- ⌘ State Medicaid plans will be changing

# What makes a contract “Performance Based?”



⌘ Provider reimbursement is linked to established outcomes and quality improvements

☑ Results vs. Activities

☑ Incentives/Reinvestment Funds

☑ Flexibility

☑ Monitoring and Measuring Performance

# How is PBC different from other contracting mechanisms



- ⌘ Focuses on outcomes (real results) rather than service delivery or process adherence
- ⌘ Introduces financial element into service provision in a more direct way
- ⌘ Increases importance of data availability and quality for monitoring outcomes
- ⌘ Not a panacea – Just like anything else – without extremely thoughtful and knowledgeable design, PBC can end up with a “bad result”

# States With PBC –

We don't have to “recreate the wheel”



⌘ Connecticut

⌘ Delaware

⌘ Florida

⌘ Illinois

⌘ Kansas

⌘ Maine

⌘ Missouri

⌘ New York

⌘ North Carolina

⌘ Pennsylvania

All have PBC experience in  
child welfare and mental  
health

# Tennessee PBC Model



## Startup – 2006

- ☒ Department of Children & Families – Contract Agency
- ☒ Goal is to serve youth in the least restrictive most effective setting
- ☒ Per diem rate based on behavioral acuity, not placement setting
- ☒ Shared financial risk between state and providers
- ☒ Original plan called for expectations to increase number of youth served and to measure long-term outcomes
- ☒ Child Protective Services stays with DCF

# Tennessee PBC Model



## ⌘ Principles of PBC

- ☑ Move youth to permanency (permanent outcomes) more quickly without increasing re-entries into care
- ☑ Reward providers by returning state savings achieved through lower care day utilization
- ☑ Penalize providers who exceed care day expectations by having them reimburse the state share of excess days
- ☑ Tie portion of incentive/penalty to number of permanent exits and re-entries into care



# Tennessee PBC Model



- ⌘ Number of youth in State custody before PBC was approximately 10,000
- ⌘ Number of youth in State custody since PBC is approximately 8,000
- ⌘ 5,000 youth served per year with PBC
- ⌘ PBC in 5<sup>th</sup> year of implementation

# Tennessee PBC Model



## ⌘ PBC Goals

- ☑ 10% decrease in average care day utilization
- ☑ 10% increase in permanent exits
- ☑ 10% decrease in re-entry within one year

# Tennessee PBC Model



## ⌘ PBC Results

- ☑ Nearly 135,000 care days saved in the first 3 years (8% reduction)
- ☑ 167 more permanent exits than expected were achieved (6% increase)
- ☑ Re-entries remained virtually unchanged
- ☑ Accuracy of State data has improved

# Tennessee PBC Model



## ⌘ Structure

☑ Youth divided into populations based on

☑ year of admission

☑ strata - factors associated with length of stay

- Dependent/Neglect or Unruly 0-13, less than or more than 2 years in care, or at admission
- Dependent/Neglect or Unruly 14+ in care, or at admission
- Juvenile Delinquent in care, or at admission
- Baseline expectations adjusted every 3 years

# Tennessee PBC Model



## ⌘ Youth selected for PBC

- ☑ Must be in State custody

- ☑ No Sexual offenders allowed in PBC

# Tennessee PBC Model



## ⌘ Provider Selection

- ☑ All PBC providers must be State licensed and nationally accredited
- ☑ Must meet State guidelines and Administrative Rules
- ☑ Must provide full continuum of care
- ☑ Retrospective review is always a course of action for the State
- ☑ Providers retain right to deny services

# Tennessee PBC Model



## ⌘ Provider Selection (cont.)

- ☑ PBC providers have flexibility to subcontract with other providers that are not primary PBC providers
- ☑ The PBC provider determines the rate paid to the subcontracted provider

# Tennessee model - PBC



⌘ PBC Provider selection for the Child is based on

- ☑ Scope of services
- ☑ Demands and needs of the child
- ☑ Geographic location sometimes a factor



# Tennessee PBC Model



## ⌘ Case/Treatment Planning & Utilization Review

- ☑ State always has a case worker overseeing care
- ☑ State has continual oversight and final say on changes in care
- ☑ All UR is handled “in house” by provider along with a State case worker

# Tennessee PBC Model



## ⌘ First Year Startup

- ☑ 2 PBC providers selected
- ☑ all PBC providers had a hold harmless clause in contract
- ☑ All were eligible to earn incentives
- ☑ Rotation used for year 1

# Tennessee PBC Model



- ⌘ Length of Service averages between 180 days at the lowest and 250 days at the highest
- ⌘ Rates based on 4 levels of functionality

# Tennessee PBC Model



## ☒ How Rates are paid

- ☒ Tennessee Department of Children's Services pays for all case management and child welfare services with State GF
- ☒ Medicaid pays for mental health/treatment services

# Tennessee PBC Model



## ☒ **REVENUE MODEL**

- ☒ Average care day utilization - incentive/penalty
- ☒ Exits to permanency – adds 5% to 6% depending on rate of success
- ☒ Re-entry within one year – adds 5% to 10% depending on rate of success
- ☒ Performance is evaluated semi-annually
- ☒ Incentives/penalties are calculated and paid annually
- ☒ Only State GF is used to pay Incentives

# Tennessee PBC Model



## ⌘ Provider/Program Model Revisions in Response to PBC

- ☑ More intensive Utilization Review (in house)
- ☑ Broader, more intensive family searches/focus on transition work with families
- ☑ Stronger focus on permanency in supervision and consultation processes
- ☑ Addition of new evidence-based interventions for this population
- ☑ Targeted case review by program leadership (overlaps with operational response to PBC)

# Tennessee PBC Model



## ⌘ Has PBC improved your services?

☑ Dr. Tim Goldsmith, Youth Villages responded with:

☒ "PBC has forced us to look at what we are doing instead of focusing on keeping the census up"

☒ YV serves approximately 700 youth per year for 5 years in Tennessee through PBC

☒ YC serves 3000 youth daily and over 16,000 youth annually.

☒ YC employs more 2,300 staff at 64 locations in 10 states and District of Columbia

# Montana Pilot for PBC



## Critical Competencies for Success in PBC

- ⌘ DPHHS and qualified Montana providers must be able to demonstrate
  - ☑ Contracting Skills
  - ☑ Unit costing capability
  - ☑ Systems to measure and analyze data
  - ☑ Mechanisms to quickly address inability to meet performance standards
  - ☑ Leadership



# Montana Pilot for PBC



## ⌘ Defining Success

- ☑ Performance goals should reflect and reinforce the agency's broader system objectives
  
- ☑ Performance goals must allow for discernment of the clinical treatment needs of a child versus only the incentive of discharge and permanency

# Montana Pilot for PBC



## ⌘ Defining Success (cont.)

- ☑ Contracts should be designed to address specific system deficiencies or inefficiencies
- ☑ Must involve all stakeholders (families, providers, DPHHS, legislators and local community leaders) in the planning process
- ☑ Might require legislation to launch a pilot

# Montana Pilot for PBC



## ⌘ Selection of Performance Measures

- ☑ Performance indicators should be clearly measurable, fair and in the best interest of service recipient
- ☑ Define baseline (current performance level) and set level of expected performance

# Montana Pilot for PBC



## ⌘ Collaboration with Providers

- ☑ Involve providers in the establishment of performance indicators and reporting procedures

## ⌘ Ensure capacity in Providers

- ☑ Define provider qualifications and readiness
- ☑ Conduct feasibility study of current provider capacity

# Montana Pilot for PBC



## ⌘ Staff and Contractor Training

- ☑ Define roles and responsibilities between private and public staff
- ☑ Require thorough training on processes and procedures in advance of implementation

# Montana Pilot for PBC



## ⌘ Internal Management Systems

- ☑ Thorough and ongoing review and updating of Administrative Rules, policies and procedures to ensure they support cost effective quality services
- ☑ State of the art Information Technology and Data System are key to measuring and monitoring performance

# Montana Pilot for PBC



## ⌘ Effective Contract Monitoring

- ☑ Focus on outcomes
- ☑ Time and resources typically spent on monitoring routine tasks will be reduced
- ☑ Consequences for not meeting standards must be thoughtfully considered during planning
- ☑ Agencies must have the ability to enforce the consequences if providers fail to meet contract requirements

# Montana Pilot for PBC



## ⌘ Time Limited Pilot Project Proposal

☑ FY 2013 – FY 2018

## ⌘ Contract agency: DPHHS

☑ Child & Family Services Division

☑ Children's Mental Health Bureau

☑ Limited number of qualified providers

## ⌘ Identify Geographic Area

## ⌘ Youth must be in State Custody



# Montana Pilot for PBC – Next Steps



## ⌘ **Work with Efficiencies in Government Committee to:**

- ⊗ Begin outlining a potential plan and proposal
- ⊗ Establish timelines and objectives
- ⊗ Invite DPHHS staff to participate
- ⊗ Set up webinar sessions with public agency and provider experts from identified states
- ⊗ Report back to EG Standing Committee – January 2012

# Montana Pilot for PBC



⌘ **THANK YOU!**

⌘ **Questions**