

Evaluation of North Carolina's Title IV-E Waiver Demonstration

Presented to:

Children's Services Section
Division of Social Services
N.C. Department of Health and Human Services
Raleigh, North Carolina

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November 2002

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Executive Summary

**EVALUATION OF THE TITLE IV-E WAIVER DEMONSTRATION
IN NORTH CAROLINA**

In 1996, the Division of Social Services of North Carolina's Department of Health and Human Services (NC-DSS) was granted a waiver of federal regulations to demonstrate changes in policy and practice that sought to reduce:

- (1) entries to out-of-home care among children who experienced abuse or neglect or who were deemed dependent;
- (2) lengths of stay among children for whom out-of-home care was the most appropriate response; and
- (3) re-entry to out-of-home care among children formerly in out-of-home care.

The waiver of regulations made it possible for selected counties to use funds available under Title IV-E of the Social Security Act to address the needs of families and children who otherwise could not be served from those resources. Following a planning period, 19 counties were selected to participate in a five-year demonstration that originally extended from July 1997 through June 2002.

In January 1997, NC-DSS contracted with the Jordan Institute for Families at the School of Social Work of the University of North Carolina at Chapel Hill (UNC) to plan and conduct an evaluation of the demonstration. The evaluation strategy developed for the demonstration sought to capitalize on data resources that NC-DSS had developed with support from UNC in the *Families for Kids* (FFK) initiative, the planning for which began in 1993. Given that an overarching objective of North Carolina's waiver demonstration project was to advance outcome-based management of its foster care system, it was essential that baseline performance data concerning the three key outcomes be available to state and local child welfare managers. The prevailing assumption was that managers and staff of county departments of social services could monitor changes in the three outcomes and assess whether changes in policy and practice were producing improvements. The performance data also would make it possible for them to target issues that were having adverse effects on those outcomes.

This report assesses whether the 19 counties participating in the Title IV-E waiver demonstration, in contrast to 19 comparison counties and the 62 other counties in the state, were able to make improvements in the three key outcomes. This is a difficult task given that two trends were occurring during this period in North Carolina. First, with the support of the state legislature and private foundations, NC-DSS and local departments of social services embarked upon a variety

of child-welfare reform initiatives, sometimes in conjunction with, but more often without benefit of the waiver. Second, given widespread efforts to improve performance in the state's child welfare system, including provisions of the Adoption and Safe Families Act, substantial statewide improvements were occurring in at least two of the key outcomes. Thus, the challenge for the evaluation was, first, to determine whether the improvements observed in counties participating in the demonstration exceeded those in other counties, and second, to identify changes in policy and practice that might account for those improvements.

Background for the Demonstration

Data compiled by the UNC evaluation team show that the number of children entering care for the first time in North Carolina rose from 4,227 in 1990 to more than 5,200 in both 1994 and 1995. Also, based on longitudinal data developed by UNC, children who entered care during this period had a median length of stay of approximately 18 months, much longer separations from their families than children in other states were experiencing during this period (Wulczyn, Brunner et al. 1999). As a result of increasing entries to care and long lengths of stay, the number of children in out-of-home care in North Carolina increased by more than 57% in five years, rising from 8,115 in 1990 to 12,750 in 1995 (CWLA 2002). An indication of the fiscal impact of these changes was that the cost of maintaining children in out-of-home care rose from \$5.3 million in state fiscal year (SFY) 1992 to nearly \$37.3 million in SFY 1996.

The combination of poor outcomes and increasing costs of care provided the impetus for a child welfare reform effort organized around the *Families for Kids* (FFK) initiative sponsored by the W.K. Kellogg Foundation. Following a planning period in 1993, NC-DSS began to incorporate reform principles into state policy and eight counties were selected to implement wide-ranging changes in policy and practice based on FFK objectives. Generally positive results in the eight counties encouraged expansion of the initiative to other counties and reinforced the commitment of state and local leaders to the values and operating principles associated with the initiative. Yet, child welfare leaders believe that reform efforts were constrained by the fact that resources available under Title IV-E encouraged the use of out-of-home care rather than preventive or post-reunification services. Their application for a waiver was, therefore, an attempt to demonstrate that the cost-effectiveness of the child welfare system could be enhanced by making it possible to use these resources for services and supports other than out-of-home care.

Overview of the Demonstration

Participation in the waiver demonstration made it possible for selected county departments of social services to use a portion of resources formerly restricted to foster care maintenance to underwrite prevention, reunification, and aftercare services. By implementing the project in volunteer counties, the state sought to test the hypothesis that flexible use of federal funds would produce measurable reductions in the number of children who enter the foster care system and the length of time that they remain in the system.

The planners of North Carolina's demonstration envisioned a wide variety of uses of this flexible funding, including family support, intensive family preservation services, respite care, and family mediation services to address rate of initial entry; and intensive family reunification services, court-appointed assisted guardianship, and post-placement supportive services to address length of stay and rates of re-entry. Participation in the project also allowed demonstration counties to test the concept of assisted guardianship, through which financial support could be made available to relatives or kinship-like providers who accepted legal guardianship of a child in placement authority.

Consistent with North Carolina's state-supervised and county-administered social services system, the demonstration counties did not have to follow any standardized program model for their system reform efforts. However, certain changes in practice and policy were similar across the counties operating under the waiver. Plans for using flexible funds included:

- mediation services to reduce court time;
- discretionary funds used on a case-by-case basis;
- social work technician positions to work in post-adoption services and family respite;
- performance-based contracts with child-caring agencies that combined traditional residential services and family case management and reunification services;
- in-house counseling and risk assessment services;
- intensive family reunification services;
- respite care;
- contracted services to conduct child profiles and to recruit families for special needs adoptions;
- family therapy;

- substance abuse treatment services; and
- domestic violence treatment.

Only three counties had concrete plans to use assisted guardianship and ultimately only eight actually used this permanency option.

Agencies operating under the waiver used the newly available funds to enhance existing services, to contract with outside service providers, and to develop services in-house. Many agencies initiated organizational changes and staff training to promote “new ways of doing business” in support of the waiver. Some agencies also embarked on new collaborative relationships with other county organizations, including the courts, to achieve waiver goals. However, significant variation in reform activity was found among the waiver counties and there was no single category of activities in which all counties participated.

As shown in Exhibit ES.1, the number of counties participating in major categories of activity varied from a low of eight counties using waiver resources to provide enhanced support of resource families, to 17 counties that initiated organizational changes as a way to advance waiver reform efforts. The breadth of new activities pursued in the waiver counties varied significantly. At one end of the spectrum five counties implemented new activities in all seven areas, yet at the other end, two counties pursued activities in only two categories.

In 13 of the 19 counties, agencies developed *discretionary funds* using their waiver-generated flexible funds on a case-by-case basis to either support kin caregivers or to insure that children could stay in their homes. In 11 counties, agencies used both strategies. Agencies also used waiver funds to develop a wide range of *new services by contracting with outside providers*. Using this funding strategy, they were able to offer new combinations of family support, assessment, family reunification, post-placement, and post-adoption services. They also used waiver funds for attorney fees and other legal services to expedite termination of parental rights and adoptions, and to contract for substance abuse and mental health services for at-risk families. The typical waiver county contracted for three different types of services. By spring 2001, however, three counties had not done any contracting at all, while one county executed eight different contracts. Agencies most commonly used contracts to provide some kind of family support services (10 counties). Nine counties each used contracts to obtain assessment, mental health and legal services. Five counties used contracts for all three types of services.

Exhibit ES.1. Major Categories of County Activities Under the Waiver

County	Discretionary funds used on a case-by-case basis	Contract for new services	New in-house services	Enhanced support for resource families	Organizational Changes	Misc. collaborative activities	Court reform activities	Total Number of Categories
Alamance	√	√					√	3
Brunswick	√				√	√	√	4
Buncombe	√	√	√	√	√	√	√	7
Burke					√	√	√	3
Caldwell	√	√			√	√	√	5
Cleveland		√			√	√		3
Durham	√	√	√	√	√			5
Edgecombe					√		√	2
Forsyth	√	√			√		√	4
Haywood	√	√	√	√	√	√	√	7
Johnston		√	√		√	√	√	5
Pasquotank	√	√						2
Rockingham	√	√	√	√	√	√	√	7
Scotland	√	√			√		√	4
Union	√	√	√	√	√	√	√	7
Wake	√	√	√	√	√	√	√	7
Wayne	√	√	√	√	√		√	6
Yadkin		√	√	√	√			4
Yancey		√			√	√	√	4
Total number of counties	13	16	9	8	17	11	15	

Waiver agencies were much less likely to use waiver funds to develop *new in-house services*, but those counties that did so used this strategy fairly extensively. Five counties developed five or six types of new services provided in-house. In ten counties, however, no new in-house services were developed as a result of the initiative.

Eight agencies reported that they had used waiver funds to *support resource families* through recruitment and training activities, providing resources to support and retain foster and adoptive parents, and/or to strengthen their local foster parents association extensively. While the typical county did not use any waiver funds for this purpose, five counties used it for two or three specific activities.

Seventeen agencies reported that they initiated some kind of *organizational change processes* to implement system reform. These included both specialized training for supervisors and social

workers on procedures to access waiver funds and social worker training in prevention and permanency strategies. Eight counties reported that they had reorganized work and team structures.

When asked to indicate the extent to which they had made changes designed to enhance *collaboration with other community organizations*, agencies reported new activities in several areas. Eleven agencies reported that participating in the demonstration was related to their becoming involved in at least one type of community collaboration effort, including shared funding in waiver-related activities and Family Group Conferencing. Seven counties reported that they routinely worked collaboratively with other organizations. Seven counties also reported doing Family Group Conferences, but only three agencies reported doing both.

Approach to Evaluating Changes in Outcomes

The core analysis uses a quasi-experimental nonequivalent comparison group design to assess outcomes, combined with surveys of project directors in waiver counties and qualitative methods to assess changes in agency management and practices. The basic framework relies on comparisons of the experiences of successive annual cohorts of children entering out-of-home care in each of the state's 100 counties, aggregated by demonstration and comparison-group status. Multivariate modeling is used to assess the impact of the waiver on the outcomes experienced by children in the presence of other child and county characteristics.

The basic challenge in evaluating North Carolina's Title IV-E waiver demonstration was that it represented a key component of a statewide system reform effort, but only one part of that broad effort. Also, by providing county child welfare managers and staff the flexibility to tailor services and supports that would prevent placement and reduce lengths of stay, the resulting programmatic and practice changes were quite broad and did not involve a single service intervention. Each of the counties chosen to participate decided on its own specific strategies. While earlier efforts under the *Families for Kids* (FFK) initiative provided a basic foundation for the reform and encouraged particular approaches, waiver counties had considerable flexibility in developing their individual plans. Also, the availability of state funds to expand the implementation of FFK provided an alternative route to reform for counties not participating in the IV-E waiver, including some of those designated as comparison counties.

The implication of this situation for the evaluation was that both demonstration counties and comparison counties could pursue changes in policy and practice that did not require waiver authority. Although certain waiver options (e.g., flexible funds and assisted guardianship) were available only to demonstration counties, some of the changes they adopted also were pursued by

comparison counties. As a result, the original nonequivalent comparison group design, using randomly selected comparison counties, had to be supplemented by multivariate modeling that took advantage of variations in policy, practice, and other county characteristics across all 100 counties rather than focusing solely on the 19 demonstration counties and the 19 comparison counties.

In spite of the variation in approaches that emerged among the waiver demonstration counties, it is possible to assess whether the waiver as a whole contributed to progress toward the desired outcomes. North Carolina's longitudinal child welfare database contains information that enabled the evaluation team, as well as state and county officials, to track the experience of children entering out-of-home care. Enhancements to the database also yielded new capabilities to link data on children in out-of-home care to reports of abuse and neglect, and to services delivered by public child welfare caseworkers and private providers. The ongoing development of the database thus made it possible for the evaluation team to address the key outcomes of interest to local, state, and federal stakeholders.

Impact of the Waiver on Outcomes

The analysis of outcomes was organized around three key outcomes: the probability of placement in out-of-home care, length of stay, and re-entry to care. Findings in each area are discussed below.

Probability of Placement in Out-of-Home Care. The first outcome, reduction in the probability of out-of-home placement, is measured using child abuse and neglect registry data linked to placement data. The database used in the evaluation includes 175,190 children who experienced an initial substantiated incident of abuse and/or neglect in state fiscal year 1994 (SFY94) through SFY01 (i.e., July 1, 1993, through June 30, 2001). Survival analyses are used to calculate the probability of entry to out-of-home placement after the report date for the first substantiated report.

Analysis of outcomes in this area yielded several important findings. First, it indicates that counties that applied for the waiver were different from other counties in that, prior to the waiver demonstration period, they had been more likely to place children in out-of-home care (fortunately, the randomly selected comparison counties exhibited a similar tendency, thereby strengthening the evaluative comparisons of the two groups). Second, the data revealed a consistent and persistent pattern indicating a reduced probability of out-of-home placement in waiver counties in contrast to minimal changes for children in comparison or other counties in North Carolina. Finally, the impact of the waiver on reduced placement into out-of-home care is confirmed even in the presence of other reform initiatives, such as FFK.

Length of Stay. The second outcome, reduction in the length of time in out-of-home placement, was tracked using longitudinal placement data that provide information on all placement experiences for 41,585 children who initially entered out-of-home placement from SFY94 through SFY01. Two length-of-stay indicators, estimated using life table analyses, were used to assess the cumulative likelihood of exit at different time points after initial entry. Cox proportional hazards models estimate the overall risk of exit from placement, the likelihood of exit from placement for children who have been in placement for two years, and the rate of re-entry for children in non-waiver comparison counties compared to children in the waiver counties.

Models testing the impact of the waiver on length of stay confirmed that children entering placement in more recent post-waiver years were more likely to exit placement than children who entered in the pre-waiver years and that this downward trend was present in all county groups—waiver counties, comparison counties, and other counties. However, the model also confirmed that as the probability of placement increased in a county, the likelihood of exit from placement also increased. Since waiver counties substantially, and to a greater degree than comparison and other non-waiver counties, reduced the likelihood of placement for children with substantiated reports of abuse or neglect, it seemed likely that the needs of the children entering placement in the waiver counties had changed. Indeed, an analysis of vital statistics data confirmed that as the likelihood of placement declined, the risk profile of children entering care in waiver counties represented an increasingly challenging group to serve. It is perhaps significant, therefore, that even as waiver counties were shifting toward serving fewer, but more troubled children in out-of-home care, the length of stay for them did not increase. In fact, it continued to decrease. Also, the greatest reductions in length of stay among waiver counties occurred in the counties that were most active in making changes in policy and practice under authority of the waiver.

Since children who become “stuck in care” pose one of the greatest challenges for the child welfare system, it is important to consider the impact of the waiver on the rate of exit from placement for children still in care two years after their initial entry. In the early pre-waiver years, about one-third of children in the active waiver counties were still in placement at the two-year mark. In the other waiver, comparison and other non-waiver counties, the likelihood of being in placement two years after initial entry was slightly higher, ranging from about .35 to .45. Although a consistently smaller proportion of children remained in placement at the two-year mark for cohorts entering care during the demonstration period, the rate of exit after two years was fairly consistent across the groups. Thus, multivariate models indicate, again, that the improvement in this area was not confined to waiver counties, but encompassed children throughout the state.

Re-entry to Care. Multivariate models show that re-entry declined in waiver counties compared to pre-demonstration baseline levels and that the decrease in re-entry was somewhat greater in more active waiver counties in the early waiver years. Only in the most recent two years for which data are available do other waiver counties surpass active waiver counties in improvements to re-entry rate. Children who exited in the most recent year with available re-entry data were about 70% less likely to reenter in other waiver counties, compared to 20% less likely in active waiver counties. Re-entry rates for children exiting placement in comparison counties were stable in the years immediately preceding waiver implementation and then increased until SFY00, when the likelihood of re-entry was about 10% less than seen in the baseline year.

These results must be viewed in the context of the decreasing lengths of stay seen throughout North Carolina. Child welfare agencies across the country struggle with the possible correlation between achieving permanency for children as quickly as possible and potential re-entry because children exited placement too quickly. As length of stay decreases it is particularly important to closely monitor re-entry. These re-entry analyses suggest that waiver counties have been more successful than comparison counties and other non-waiver counties in decreasing re-entry rates even as length of stay declined.

Cost Analysis

North Carolina was able to achieve cost-neutrality over the five years of the Title IV-E waiver demonstration. Through a reinvestment strategy, state and county funds were available to draw down additional Title IV-E dollars to provide services. These services were provided to Title IV-E and non-Title IV-E eligible children and would likely not have been provided if not for the waiver.

A review of maintenance costs for licensed care for children in waiver counties revealed several interesting trends. First, waiver counties were able to reduce the number of children in licensed care. As a result, the federal share of their Title IV-E maintenance costs has been lower than that for comparison counties. Toward the end of the demonstration, waiver counties had substantially higher average costs for a child in licensed care. This suggests that they used higher priced and more restrictive forms of care for children. Regardless of the costs or restrictions, however, this level of care may have been appropriate for some—if not all—of these children because of the changing risk profile revealed in the outcome analysis. As a result of the higher costs of care, the total federal share of out-of-home maintenance was close to, and in some months higher, than the costs for comparison counties.

At the end of the demonstration, the amount of federal funds waiver counties were spending on licensed care was higher than the projected amount. During this period, in fact, waiver counties spent \$1.7 million more on licensed care than they were projected to spend. The primary reason for this appears to be the decision to use reinvestment funds to cover the cost of care of non-Title IV-E eligible children. Another factor appears to be a review in late 2001 by many counties of the children in Title IV-E licensed care. As a result of this review, a number of children were switched from Title IV-E to other funding sources. This appears to have reduced the federal costs of licensed care for comparison counties, thereby lowering the projected costs used in assessing expenditures by demonstration counties.

In terms of administrative costs, waiver counties were able to control their growth, particularly in contrast to comparison counties. This is primarily due to the experiences of the two groups of counties during the base year. During this period of time, administrative costs for waiver counties were substantially higher than those for comparison counties. By the time the waiver demonstration began, administrative costs in the comparison group had risen to the level of the waiver counties. This growth in costs during the pre-waiver period allowed the waiver counties to keep administrative costs below projected costs throughout the demonstration period.

A number of demonstration counties appeared to be reluctant to use trust account or reinvestment funds. While five counties spent 100% of their trust account funds and three other counties spent between 90% and 100%, one county spent less than 1% of its trust account, a second county spent 13%, and a third spent only 23% of its trust account. Most of the trust account funds were spent during the final year of the waiver and most of the spending was used to provide services to Title IV-E eligible children. Fewer than half of the counties used any reinvestment funds. Of those that did use reinvestment funds, the county that used the highest percentage of the available funds spent only slightly more than 50% of the amount it could have.

The nature of the waiver and its limitation to a five-year demonstration period posed some implementation challenges for NC-DSS and the 19 participating counties that may be reflected in these costs experiences. Initially, counties were urged to be restrained in making changes in policy and practice until it became clear that costs in the demonstration counties were falling well below cost projections based on the experience of the comparison counties. As resources began to accumulate, many counties remained cautious even though they were in a very favorable financial position. This conservatism seemed to be due to concerns that funding commitments made during the demonstration period would extend beyond the end of the waiver and county resources might be required to meet those commitments. Toward the end of the demonstration period, however,

increased spending levels in some counties suggested that they were seeking to utilize resources before they were lost at the end of the five-year period. Thus, it is not clear that a new and enduring pattern of resource utilization ever really emerged because of the generally slow startup and the time limit.

The implementation of the demonstration also was complicated by other factors. In 11 of 19 counties, a change in the leadership of the county department of social services occurred during the demonstration period. This meant that often the person who originally committed the county to participating in the demonstration was replaced by someone who may have lacked the same degree of commitment or did not understand the opportunity presented by the waiver. Turnover also occurred among county fiscal officers. This, in addition to the substantial changes in reimbursement policies resulting from the waiver, seemed to make many persons in these positions hesitant to support aggressive implementation of changes in fiscal policy associated with the waiver. These and other factors probably account for the slow start overall and the limited pursuit of certain policy options, such as assisted guardianship.