



A case study of the effects of privatization of child welfare on services for children and families: The Nebraska experience

Grace S. Hubel^{a,b,*}, Alayna Schreier^b, David J. Hansen^b, Brian L. Wilcox^b

^a Medical University of South Carolina, United States

^b University of Nebraska, Lincoln, United States

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ABSTRACT

Privatization, or contracting with non-governmental agencies for provision of state or federally funded services, is a strategy that has gained recent attention from policymakers as a potential tool for successful child welfare reform. The Child Welfare Privatization Initiatives Project was created in 2007 as a joint effort between the United States Department of Health and Human Services and the Office of the Assistant Secretary for Planning and Evaluation. The framework identified by this project produced twelve key considerations for states moving towards a privatized system. This case study considers these twelve considerations in a description of the large-scale effort to privatize child welfare services in the state of Nebraska that began in 2008. Problems leading to a need for child welfare reform and possible factors that motivated policymakers to shift services from the public to the private sector are also described. While proponents of privatization appeared to expect rapid increased efficiency and cost-savings, this case study explores multiple reductions in quality and availability of services for children and families served by the child welfare system that occurred during the effort. Further, the cost of child welfare services in Nebraska increased by 27% and the private agencies invested over \$21 million of their own funds as they attempted to uphold contracts. Recommendations for practitioners and policymakers considering participating in efforts to privatize child welfare services in the future are made based on Nebraska's recent experience.

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1. Introduction

Privatization, which is a term that refers to contracting with non-governmental agencies for provision of state or federally funded services, is a strategy that has gained recent attention from policymakers as a potential tool for successful child welfare reform (Westat & Chapin Hall Center for Children, 2002). Proponents of the strategy argue that the competition of the private marketplace creates incentives for delivery of more efficient and effective services (U.S. DHHS, 2007). It is argued that marketplace competition increases efficiency by making service providers motivated to be as productive as possible without wasted expense. It is also argued that effectiveness is increased through creation of a situation in which providers most capable of producing desired outcomes of child welfare services are rewarded by continued and increased funding. Further, some view the private sector as more capable of developing new services and changing in response to consumer needs. Finally, consumer choice and competitive bidding for government contracts is proposed to make agencies more accountable for delivery of desired outcomes. There are certainly many examples of effective public–private partnerships in social-service delivery. For

example, in the area of early childcare, a large pool of potential providers exists (e.g., in-home daycares, church centers) and many families qualify for federal assistance with covering the cost of childcare. In this area, federal funding agencies have developed successful partnerships with private providers by increasing funding to those demonstrating delivery of high quality care (Zellman & Perlman, 2008).

Not all observers agree that the aforementioned benefits will necessarily result from the privatization of child welfare services. Critics argue that the potential benefits of moving social services such as child welfare to the private sector are difficult to achieve and measure (Smith & Lipsky, 1992). When state governments offer contracts for private companies to deliver a service they once controlled, they create a situation wherein the government is the only authorized buyer of these services and thus there is no oversight ensuring that the highest quality or most effective service providers are awarded contracts. Further, if an ample pool of potential providers does not exist in a given area, there will be additional lack of competition. Unlike in other marketplaces, where consumers create accountability by choosing not to purchase inadequate goods or services, those served by the child welfare system rarely are able to make choices regarding the services they receive. Therefore, critics argue, privatization is unlikely to lead to more effective services unless the government closely monitors and evaluates service provision. Further, the costs of monitoring the private system and increased administrative responsibilities associated with overseeing

* Corresponding author at: Medical University of South Carolina, 67 President Street, 2 South, Charleston, SC 29425, United States. Tel.: +1 843 792 6118.

E-mail address: hubel@musc.edu (G.S. Hubel).

contracts with private agencies reduce any cost efficiency gained from competition. Critics also warn that moving child welfare services to the private sector may create incentives for agencies to increase profits by providing less costly and potentially less effective services (Unruh & Hodgkin, 2004). Some worry that after agencies have been awarded government contracts, in the absence of careful monitoring, they can reduce costs and increase profits through methods that diminish the quality of services for children and families, such as hiring less experienced staff, increasing worker caseloads, and providing lower levels of supervision.

While many states provide portions of their child welfare services through contracts with non-governmental agencies, statewide privatization efforts in Florida, Kansas, and most recently, Nebraska are unique for their inclusion of all children in the child welfare system and all elements of their foster care systems (Flaherty, Collins-Camargo, & Lee, 2008; Nebraska Health and Human Services Committee, 2011; Unruh & Hodgkin, 2004; Westat & Chapin Hall Center for Children, 2002). The increased interest in statewide privatization efforts led the federal government to put forth a framework of recommendations for future endeavors. In conjunction with the United States Department of Health and Human Services (U.S. DHHS), the Office of the Assistant Secretary for Planning and Evaluation (ASPE) created the Child Welfare Privatization Initiatives Project (CWPI), which provides welfare administrators with information about the implementation of privatized services (U.S. DHHS, 2007). These recommendations target the justification for privatization, planning for and design of the effort, its implementation, and the evaluation of outcomes.

Although privatization is an increasingly popular tool, little research has examined its success in improving services and outcomes for children and families (Flaherty et al., 2008). This paper examines Nebraska's wide-sweeping privatization of child welfare services as a case study of changes in service efficiency and quality. The CWPI framework is applied to Nebraska's privatization effort. The intent of the investigation is to provide insight into the complexity and challenges inherent to expanded private sector delivery of child welfare services.

2. Background

2.1. Deficits in services that created a need for child welfare reform in Nebraska

Prior to 2009, child welfare services in Nebraska were administrated and delivered by the Division of Children and Family Services within the Department of Health and Human Services (DHHS). Nebraska's privatization effort was partially driven by a need for child welfare reform that would allow the state to meet recommendations from a series of Child and Family Services Reviews conducted by the federal Children's Bureau (DHHS, 2011a). In 2002, the Child and Family Services Review (CFSR) assessed seven safety, permanency, and well-being outcomes in regard to the provision of child welfare services. These outcomes were:

1. Children are, first and foremost, protected from abuse and neglect.
2. Children are safely maintained in their homes whenever possible and appropriate.
3. Children have permanency and stability in their living situations.
4. The continuity of family relationships and connections is preserved for children.
5. Families have enhanced capability to provide for their children's needs.
6. Children receive appropriate services to meet their educational needs.
7. Children receive adequate services to meet their physical and mental health needs.

The review identified specific items on which Nebraska met national standards; however, the state failed to achieve substantial conformity

with any of the seven outcomes (U.S. DHHS, 2002). Following the CFSR in 2002, Nebraska produced and implemented a Program Improvement Plan, grounded in "Family Centered Practice" in 2006 (DHHS, 2006). The proposed systemic changes to the child welfare system included a team approach to services and supports, a recognition that the role of supervisor is paramount to helping change occur within children and families, and the development of a Quality Assurance system and protocols at both statewide and local levels. Further, in 2005, Nebraska received an incentive payment of \$352,000 from the Administration for Children and Families (ACF) for completing more adoptions in 2004 than in either 2002 or 2003 (DHHS, 2006). Despite the efforts made through the Program Improvement Plan and federal incentives to improve child welfare services, deficits in Nebraska's ability to deliver child welfare services remained evident in the next CFSR, which occurred in 2008. When the final report from the 2008 review was released, Nebraska again failed to achieve substantial conformity with any of the seven outcomes described above (U.S. DHHS, 2009).

In addition to pressure to reform child welfare (and improve services for children) in an effort to meet recommendations from the CFSR, Nebraska state government was simultaneously under pressure to reduce the cost of child welfare services. For many years, Nebraska had documented a rate of out-of-home placement of children that was particularly high when compared to other states. In the years 2005 through 2007, Nebraska's rate of out-of-home placement of children was 12% — double the national average of 5.6% (Platte Institute for Economic Research, 2009). When children are placed out-of-home following child maltreatment, federal policy stipulates that they receive services that are only partially reimbursed through federal Social Security entitlement funds. Therefore, state spending on non-reimbursed services for the increasing number of children placed out-of-home created a fiscal problem for Nebraska. Further, many saw entitlement funding as creating a financial incentive for placing children in out-of-home care and a hindrance to provision of services aimed at family preservation because children could only access these partially reimbursed services if they were placed out-of-home (Platte Institute for Economic Research, 2009). Proponents of Nebraska's efforts to reform child welfare services through privatization argued that the state could resolve this dilemma by creating contracts with private, for-profit agencies that would include incentives for both keeping children safe and preserving families (Young, 2009b).

2.2. History

In September 2008, Nebraska's Division of Children and Family Services released their Recommendations for the Reform of Out-of-Home Care (DHHS, 2008). Under the proposed framework, the Division of Children and Family Services would maintain responsibility for "initial assessments of child or community safety and...for all key case decision making, such as decisions related to safety assessments, case plans and court reports, treatment needs, and recommendations for case closure, including adoptions" (DHHS, 2008, p. 2). Responsibility for day-to-day provision of child welfare services and services coordination was to be allocated to private, contracting agencies (DHHS, 2008). Thus, lead agencies were to be responsible for almost all services provided directly by professionals to families in the child welfare system, including foster care, mental health treatment, supervised visits, and other assistance in carrying out case plans. By July 2009, 6 private, not-for-profit "lead agencies" had signed "implementation" contracts with the state (DHHS, 2011a). These contracts required the agencies to develop plans and hire staff capable of providing child welfare services and coordination.

Each lead agency was responsible for service provision across specific counties and regions of the state. Nebraska is largely rural and sparsely populated, with approximately 1,856,000 people spread across 93 counties. The majority of the state's population is located in just three counties in southeastern Nebraska; as such, the number of cases that

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