Appendix III

Summary of Title IV-E Child Welfare Waiver Demonstration Projects
November 2003[1]

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

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

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

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

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

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

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

Table 1. Title IV-E Waiver Demonstration Projects

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

* These States completed their demonstration projects/components.
** These States terminated their demonstration projects in 2003.

I. Common Themes

A. Assisted Guardianship/Kinship Permanence

Seven States (Delaware, Illinois, Maryland, Montana, New Mexico, North Carolina and Oregon) were awarded demonstration projects to provide relatives and foster parents who are providing care for children in the custody of the child welfare agency with the opportunity to become the children's legal guardians. This option is offered to relatives and foster parents who have been providing stable homes, typically for at least one year, for children for whom neither adoption nor reunification is an option. In Montana and New Mexico, children under the jurisdiction of the Tribal courts are included in the demonstration project. The intent of the demonstration projects is to provide children with permanent, safe and stable homes while reducing the extent of child welfare agency and court oversight. All States provide a monthly stipend that is equal to or less than the current foster care payment. States expect savings to accrue primarily from reductions in case management and court costs. The guardianships also are expected to result in a greater sense of permanence for children and their caregivers. Delaware completed its demonstration project in December 2002.

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

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

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

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

- Indiana has set aside 4,000 slots and is allowing counties to use up to $9,000 annually per slot to develop an increased capacity for home- or community-based alternatives to institutional placements. All counties pay any costs for foster care or related administrative expenses that exceed $9,000. Eligible children are those who are at risk of placement, or have already been placed, and who have substantiated reports of abuse/neglect. Services most frequently paid for with IV-E funds have been child and family counseling, parenting and homemaker skills. Job-related services, legal assistance and other services also are available.

- In North Carolina, 19 counties receive a capped amount of IV-E funds that may be used flexibly to meet the needs of children and families in the child welfare system. If a county's expenses are in excess of their IV-E allotment, the State and county will share the excess costs. Eligible children are those who are at imminent risk of placement or are already in placement. Counties use their funds in a variety of ways. Thirteen counties use funds to meet needs on a case-by-case basis. Other counties developed new services in house or entered into contracts with providers for such services as family support, assessment, adoption, substance abuse and mental health treatment and family reunification.

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

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

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

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

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

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

C. Services to Substance-Abusing Caretakers

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

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

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

- New Hampshire also hired substance abuse counselors to work with CPS staff. The State is serving families that have had credible reports of abuse/neglect due to parental substance abuse. The State is implementing the demonstration project in two of its districts.

- Illinois hired "recovery coaches" in one urban site to work with families after they have completed initial substance abuse treatment. Eligible families are substance-abusing custodial parents with a child in placement and parents who deliver drug-exposed infants.

- Maryland used multidisciplinary teams to provide comprehensive, coordinated services to families in three sites. Eligible families were those with mothers who have lost custody, or are at risk of losing custody, of their children due to substance abuse.

D. Managed Care Payment Systems

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

- In Colorado, one county negotiated a risk-based, performance-based contract with a consortium of service providers. Eligible children were those aged 10 and older who were deemed to be at high risk of, or already experiencing, "placement drift" and at significant risk of aging out of the system without a permanent family relationship. Children in high-cost residential care settings also were included. Each month, the county paid the consortium established rates for case coordination and residential care treatment for each client referred. Non-residential services were paid on a fee-for-service basis. At the end of the contract period, the State planned to calculate the average per case costs for youth in the treatment and control groups (excluding the 5 percent of youth in each group with the highest costs). If treatment group costs were lower than control group costs, the provider would receive full reimbursement for their costs plus a share of the savings, up to a specified limit. If treatment group costs were higher than control group costs, the provider would be responsible for a portion of the higher costs, up to a specified limit. Colorado terminated its demonstration project in June 2003.

- Connecticut contracted with lead service agencies (LSAs) in two sites to provide a continuum of services in treatment facilities and community-based settings to children, ages 7 to 15, who were in group or residential care and had behavioral problems. The contractors provided case management, group care, home-based services, outpatient services and aftercare. Contractors received a case rate for each

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

- Maryland contracted with a lead agency responsible for managing out-of-home care among service providers in the city of Baltimore. Eligible children include three subgroups: children entering foster care placement directly from home after a hearing; children entering foster care from kinship care; and children in care aged five and under. Siblings of any of these children in out-of-home care become part of the managed care group. The State negotiated a case rate with the contractor for each of 500 referred children. Providers assumed a risk of financial loss of as much as 10 percent of the case rate. Maryland completed this component of its second waiver agreement in December 2002.

- Michigan developed managed care contracts, with providers in six counties, to provide wraparound services for children in foster care or at imminent risk of foster care placement. Initially, these contracts called for standard monthly payments of $1,500 per child. As of October 1, 2001, Michigan re-negotiated its contracts to pay a single case rate for each child served ($14,272) regardless of the length of time that services were provided. The case rate was paid in nine monthly installments. If a child was adopted, reunified, transitioned to independent living or in a permanent foster care home, the provider received an additional "bonus" payment of $1,586. Michigan completed its project in September 2003. A final report is expected in June 2004.

- The waiver agreement in Washington State allowed the State to test different managed care approaches in different sites. In one county, the State made fixed monthly payments to a single contractor for each child enrolled in the treatment group. The contractor was the county, which was the mental health services provider for the area. The county used a wraparound team model for determining services for the enrolled children, ages 6 to 17, who were at risk of entering high-cost group or high-cost foster family care and who already were involved with the mental health or special education system. The State used a two-tiered payment structure. One rate applied to children who meet the criteria for group care. A second, lower, rate applied to children who met the criteria for high-cost foster care. The State and county each contributed a share of the funding to pay for services delivered by the contractor for treatment group children. The county was responsible for managing the funds. If costs for a specific child exceeded the fixed rate, the county could use pooled funds to cover those costs. The county was, however, at risk for costs of services that exceeded the amount in the pool for all children. Washington terminated its demonstration project in June 2003.; a final report is forthcoming.

E. Intensive Service Options

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

- In California, seven counties are developing their own intensive service programs to prevent foster care placement. The strengths-based service models include family conferencing and wraparound services. Eligible children are those at risk of placement and those in out-of-home placement and moving toward the goals of reunification, adoption or guardianship.

- Mississippi is using a new, child-focused, family-centered practice approach in eight counties to target factors that contribute to abuse and neglect. Eligible families are those with children in temporary or permanent placement, as well as moderate- to high-risk children at home.

F. Adoption Services

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

G. Tribal Administration of IV-E Funds

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

H. Enhanced Training for Child Welfare Staff

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

II. Research Evaluation Designs

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

Table 2. Evaluation Designs

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

III. Status of the Demonstration Projects

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

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

Table 3. Status of Interim and Final Evaluation Reports

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

✓ — Report received