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Mr. Chairman and Members of the Special Committee on Foster Care Adequacy

My name is Marilyn Jacobson. I am CFO and General Counsel for KVC Health Systems, Inc. I am grateful to have the opportunity to testify today about the foster care system in Kansas. KVC Behavioral HealthCare, Inc. (KVC Kansas) is a subsidiary of KVC Health Systems, Inc. KVC Kansas is headquartered in Olathe and is a private, nonprofit 501(c) (3) organization that enriches and enhances the lives of over 18,559 children and families each year by providing medical and behavioral healthcare, social services, and education. KVC's diverse continuum of services includes foster care, adoption, in-home family therapy, and behavioral healthcare. In its 45 year history, KVC has grown from a single Kansas home for boys to an organization serving tens of thousands of children. Currently KVC is one of two Child Welfare organizations contracting with the Department for Children and Families to provide Foster Care, Adoption and Family Preservation services, with KVC responsible for a 30 county region in the Eastern half of the state. KVC was one of the original Foster Care Contractors that began in 1997.

As for my personal background, at the time SRS was planning to move to a public / private partnership in 1995, commonly called privatization, I moved from my position in the Topeka SRS office as the attorney covering abuse and neglect cases to the Resource Development Unit Manager and Internal Quality Assurance Unit (IQAMU) (ACLU Settlement) Manager in Central Office. When the implementation of privatization began the unit name changed to Grants / Contracts to more closely reflect the change in contracting. Later I was promoted to Deputy Commissioner, Children and Family Services Commission and ultimately Assistant Secretary, Children and Family Policy. Additional experience I have in child welfare includes being a Child Care Worker in an emergency shelter in Topeka operated by Kansas Children's Service League pre-privatization. Also one of my two specialties in the Army was Community Services which entailed oversight of child care, pre-schools, family day care, abuse / neglect investigations and foster care on the base. I have been working for KVC for the past 4 years.



Background: KVC and its current leadership have had the unique privilege of working within Kansas child welfare under both a state-operated system as well as a privatized system. From 1970 to 1996, KVC served as a private, nonprofit agency providing a range of services under contract with the state; these services included: inpatient treatment; residential; group home; shelter; foster family recruitment, training and support; adoption; in-home and outpatient services. During that time, nearly all statewide child welfare services were provided by private, nonprofit organizations with the exception of the state-operated Child Protection Services and Case Management for Family Preservation, Foster Care/Reintegration and Adoption, as well as some state-sponsored foster family care. From 1989 through 1996, this state-operated system was under the cloud of an ACLU lawsuit due to its inability to meet the needs of children and families in its care. Beginning in 1996, the state's system reform initiative transitioned Case Management responsibility to private contractors and transitioned state-sponsored foster families to private providers. In making these transitions, the bar for performance was raised significantly by identifying measurable outcomes and contractual requirements with high levels of accountability and monitoring. This system shift also replaced fee-for-service payments with fixed reimbursements based on an average case rate although the payment model has changed during and with each new contract. Private contractors worked closely with the state, court systems, community providers, foster families and other stakeholders to build strong relationships and networks to creatively and successfully address the needs of children and families that have come into state custody. Since 1996, KVC has served as a lead contractor under this model through numerous iterations of contract requirements and funding methodologies. We have seen the Kansas child welfare system operate far more effectively under this system, including meeting the requirements of the lawsuit and coming out from under its oversight by 2002--the first state to achieve such a feat. The past decade has brought significant, positive national attention to Kansas child welfare for leadership in areas such as safety outcomes, safe and effective reduction of residential usage and enhancements like its KIPP program, trauma treatment and brain science initiatives.

Under the state-operated system, numerous problems were identified by SRS prior to privatization. These included:

- Overworked social workers;
- Recruiting foster parents or adoptive parents often takes a backseat to the immediacy of investigation and out-of-home placements resulting in children remaining in state care much longer than necessary;
- Family preservation only available in 44 of the state's 105 counties;
- Services only available when SRS offices open – Monday through Friday, 8 to 5;
- Children often rejected by foster care providers or ejected from their care;
- Too many children unnecessarily in residential care instead of family foster homes (only 75-78% of children in out-of-home care in family settings);

- ACLU settlement agreement for class action lawsuit originally filed in 1989 was very complicated and paper intensive (153 elements were identified as needing significant improvement). Ultimately resulted in complicated Settlement Agreement and monitoring through Children's Rights;
- Little to no reliable data available;
- High readmission into foster care rates, reportedly as high as one-third; and
- Legislative Post Audits showed child welfare changes needed.

In addition to the negative impact on children and families, challenges such as these resulted in cumbersome and expensive oversight for Settlement Agreement monitoring. These collectively resulted in the subsequent decision to privatize Family Preservation, Foster Care/Reintegration and Adoption case management services and transition all foster family care to private providers. These transitions were completed by the end of FY97 with the state maintaining responsibility for Child Protection Services, contract monitoring and oversight.

Immediate System Improvements under privatization, driven by specific contractual requirements included:

- No reject, no eject requirement, ensuring that every child or family needing service could not be turned away;
- 4-hour requirement to take physical custody of a child following referral, ensuring the children were no longer inappropriately sleeping in hospitals or state offices;
- 24/7/365 Centralized Admissions;
- 24/7/365 Crisis Support to families and providers;
- An immediate reduction in caseload sizes;
- The addition of at least a full year of Aftercare Services to increase safety and reduce readmissions into care;
- Family Preservation expanded into 61 new counties to ensure equal access in all 105 counties;
- The identification of measurable outcomes and standards for accountability (not previously in place for the state);
- Extensive monitoring by the state as well as external sources;
- Requirement that contractors be accredited (adding another layer of external monitoring) --not a requirement for the state; and
- The development of significant management information systems and subsequent reliable data for monitoring and decision making.

System Improvements Realized Within the First Four Years

With the hard work and collaboration of all child welfare stakeholders, many positive outcomes were realized within the first few years of the privatized system, as identified by external monitors. These included:

- Increased family engagement in Family Preservation.

- High Safety Rates in Family Preservation:
 - 97% of children remained safe in their homes within 90 days of referral;
 - 95% of children remained safe in their homes 6 months after program completion.
- High Safety Rates in Foster Care:
 - 99% of children were safe from abuse in foster care (Standard 98%).

Another external report published within the first two years by The Research Institute on *Foster Care and Adoption: Privatizing Child Welfare* included comments such as: “During the first six months of operation, the contractors met and exceeded outcome goals related to child safety, minimizing placement moves, maintaining siblings together in placement, and placing the children in or close to the child’s home community.” And, “Since the privatization of adoption service there has been a 44 percent increase in the number of adoptions finalized.” Adoptions increased 78% during the first four years of the contract.

Due to significant, early system improvements such as these, in 2001, Children’s Rights, Inc. Executive Director Marcia Lowry indicated that “The Kansas child welfare system has made significant and measureable improvements in child safety and permanence and child and family well-being as measured by compliance with the lawsuit settlement agreement.” Children’s Rights credited significant system reforms such as The Adoption and Safe Families Act and identification of measurable outcomes as well as the Privatization of Family Preservation, Foster Care and Adoption services as significant factors leading to the successful achievements. Kansas became the first state to successfully exit a Children’s Rights Settlement agreement. As noted in the Executive Summary of an LPA report dated August 2002: “The Settlement Agreement will expire on June 30, 2002. *SRS and Children’s Rights, Inc. have agreed that SRS is in substantial compliance with the settlement agreement requirements and the agreement expired on June 30, 2002.*”

To put this into context, there are currently 15 state-operated child welfare systems in the country under Settlement Agreements. Two of these have been in place since 1989. Eight had termination dates further extended just this year due to lack of compliance. Three have no termination dates in sight. In systems operating under ACLU/Children’s Rights Settlement Agreements decisions are made at the discretion of appointed monitors or court trustees, but paid for by the state, including significant legal fees.

Additional System Improvements: Standard Operations

Building upon those early results, many additional improvements have been made that have since become standard practice.

- Adoption: As noted above, the number of Adoptions Finalized increased significantly in the first few years. This trend continues to date. The number of Adoptions

Finalized during State Fiscal Year (SFY) 1996 was 352 as compared to 755 by private contractors during SFY 2016--over a 100% increase. These high numbers have held steady for over a decade including achievement of 816 Adoptions in a single year.

- Foster Family Licensing: Statistics showed that during the four-year period from 1993 to 1997 on average, under the state-operated system, the annual number of licensed foster homes was 1,999. Under the privatized model, Kansas Child Placing Agencies, from 1998 to 2002 achieved an annual average of 2,427 homes, representing a 21% increase. This has remained relatively constant since that time even while realizing a significant increase in the loss of licensed families each year for the positive reason of adoption. Increased efforts at relative searches have also resulted in more family placement options for children, but the need remains great and recruitment initiatives are in place throughout the state.
- Information Systems: The development of extensive management information systems and the depth of information not only now provide real-time, reliable data for decision making but provide a foundation for leading research and predictive analytics in the field. This was recently noted by the national Child Trends research center.
- Evidence Based Practice Tools and Methodologies have been embedded into the child welfare system, including but not limited to:
 - Safe & Connected Framework for group decision making;
 - Structured Decision Making assessment tools;
 - Child and Adolescent Functional Assessment Scale;
 - UNCOPE –Drug and Alcohol Assessment;
 - Child Stress Disorder Checklist;
 - CROPS – Child Report of Post-Traumatic Symptoms;
 - Trauma Systems Therapy and Trauma Informed Care;
 - Parent Management Training;
 - Motivational Interviewing;
 - Family Centered Assessments and Practice;
 - Strengthening Families Program;
 - KAPP: Kansas Adoption Permanency Project;
 - Parenting Stress Index; and
 - Ages and Stages Questionnaire.
- Medication Monitoring has been in place for a number of years with automated alerts sent to KVC medical professionals for review and/or consultation when dosage or a combination of medications creates potential reason for concern. This is incredibly important, yet not typically available, in child welfare systems.

As referenced above, with the Adoption and Safe Families Act came the identification and subsequent monitoring of the first national standards for Safety, Permanency and Well-Being. With the state's focus on child protection services and contractors on direct services, Kansas realized some of the strongest scores in the nation. With Safety as a primary function of a child welfare system, contractors, the state, all child placing agencies and stakeholders have worked especially diligently to Reduce the Incidence of Child Abuse and/or Neglect in Foster Care (CFSR Outcome #2.1). The following results represent the Percentage of Children NOT maltreated while in foster care for each year published to date:

- 2000 99.51%
- 2001 99.50%
- 2002 99.39%
- 2003 99.55%
- 2004 99.47%
- 2005 99.87%
- 2006 99.89%
- 2007 99.89%
- 2008 99.99%
- 2009 99.95%
- 2010 99.91%
- 2011 99.89%
- 2012 99.80%
- 2013 99.71%
- 2014 99.76%
- 2015 99.71%

While 100% will always be our collective goal, under the privatized system Kansas has consistently performed above 99% to date in this important national safety standard.

With continued efforts on the part of all child welfare professionals and stakeholders, many positive outcomes have been realized:

- Consistently strong safety rates as indicated by CFSR measures, representing some of the highest in the nation as indicated above.
- A right-sizing of residential treatment care, resulting in approximately 95% of children in out-of-home care being cared for in a family setting as opposed to congregate care (reportedly 75-78% pre-privatization).
- A safe reduction in lengths of stay in residential treatment for children in foster care from over a year to a current average of 53.41 days (KVC PRTF data) --the lowest known in the nation.
- A reduction in re-entries into foster care following achievement of permanency to a range of 5-8%--reportedly as high as 33% pre-privatization.

- A significant increase in placements with relatives or non-related kin to an average over 40%--compared with a reported average of 17% pre-privatization.
- A significant increase in child placement in, or closer to, their home communities.
- A significant increase in sibling groups being placed together.
- A significant decrease in the length of stay in out-of-home care.
- Private fundraising: over \$16 million raised privately by KVC alone, to enhance services to children and families and that otherwise would not have been available through a state entity, and much more by other contractors and community providers.

Privatization in child welfare has occurred in varying degrees and versions across the country, drawing strong interest from out-of-state and for-profit entities hoping to gain from these initiatives. Contractors across Kansas, since its inception, have all been Kansas nonprofit community agencies with strong investments of time and resources in its child welfare system long before the state's decision on system reform. Implications included:

- With significant risk and little available data, organizations stepped up to partner with the state on this innovative approach to improve services to children and families.
- State leadership often stated that this was not an effort to save money but to improve the quality of services for children and families and get out from under the lawsuit.
- The contractual requirements for new services (24/7 Centralized Admissions, immediate reductions in caseload sizes, expansion of Family Preservation to an additional 61 counties, the addition of a full year of Aftercare services to families, 24/7/365 crisis response, the creation of management information systems and quality assurance units...) immediately raised costs.
- Additional, unintended (but much-needed and well-deserved) consequences that impacted cost included immediate increases in social worker salaries, foster family payments and placement provider rates that hadn't been increased in years. With the new environment of healthy competition, these were driven up quickly and then stabilized at more appropriate levels.
- Contracts since the beginning have represented various funding methodologies that resulted in losses for some years and in gains for others. When contractors realize a gain, it does not go into shareholders' pockets but, instead, is reinvested in services or held for the "rainy days" that always come. The current methodology is a modified cost-reimbursement system in which the contractor receives a set rate for a year. If there is a profit, it must be paid back to DCF. The next year's rate is determined using the previous year's actual allowable expenses with allowance for inflation and known increased cost drivers. This system provides risk to the contractors in that they are not reimbursed if a year's expenses are in excess of the set rate.

Contractors operate without the safety net of a state, without the protection of the Tort Claims Act in case of a lawsuit and without the ability to create a rainy day/savings fund for inevitable emergencies. Yet, Kansas has providers who are fully invested in working with DCF to provide quality services to the Kansas children and families.

What are the advantages or benefits of privatization?

- Greater flexibility due in part to the blended federal funding as opposed to the state's funding silos;
- Greater flexibility/less bureaucracy especially in areas such as staffing to include evening and weekend coverage;
- Creation of an environment of healthy competition and accountability not often witnessed in state-operated systems;
- Allows the state the freedom to consider the broader picture while private providers manage the day-to-day issues;
- Allows for specialization: the state focuses on gaining expertise in Child Protection Services and the front door while Contractors focus on expertise in direct services to children and families;
- State can identify and monitor requirements and priorities;
- Eliminates the inherent conflict of interest created when states are charged with monitoring themselves;
- Private providers can raise funds privately to inject into the system for enhancements;
- Private providers have the flexibility to fill service gaps to avoid waiting lists in areas such as mental health, medical or community programs;
- Private providers employ physicians, nurses and dieticians to provide timely care and quality oversight;
- The state can continually raise the bar in contract requirements and outcomes as achievements are made;
- Private providers have greater staff flexibility such as to provide therapy and parenting services in the home, where change must occur, as opposed to in an office. This work often occurs on evenings and weekends when parents are available;
- Many staff and foster parents have expressed greater willingness to work with a private, nonprofit as opposed to a state agency;
- Private agencies can often and more easily remove or change an ineffective process or employee;
- There is a greater incentive to perform well to maintain contracts (state agencies aren't at risk of losing work);
- Increased oversight, transparency and accountability with private entities; and
- Private provider flexibility allows for tailoring services to individual needs.

What are the disadvantages or drawbacks of privatization?

- Significant risk placed on contractors without resources or protection available to a state;
- Private agencies can't compete with state agencies' benefits (health plans, KPERS...) to recruit staff;
- Potential for routine contract changes causes many strong staff to ultimately leave child welfare – lack of job security that state agencies provide;

- The potential exists for a state to select a provider or providers whose priorities for children and families do not match those of the state; and
- Contractors have the ability to walk away from a contract.

Should foster care and adoption remain privatized or return to being a state-operated system?

We believe the facts speak for themselves. The significant, overall improvements in Kansas child welfare under a privatized system cannot be ignored. Children and families served by the Kansas child welfare system during the past two decades have fared far better than in the state-operated system in place for decades prior. This is not to say that this represents a perfect system. Many identified challenges and barriers that are currently plaguing most other states' child welfare systems have been addressed: high safety rates, no reject/no eject providers, significant increase in children being cared for in family settings as opposed to unnecessary and expensive residential care, significantly reduced re-entries into foster care, trauma initiatives far ahead of the nation, and significant evidence-based practices and research initiatives underway, providing leadership for the field. But other barriers still exist and/or are re-emerging with constantly changing environmental influences including things like increased competition for social work staff and the impact of substance abuse on our nation's families.

The Kansas privatized child welfare system represents two decades of learning and applications of lessons learned. The foundation that has been built is one designed to drive continual performance improvement in processes, services and outcomes. Many system improvements have been achieved since the original contracts, leading to the development of new outcomes and increased standards. Just one example pertains to the monitoring of children's geographic placements. Prior to system reform, children were placed all over the state, utilizing the first available placement option without regard to distance from their families. During the first contract round the requirement was for the majority of children to be placed within their own region of the state. With significant achievements this was elevated to placement within their own, or contiguous, county. The target for the current contract is toward placement within a child's home/school community. Funding methodologies have also been revised on numerous occasions over the past two decades, including again in the most recent version.

While the current system is not perfect by any means, it is better than most we have seen--public or private. The current Kansas system represents a strong foundation for continued advancement in quality services. We believe in constantly working to raise the bar from the existing foundation. And this can only be achieved by the efforts of many: private contractors, the state agency, the judicial branch and all community providers.

From a report published by Professor Nancy Snyder of Wichita State University in 2003 after studying the Kansas child welfare system: *“Child welfare is messy and difficult. There is no other field (except maybe law enforcement) so easily and often second-guessed, so dependent upon and vulnerable to different systems (courts, prosecutors, mental health, developmental disabilities, education, health care, facilities regulations...) so often exposed to the very worst that people can be and do. The workers who do child welfare every day have become my heroes.”*

This rings true yet today. Social workers and other staff who are out there working with children and families every day are our heroes, but child welfare remains messy and difficult. The Kansas privatized system and KVC as an organization have enjoyed strong periods of caseloads and staff turnover much lower than national standards, but unfortunately, that is not the case in recent years. The impact of staffing and supervision in this field is tremendous in the achievement of positive outcomes for children and families. But this is neither a “public” nor a “private” issue; it is an issue facing public and private child welfare organizations across the country in this exceedingly challenging and complicated field. Recent reports pertaining to turnover in child welfare indicate an average tenure of 18 months for state administrators and 2 years for direct care social workers. KVC administrators have provided continuity and stability throughout our 46-year history, averaging 20+ years in Kansas child welfare. Unfortunately, the tenure of our direct care staff is currently being impacted by numerous factors including lower numbers of students choosing the field of social work, increased competition for social workers with entities such as managed care organizations and hospitals, and an increased need for staff due to higher numbers of children in foster care, mirroring national trends. The current negative environment is also affecting the morale of social workers (public and private) and child welfare organizations working to improve services across our state.

We know that addressing these current challenges is our responsibility as a state contractor. Toward this end, we have initiated numerous strategies to support staff and improve recruitment. We have also launched initiatives to increase foster family and relative resources for children. The impact of drug addiction on foster care nationwide has been tremendous. Five years ago, foster care numbers nationally were on the decline, but in recent years, there has been an upsurge strongly affected by parental substance abuse. This is an area of emphasis for KVC and will be a continued collective focus throughout its network of providers.

So much good has been accomplished and so many gains made for children and families in Kansas child welfare over the past two decades. Turning over the system has the potential to dismantle many of the improvements that have been achieved and halt initiatives underway. The change would create significant turmoil and likely exacerbate the primary issue of staff

recruitment/retention and placement opportunities, by further driving strong professionals and foster families from this important field. KVC agrees with a quote from former Senator Steve Morris when he said, “*Prior to privatization, everyone was satisfied with mediocrity. Today we’re striving for excellence.*” (Press release dated January 26, 1999 from Kansas Senate Majority Leader Tim Emert)

Professor Snyder concluded in her report that, “*The public child welfare system will always struggle with inadequate resources and will never be perfect. Simply changing **who** delivers child welfare services cannot change the horrendous conditions under which some children live, the economic instability of many families, or the impossible decisions that workers have to make. Kansas has already demonstrated that it is willing to be bold and creative. These problems do not mean that Kansas cannot continue to improve, to leverage private resources, to maximize the utilization of the commitment and compassion of nonprofit agencies, to optimize the valuable experience and skills of public human service workers, to strengthen partnerships among branches of government, and to move closer to the best possible results for the State’s citizens and its vulnerable children and families.*”

Thank you and I will stand for questions.

CW Issues Pre-Privatization	Achieved Through Privatized System	Most Pressing Current Issues
Unknown Safety Rates while in FC	Over 99% Safety Rates annually in foster care	
75-78% of children in FC in a family setting	92-95% in a family setting	
A reported 33% children re-enter care	Re-entry rates in single digits for decade	
Operating Under ACLU Lawsuit <i>153 elements to achieve</i>	First state to exit lawsuit (2002) <i>ASFA & Privatization credited</i>	
Lack of Accountability or Monitoring	Outcomes based contracts with state and external monitoring	
State available M - F, 8AM to 5PM	24/7/365 Admissions and Crisis Support	
Family Preservation in 44/105 counties	Family Preservation services statewide	
No Aftercare Services	Aftercare Services available to all families	
No reliable data available	Real time, reliable data on all children	
No Evidence Based Tools/Methodologies	Many Evidence/Research Based Tools Embedded	
High Caseloads (<i>Reported avg. of 1:31</i>)	KVC caseloads average up to 1:14 during most years under privatization. This issue has re-emerged with higher numbers in care.	While team caseloads remain lower than pre-privatization, (1:15.5) continue to address.
High Staff Turnover	KVC enjoyed very low staff turnover as compared nationally in the field. This issue has re-emerged with higher numbers of children in care.	Numerous strategies are in place for staff recruitment/retention.
Lack of available community resources <i>Placements, MH services, SA services...</i>	Addressed significantly until recent years of higher numbers of children in care.	Initiatives are in place throughout network to address gaps.