

Basic Principles of the Tennessee Department of Children’s Services
Performance-Based Contracting (PBC) Initiative

PBC Model (Effective July 1st, 2016):

A new iteration of the PBC model in Tennessee became effective on July 1st, 2016. Moving forward, in addition to evaluating a PBC provider given its own past performance, a network-wide assessment component will be incorporated in addition to the three (3) traditional PBC outcomes. “Performance Banding” has now been introduced as a mechanism whereby PBC agencies are ranked and placed into corresponding categories, or Performance Bands. These bands separate agencies into areas of high performance, mid-range (or average) performance and lower performance.

The established PBC outcomes of care day use, permanency and re-entry will assist in determining in which band an individual provider falls. However, there are additional factors taken into account when placing an agency into its identified Performance Band. A risk adjustment is also employed to allow for individual PBC agencies’ variations in things such as placement stability, case mix, contract types, geographical location, etc.

Once a provider agency has been placed in its Performance Band (upper, average or lower), PBC outcomes are measured as they historically have been, factoring in care day use, permanency and re-entry. After the three (3) core PBC outcomes have been evaluated, the provider’s Performance Band placement is taken into account and its re-investment (or penalty, whichever applies) is adjusted accordingly.

Those placed in the high performing band receive a higher percentage of re-investment relative to their average and lower performing counterparts. The same is true with corresponding penalty calculations. Those in the high performing band who receive a financial penalty for less than successful outcomes will see that penalty reduced while those in the lower performing group will actually see an increase in the size of that penalty. It is important to note that once a provider has been evaluated and placed in a Performance Band, that placement does not change until such time as a “re-banding” of the entire network of providers is conducted.

Below are tables illustrating the various enhancement, or deduction, permutations of Performance Banding in the upper, average and lower Performance Bands. It should be noted that these calibrations are made to the original, *unadjusted* re-investment or penalty figure.

Placement In the Upper Performance Band

Enhancement for Permanency Exceeding Target	Enhancement for Care Day Use Exceeding Target	Enhancement for Re-Entry Rate Less Than Baseline Corridor
11%	110%	11%
Enhancement for Permanency Between Baseline and Target	Enhancement for Care Day Use Between Baseline and Target	Enhancement for Re-Entry Rate Within Baseline Corridor
5.5%	99%	0%
Adjustment for Permanency Below Baseline	Adjustment for Care Day Use Below Baseline	Adjustment for Re-Entry Rate Greater Than Baseline Corridor
-4.5%	-81%	-4.5%

Placement In the Average Performance Band

Enhancement for Permanency Above Target	Enhancement for Care Day Use Above Target	Enhancement for Re-Entry Rate Less Than Baseline Corridor
10%	100%	10%
Enhancement for Permanency Between Baseline and Target	Enhancement for Care Day Use Between Baseline and Target	Enhancement for Re-Entry Rate Within Baseline Corridor
5%	90%	0%
Adjustment for Permanency Between Baseline and Target	Adjustment for Care Day Use Between Baseline and Target	Adjustment for Re-Entry Rate Greater Than Baseline Corridor
-5%	-90%	-5%

Placement In the Lower Performance Band

Enhancement for Permanency Above Target	Enhancement for Care Day Use Above Target	Enhancement for Re-Entry Rate Less Than Targeted Corridor
9%	90%	9%
Enhancement for Permanency Between Baseline and Target	Enhancement for Care Day Use Between Baseline and Target	Enhancement for Re-Entry Rate Within Targeted Corridor
4.5%	81%	0%
Enhancement for Permanency Between Baseline and Target	Enhancement for Care Day Use Between Baseline and Target	Adjustment for Re-Entry Rate Greater Than Targeted Corridor
-5.5%	-99%	-5.5%

PBC Basics:

Providers are evaluated based on how well they achieve the outcomes for the youth they serve within the performance period. DCS evaluates each PBC provider on a *tri-annual (at the close of every third year of performance) basis to ensure accountability, cost-effectiveness of service provision and achievement of positive outcomes for children and families as evidenced by both qualitative as well as quantitative performance measurement as defined by DCS.

Note: For the purposes of the contract term that will begin on July 1st, 2017, outcomes relative to those youth already in care with a provider on July 1st, **2016** will be evaluated at the close of the 2017-18 fiscal year (a two [2] year performance window). This is the “In-Care” population.

All children and youth admitted at any point during the 2016-17 fiscal year will be evaluated using the three (3) year performance window. This is the initial “Admissions” population. The performance window for this group will close at the end of the 2018-19 fiscal year. Only admission cohorts for which at least three (3) fiscal years of activity can be observed will be under review at that time.

It should also be noted that any provider having no previous history of service to DCS custodial youth as a private provider shall only be held responsible for PBC outcomes relative to its FY 2016-17 (and subsequent fiscal years') admissions. Each fiscal year's admissions population will be subject to PBC evaluation at the end of that individual population's third fiscal year of service and any PBC financial calculation regarding those individual populations will be made at that time. Each provider is asked to improve from its current level of performance in three main areas: increasing Permanent Exits, decreasing Care Days and decreasing Re-Entry Rates.

Measures Currently Monitored Through PBC:

1. **Permanent Exits** – Permanent exits include adoptions, return to family or relative (reunification) or permanent guardianship. A child/youth must not be in state custody in order for permanency to be achieved.
2. **Care Days** – These are the number of days used by youth appearing on any of a provider's array of contracts in the given performance period. This is inclusive of all days in home-based care for those children in continuum contracts who are moved from agency care to their homes but who are still receiving services from the agency.
3. **Re-Entry** – Among those children who have reunified in the performance period, this is the number/percent who also returned to care with any provider during the same performance period, or within a full year post-reunification. Children returning more than one year after discharge are not counted as re-entrants.
4. **Non-Permanent Exits** – Includes Transfers and "Other" exits. These are defined as follows:
 - **Transfers** – A transfer occurs when a youth exits a provider's contract for any reason and goes on contract either to another provider or begins being served by a Departmental placement (Resource Home, Expedited or Kinship Home, Youth Development Center, etc.)
 - **"Other" Exit** – This is when a youth ages out of care or runs away and does not return to the provider from which they absconded.

Note: Outcomes regarding Permanent Exits, Care Days and Re-Entry have a direct effect on the year-end PBC fiscal calculation. Although Non-Permanent Exits are tracked, these outcomes generally do not have a direct effect on a provider's re-investment or penalty calculation.

Current Reports Disseminated to Providers:

1. **Baselines, Targets, and Actuals (BTA) Workbooks** – This is a key report for PBC providers, produced on an annual basis after the close of each fiscal year. This report focuses on permanent exits, non-permanent exits, care-day use and re-entry. It also includes the provider's fiscal calculation, letting them know if they have earned re-investment funds or will be required to remit any overpayment of funds in excess of baseline expectations.
2. **Monthly Activity Reports** – These are produced and disseminated to providers on a monthly basis and consist of data including strata, child-specific care-day usage within the current fiscal year, spell start dates, spell stop dates (if applicable) and the contract type with which a youth has been associated with since the beginning of their spell.

How Data is Analyzed:

Populations – In order to ensure comparability, youth receiving services are divided into population cohorts:

1. **In-Care Population** – The In-Care population consists of all children and youth being served by a provider as of the first day (July 1st) of the initial fiscal year of operation under a performance-based contract. In other words, if a provider began its initial year of PBC contracting in the 2016-17 fiscal year and on July 1st, 2016 had 50 youth in its care, those 50 youth would make up its In-Care population. This is a fixed population and at such time as the final In-Care child or youth exits care, outcomes for this population are then concluded. Youth who were receiving services in their home at the start of the initial fiscal year of operation under a performance-based contract are not included in the In-Care counts, nor are they included in the performance targets for the original In-Care group.
2. **Admissions Population** – Those youth who enter care with an agency over the course of a given fiscal year. The admissions in each fiscal year window are treated individually with regard to PBC outcomes. Additionally, in this population it is possible for a youth to have a duplicate count if the child entered into care during the fiscal year, exited care during that same year and re-entered care again within that year. For this reason, the term “**child spells**” is used with this population.

Children and youth whose spells are fewer than five (5) days, who start their contract receiving in-home services, who are 18 or older at the start of their spell, or who spend over 50 percent of their spell in emergency or detention settings are excluded from both the baselines and the performance analyses.

***Note: In-Care and First Year Admissions Populations Entering Their Fourth Year** – Those youth *remaining* in a provider's care from its original In-Care population as well as its first year Admissions population, *and any subsequent Admissions population entering its fourth fiscal year*, will not be eligible for the banking of care days in prospective years beginning in the fourth year of a provider's participation under a performance-base contract.

Beginning in the fourth contract year, new baselines for this group will be set utilizing the expected performance for existing populations. Although these youth are not eligible for the banking of care days, providers **will** be able to generate re-investment funds as well as incur financial penalties relative to performance just as with any other population.

Stratification – The PBC model in Tennessee recognizes age and adjudication as the most consistent predictors of a child or youth's experience in care. As a result, this model parses children and youth out into strata according to those two (2) categories and goes on to further define them in an effort to more clearly delineate those sub-sets of youth. The two (2) PBC population cohorts and their stratified sub-sets are detailed below:

Note: Stratification is also used to recognize youth being served by some specialized programming. These programs include Sex Offender Residential Treatment, Sub-Acute Psychiatric services, Psychiatric Residential Treatment Facility services, programs for children and youth with developmental delays, etc. These specialized strata are further defined below.

In-Care:

Strata 1: Children between the ages of 0-13 at the time of the current agency spell who were adjudicated D&N or Unruly at the start of the spell and whose total time in care has been less than two (2) years.

Strata 2: Children between the ages of 0 to 13 at the time of the current agency spell who were also adjudicated D&N or Unruly at the start of the spell and whose total time **ever** in care was two or **more** years.

Strata 3: Children 14 to 17 at the time of the current agency spell and who were adjudicated D&N or Unruly at the start of the spell.

Strata 4: Children of any age (but generally 12 and older) who were adjudicated Juvenile Justice (Delinquent) at the start of the spell.

Strata 5: Children/youth (any age or adjudication) served in a program specifically designed to treat those with persistent and significant developmental delays.

Strata 6: This is the “Juvenile Justice Intensive” strata. These are youth served in a Youth Developmental Center or a program specifically designed to serve a higher level Juvenile Justice youth.

Strata 7: Children and youth from all regions and all ages who are specifically being served on the Sex Offender Residential Treatment (SORT) contract. This is also known as a Level 3 Enhanced contract.

Strata 8: Children and youth from all regions and all ages who are specifically being served on sub-acute, short term, intensive residential treatment contracts: Level 4, Level 4 Special Needs and Psychiatric Residential Treatment Facilities (PRTFs).

Admissions:

Strata 1: Children between the ages of 0 to 13 at the time of the current agency spell who were also adjudicated D&N or Unruly at the start of the spell.

Strata 2: Children 14 to 17 at the time of the current agency spell and who were adjudicated D&N or Unruly at the start of the spell.

Strata 3: Children of any age (but generally 12 and older) who were adjudicated Juvenile Justice (Delinquent) at the start of the spell.

Strata 4: Children/youth (any age or adjudication) served in a program specifically designed to treat those with persistent and significant developmental delays.

Strata 5: This is the “Juvenile Justice Intensive” strata. These are youth served in a Youth Developmental Center or a program specifically designed to serve a higher level Juvenile Justice youth.

Strata 6: Children and youth from all regions and all ages who are specifically being served on the Sex Offender Residential Treatment (SORT) contract. This is also known as a Level 3 Enhanced contract.

Strata 7: Children and youth from all regions and all ages who are specifically being served on sub-acute, short term, intensive residential treatment contracts: Level 4, Level 4 Special Needs and Psychiatric Residential Treatment Facilities (PRTFs).

Note: Although baselines are developed for all strata within each population cohort, the targets are established and evaluated as the net performance for each population type (In-Care and Admissions).

Baselines – Baselines are constructed using the weighted average of up to ten (10) years of a provider’s most recent historical performance. Baselines for those providers having less than ten (10) years of historical performance will be constructed using the amount of historical data available for that provider.

Note: Historical data for providers having no previous performance history with the Department may be constructed utilizing data gleaned from peer agencies; peer agencies being those who share the same contract(s) and/or serve similar youth.

After establishing these baselines or “business as usual” for a provider, targets are set for performance improvement for the three (3) main PBC outcomes previously mentioned. Those performance targets are set in the following manner:

1. Care Days: a 10% decrease in the baseline number of care days used during the period;
2. Permanent Exits: a 10% increase in the baseline number of youth achieving a Permanent Exit; and,
3. Performing within a specified corridor for the number of Re-Entries.

Below are explanations of these baselines for performance:

1. **Baseline Care Days** – The expected number of care days a provider would be anticipated to use within a given performance evaluation period. This is based on the number of youth within the In-Care population and the expectations for care day usage for that population within a given performance evaluation period. It also takes into account the care day expectations for the Admissions population for that particular evaluation period.
2. **Baseline Exits to Permanency** – The number and percent of youth, from the corresponding In-Care and Admission populations, a provider would be expected to exit, to permanency, within given performance evaluation period.
3. **Baseline Re-Entries** – The number and percent of children discharged to reunification who may be expected to return to care within one (1) year, given that provider’s historical performance in this area. For purposes of estimating re-entry to care, return to out-of-home care means any youth who returns to out-of-home care from a reunification, whether the subsequent placement is supervised by DCS or a private provider.

For purposes of calculating the re-entry rate, the baseline includes any youth discharged to reunification from either the In-Care or Admission population within the fiscal year, who returns to care within one (1) year of their discharge to reunification. Re-entries (as defined above) will continue to be tracked against the historical performance in the next fiscal year.

4. **Baseline Re-Entries Range** – A plus-or-minus performance corridor built around the baseline re-entry rate that captures variation in the re-entry rate observed at the agency level. The range is intended to reflect the fact that factors beyond the control of an agency (e.g., sibling groups, the provider’s inability to track these youth re-entering care, etc.) may influence the re-entry rate. The baseline range extends from 5% of reunification exits to 20% of reunification exits.

Note: Any agency which has established a re-entry expectation baseline that is less than 5% will have a sliding corridor that begins at the lower established baseline and extends upward 15 percentage points.

For instance, if an agency's historical performance establishes a baseline expectation of 3% re-entry, that agency's re-entry corridor will begin at 3% and have a ceiling of 18%, still maintaining the 15% corridor but adjusting for the lower baseline expectation.

5. **Refreshing Baselines** – Initial baselines for performance are calculated utilizing up to ten (10) full fiscal years' worth of data regarding the outcomes of permanent exits, care days used and re-entry into care.

Baselines for performance are "refreshed" at the close of each contract term in order to more accurately reflect the expectations attached to certain fixed populations. When this data is refreshed to construct updated baselines, the most recent full fiscal years' worth of data is added to the existing pool of baseline outcomes. Previous data from existing years is kept in the pool, making for a more robust and comprehensive picture of that individual provider's historical performance.

This refreshing of baselines is only ever applicable to prospective populations and does not affect the treatment of prior existing in-care or admissions populations.

Targets – Targets for performance are established in order to allow providers a goal for which to aspire with regard to PBC outcomes. Performance at, or better than, target expectations enhances a provider's re-investment figures:

1. **Targeted Care Day Usage** – Targets for care day use are based on pre-established network baselines and a 10% decrease in care day utilization during a given performance evaluation period is established as a target. For instance, if a provider would be expected to utilize 17,895 care days for a certain fiscal year's admissions population, their target would be to decrease that by 10%, or 1,790 days. This particular provider's target for this population would become 16,105 days.

Note: It is a common misperception that a provider must reach, or better, their target with regard to care days used in order to begin earning re-investment dollars. This is incorrect. To begin earning re-investment dollars for this outcome a provider must merely perform at, or better than, its baseline expectation and it becomes eligible for re-investment.

2. **Targeted Exits to Permanency** – Targets for Permanent Exits are based on pre-established network baselines in this area and a 10% increase in generating Permanent Exits during a given performance period is established as a target. For instance, if a provider would be expected to generate 112 Permanent Exits for a certain performance period's Admissions population, its target would be to increase that by number by 10%, or 11 Permanent Exits. This particular provider's target for this population would become 123 of these type exits. An increase or decrease in the number and percentage of children for whom a provider generates a Permanent Exit, affects a provider's final fiscal calculation.
3. **Targeted Re-Entries** - The number and percentage of returns to out of home care after a successful exit to reunification within a given performance period.

Primary Assessment Centers (PAC) & Enhanced Services – The approach for handling the fiscal calculation for these youth (at any provider offering PAC services or enhanced services) will be as follows:

1. **Primary Assessment Centers:** In their first (Admission) year, the baselines and actuals are calculated using the current PAC rate. For those youth remaining with that provider into the next fiscal year (and for the original in-care population) the calculation will be made as follows:
 - The calculation for actuals will use the rate associated with the contract type on which the youth was placed following their stay in the PAC; and,

- The baselines will be calculated using a method that applies a weighted distribution to the projected baseline population that reflects where PAC youth in the admission population were actually placed following the PAC stay.

Example: An admissions cohort includes 25 Level II Continuum spells, 25 Level III Continuum spells and 50 PAC spells.

Upon completion of their PAC stay, 10 youth were placed in the provider’s Level III Continuum and the remaining 40 went to their Level II Continuum. In this scenario the baselines will be calculated assuming 35% Level III Continuum and 65% Level II Continuum (this is done within strata).

2. **Enhanced Services:** Certain enhanced services have been designed with a time-limited stay in order to more effectively apply those services and to allow for more rapid movement of youth through the system.

Those youth leaving service from an enhanced contract and transferring to another provider will be dropped altogether from that provider’s PBC outcomes. They will not, from a PBC standpoint, appear as ever having been served by the enhanced services provider. Youth leaving service from an enhanced contract and being placed on another of the enhanced provider’s contracts **will** be a part of that provider’s PBC outcomes.

Fiscal Calculations:

Agencies showing improved performance will receive a financial re-investment which is based on the amount of state dollars “saved” due to their program improvements and the extent to which they have improved their baseline performance relative to care day savings, permanency and re-entry.

Agencies failing to meet their baseline expectations will be expected to submit a remittance of funds to the state. This remittance will consist of the state’s share of the cost for exceeding the baseline in care-day use, also taking into account performance in the ancillary outcomes of permanent exits and re-entry.

Data and Programs

At the beginning of the performance period, PBC providers receive the following reports:

- Report of each baseline year’s case mix consisting of the number and proportion of child spells within each fiscal year displayed by population type and strata;
- Report for each baseline year of the exit outcome by exit type at the end of the performance window for both the In-Care and Admissions population for each child spell in the baseline case mix. This is reported by number and proportion;
- Report for each baseline year of the number of care days used within that fiscal year window for each child in the baseline case mix. This is reported as average care days used by strata within each population;
- Report calculating the weighted average performance for exits and care days;
- Target reports summarizing the baseline performance for exits and care days, and establishing the performance target for each type; and,

- Report for each baseline year of the number of children who exited within that year to parent/relative/adoption/guardianship, and who also returned within that same year. This is Re-Entry. This is reported as number and percent of exits, by population type only (not strata). This report also presents weighted average performance with respect to re-entries, and establishes the target corridor for the performance year for each population type.

Commonly Used Terms in PBC:

Child Spells/Agency Spell – The period of time that a child is in custody. This begins when a child is placed in out-of-home care and ends when the youth is removed from the agency’s contract.

Note: For the purposes of this initiative, when a youth returns home for trial discharge, and remains on contract with the provider, the days of in-home services are calculated as part of the child spell.

Youth who exit and return to placement within 30 days of their exit date will also have their spell “bridged”. Because in-home services days are already included, this primarily applies to children who have a runaway episode and return within 30 days.

Bridging means that exit is ignored, and the temporary break in care will be included in the spell length. However, no re-entry is associated with the episode.

Note: In situations where a child spends time with “Agency A” and then spends a period of time (not to exceed 30 days) with “Agency B” then returns to “Agency A”, a new agency spell is not created. Instead, the original spell is continued, and this spell will show two moves associated with the interim placement.

A spell during which a child spends more than 50% of his time in detention or an emergency placement is not included in the PBC calculations.

Cohort – A group with a common history – in this case a group coming into custody within the same time period and with common traits determined by Chapin Hall.

Median – Usually refers to duration in care. The median is the point at which half of the spells in an entry cohort have exited care. For example, if the median for 2016 entrants is recorded as 6.5 months that means that half of the children who entered care in 2016 exited from care in 6.5 months or less, and the other half were in care for at least 6.51 months or more.

Baseline – A measurement taken of a provider’s performance prior to any interventions or changes and with the same population that provider always serves. A program’s improvement is calculated by comparing the current year’s performance with prior year’s performance *for similar children within a comparable time period*.

The baseline expresses how a provider would be expected to perform (i.e., achieve safety and permanency for children) under a “business as usual” scenario. The baseline is created using historical TFACTS data and reflects the traditional or normal pattern of out-of-home care utilization for a specific provider.

Targeted Care Days – The total number of out-of-home care days a provider is expected to utilize given improvements in outcomes for children (i.e., safety and permanency). The difference between the target care days and the baseline care days, expressed as a percentage, is the performance improvement for purposes of calculating financial re-investment or remittance.

Baseline Admissions – The expected number of youth admitted to a provider during the fiscal year, based on the historical number of annual admissions.

In-Care Population – The group of youth that are in a provider’s physical custody at the beginning of that provider’s initial fiscal year of PBC participation.

Note: Youth receiving in-home services on July 1st are not included in the In-Care count.

Admission Population – The group of youth who come into care at any point in time during each fiscal year under the PBC contract. The Admission populations are tracked as separate fiscal year cohorts.

Strata – A smaller set or subset of the population being measured. In this case, the strata are grouped by age and adjudication.

Permanent Exit – An exit to the child’s family or relatives, or another permanent situation for a child such as a Kinship Placement, Adoption or Guardianship.

Intra-Agency Transfer – A move *within* an agency. While this is data is analyzed by Chapin Hall, it is not being counted as an outcome, either positively or negatively.

Inter-Agency Transfer – A move from one provider to another with more time in an out-of-home placement. This, too, is data that is analyzed by Chapin Hall from TFACTS but not counted as an outcome.

Other Exits – Other ways in which a child leaves a provider, such as running away (after 30 days, without a placement in any other agency, this is counted as an exit), reaching majority, etc.

Re-Entry Rate – The rate of instances in which a youth returns to custody and out-of-home care within one year of reunification (this can be either the same agency or a different agency than the one from which the child exited).

Multivariate Analysis – A collection of procedures that involve observation and analysis of more than one statistical variable at a time.

Proportional Hazards Modeling – The proportional hazard rate shows how much more or less likely individuals with given characteristics are to experience the event of interest per unit of time (i.e., discharge from foster care), relative to a comparison or base group. The proportional hazard model overcomes the problem of children who have not yet exited by evaluating the probability of discharge given that no discharge has yet occurred. This is related to analyses reflected in the DPP, and is not part of the PBC initiative itself.

Rules for Analysis of TFACTS Data

- Agencies are measured against themselves, or against their own established baselines. If an agency has taken difficult children in the past, this will be evidenced by information in their baseline. In order to be eligible for a reinvestment, the number of care-days must be reduced.
- Care-days include the number of days for which a child who has exited the agency receives home-based care or the number of days in which the child received in-home services from the agency.
- A child’s level of care for reimbursement remains at the level of care upon which that child was admitted to an agency. The exception to this is explained in the “Primary Assessment Center (PAC) & Enhanced Services” section of this document.

The CFTM Appeal Process:

PBC providers' reinvestment dollars are directly linked to achieving better performance outcomes for youth in their care. As such, there is a need for these providers to be acutely involved in the case management decision-making process for these youth. The Child and Family Team Meeting (CFTM) is the primary mechanism for decisions concerning the type of placement, the level of care appropriate for a particular youth as well as things such as the continuation of services.

Regional staff and providers do not always agree regarding decisions of this type and the CFTM Appeals process is the avenue by which providers (and the regions as well) have the opportunity for redress. The protocol for the CFTM Appeals process is contained in the "Attachments" section of the Contract Provider Manual (CPM). The CPM is available under the "For Providers" section of the DCS website.

Primary DCS PBC contacts are:

Jeff Williamson, Director – Placement & Provider Services

jeffrey.williamson@tn.gov

615-253-1718

Doug Swisher, Assistant Commissioner for Finance & Budget

douglas.swisher@tn.gov

615-741-8281