

1.0 INTRODUCTION

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 5-year demonstration that was to extend 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 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 occurred in at least two of the key outcomes. Thus, the challenge for the evaluation is, 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 account for those improvements.

This introductory chapter establishes a context for the evaluation of North Carolina's waiver demonstration, and more specifically, for the analyses presented in this report. It begins by describing the circumstances that led NC-DSS to apply for a waiver of Title IV-E regulations. These circumstances reflect both concerns that existed about the experiences of children in North Carolina's child welfare system, but also what was being learned about how the system could be managed more effectively by focusing on outcomes. The chapter continues with an overview of the approach NC-DSS developed for carrying out the demonstration, an approach that was judged to be appropriate for the state-supervised and county-administered system in North Carolina. This approach assumed that individual counties participating in the demonstration would insist on having the discretion to tailor specific changes in policy and practice to local circumstances within the broad parameters of the waiver. Thus, while the evaluation would assess the effectiveness of waiver counties as a group in improving key outcomes, it might potentially have to trace specific improvements to different sources in individual counties. The evaluation strategy for dealing with this situation is described later in this chapter.

1.1 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.

1.2 Overview of the Demonstration

North Carolina's Title IV-E waiver demonstration has involved the development, implementation, and evaluation of child welfare financing strategies that tie funding to specific outcomes related to diverting children from foster care and moving quickly to achieve permanence for children for whom no alternative to out-of-home care could be identified. The need to make this fundamental change in child welfare management was evident from the fact that the state had experienced a significant increase in the demand for foster care services in the early 1990s and a steady increase in the length of time these children remained in foster care. The demonstration provided an opportunity for county departments of social services to shift expenditures away from foster care maintenance to prevention, reunification and adoption, and aftercare.

Participation in the waiver demonstration provided flexibility in the use of otherwise restricted federal foster care funding. With implementation of the project in volunteer counties, the state sought to test the hypothesis that flexible use of federal funds would result in 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 target population in the demonstration counties was all children, whether eligible for services under Title IV-E or not, who were at risk of entering or re-entering foster care or were already in out-of-home care.

This initiative has involved an explicit effort to move resources from treatment to prevention, to promote local communities' responsibility to support families and protect children, and to achieve systemic reform. North Carolina's demonstration planners envisioned a wide variety of uses of the flexible funding that included 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." Children placed with their relatives experience fewer disruptions but sometimes have longer lengths of stay (Usher, Randolph et al. 1999). This is primarily due to the need for financial support that is available only if the child is in the legal custody or placement responsibility of a county department of social services. Under the terms of the waiver, financial support became available to relatives or kinship-like providers who accepted legal guardianship of a child in placement authority.

Demonstration counties also have been testing several managed care principles as part of a new relationship with private child-caring agencies on behalf of selected children. The attempt to create this new relationship involved efforts to shift from a “fee-for-service” to a “fee-for-outcome” payment methodology and shared financial risk-taking. It has also involved broader case management responsibilities for the participating private child-caring agencies. Through this process, the state sought to identify and refine managed care principles and applications that prove effective in promoting enhancements in system performance.

1.3 Implementing the Demonstration

Planning efforts to develop the necessary infrastructure to support the use of flexible funding in child welfare services began in November 1996. Several meetings were held with county administrators, child-caring agency representatives, state officials, and faculty and staff of UNC who eventually comprised the evaluation team. A bidder's conference for interested counties was held April 1, 1997, resulting in formal requests to participate from 19 county departments of social services. Following a review of those requests, NC-DSS allowed all 19 counties to participate as demonstration sites.

Guidelines for implementing the demonstration were developed during these joint planning efforts and included the following:

- counties applying to participate in the demonstration had to demonstrate a willingness to engage community partners, including child-caring agencies, in the project and have assurance from county commissioners that reinvestment earnings would be devoted only to child welfare services;
- all counties participating in the demonstration would share the same degree of programmatic flexibility;
- the state would share in the financial risks incurred by participating counties, but would distribute the full amount of the savings generated to the participating counties; and
- counties were encouraged to start cautiously with regard to program changes.

During the first year of the demonstration, NC-DSS and staff in waiver counties devoted most of their effort to planning activities. From July through September 1997, the first quarter of the demonstration, NC-DSS staff developed guidelines for the counties to use in developing their plans. Each county was asked to describe how it planned to:

- achieve the five FFK system reform goals and three demonstration goals;
- conduct an internal review of agency performance in foster care services;

- use entry cohort and other demographic data for children in placement authority;
- engage county communities in planning processes to promote the safety and well-being of the county's children and their families;
- manage the project within the agency and engage in self-evaluation; and
- develop a program budget which included the agency's plan for flexible spending.

All 19 demonstration counties submitted their preliminary plans by the end of the quarter. Due to uncertainties that characterized the start-up phase, the plans were somewhat tentative. Counties were informed that they could amend their plans for flexible spending and other system changes at any time by submitting a plan amendment request to the NC-DSS state project coordinators. Consequently, most county plans included strong vision statements, but few strategic details.¹ They offered statements of support for the five FFK goals, descriptions of possible administrative and practice changes, and summarized the outcome data provided by the evaluation team. FFK counties also provided information from their case reviews of children who had been in placement authority for more than 12 months. Some counties conducted reviews of case records as part of this planning process and reported their findings. A few county plans provided specific information regarding the use of flexible funds or assisted guardianships.

1.3.1 Changes in Practice and Policy in Waiver Counties

Although the demonstration counties did not follow any standardized program model for their system reform efforts, consistent with North Carolina's state-supervised and county-administered social services system, and with the intent and goals of the demonstration in this state, there were many commonalities in the practice and policy changes implemented across the counties as a result of the waiver. As of October 1997, these counties had developed a variety of plans for using their flexible funds, including:

- 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;

¹ A description of these plans and the initial planning phase is available in the *10-Quarter Mid-Demonstration Report* by the evaluation team available at <http://www.unc.edu/~lynnu/waiveval.htm>.

- 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, while eight others indicated that they planned to explore ways to use this permanency option in the coming year.

Agencies used funds made available under the waiver to enhance existing services, to contract with outside providers for needed services and to develop services in-house. In addition, many agencies also 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 organizations within their counties to achieve waiver goals. Many worked with their local courts to change procedures to reduce children’s lengths of stay. Exhibit 1.1 summarizes the degree to which waiver counties engaged in general categories of activities aimed to achieve waiver goals and overall system reform.² Significant variation in reform strategy is evident among the waiver counties. There is no one category of activities referenced in Exhibit 1.1 in which all waiver counties participated. The number of counties participating in these 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. At the other end, two counties pursued activities in only two categories. Exhibits 1.2 - 1.8 offer a detailed county-by-county accounting of the combinations of activities used within each of the major categories.

² The tables included in this section are compiled from agency self-reports in the 19-County conducted by evaluation team staff in the spring 2001 (see the 19-County Survey instrument in the appendix). Tables in the appendix also provide county-by-county descriptions of the ways that counties used their funds made available under the waiver in working toward demonstration goals. In a few cases, activities that were reported during other contacts with county DSS staff (and described in the appendix) were not reported in the survey.

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 (see Exhibits 1.1 and 1.2).

Agencies used their waiver funds to develop a wide range of *new services by contracting with outside providers* (see Exhibit 1.3). 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 attorneys’ fees and other legal services to expedite termination of parental rights and adoptions. They also contracted 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 1.1. 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	

Exhibit 1.2. Title IV-E Flexible Spending by Category

County	Discretionary Funds: Case-by-Case Expenditures	
	Kinship Caregivers	Help kids stay at home
Alamance	X	X
Brunswick	X	X
Buncombe	X	X
Burke		
Caldwell	X	X
Cleveland		
Durham	X	X
Edgecombe		
Forsyth		X
Haywood	X	X
Johnston		
Pasquotank	X	
Rockingham	X	X
Scotland	X	X
Union	X	X
Wake	X	X
Wayne		X
Yadkin		
Yancey		
Total	11	12

Note: X=self-reported spending of IV-E money for this service (source: 19-County Survey). Blank=one of three conditions: didn't do it, did it using other funding, or did not answer the question. In at least one instance (Johnston County) we know that flexible spending was used for kinship care and to keep children from coming into care, but this was not reported.

Exhibit 1.3. Title IV-E Waiver Use of Outside Contracts

County	Outside Contracts							
	Family Support Services	Assessment Services	Adoption Services	Post-placement/ Post adoption Services	Substance Abuse Services	Mental Health Services	Family Reunification	Attorneys & legal services for TPR/ adoption
Alamance	X	X		X		X	X	
Brunswick								
Buncombe	X	X	X	X	X	X	X	X
Burke								
Caldwell	X						X	X
Cleveland							X	
Durham						X		
Edgecombe								
Forsyth	X							X
Haywood		X	X		X	X		X
Johnston	X	X			X	X		X
Pasquotank		X						
Rockingham	X	X			X	X		X
Scotland		X						
Union	X	X				X		X
Wake	X		X					X
Wayne	X			X	X	X	X	
Yadkin	X	X		X	X	X		
Yancey								X
Total	10	9	3	4	6	9	5	9

Note: X = self-reported spending of IV-E money for this service (source: 19-County Survey). Blank = one of three conditions: didn't do it, did it using other funding, or did not answer the question.

Waiver agencies were much less likely to use waiver funds to develop *new in-house services*, but counties that did so used this strategy fairly extensively (see Exhibit 1.4.). Five counties developed five or six types of new services provided in-house.

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 (see Exhibit 1.5). While the typical county did not use any waiver funds for this purpose, five counties used it for two or three activities.

Seventeen agencies reported that they initiated some kind of *organizational change processes* to implement system reform (Exhibit 1.6). These included two types of training:

- 1) specialized training for supervisors (16 counties) and social workers (13 counties) on the procedures to access waiver funds, and
- 2) social worker training in prevention and permanency strategies (12 counties).

Eight counties reported that they had reorganized work and team structures. The typical DSS agency initiated two types of organizational changes. The most common combination of organizational changes was staff training to access waiver funds and training for social workers to promote prevention and permanency (10 counties).

In the 19-County Survey, agencies were asked to indicate the extent to which they had made *collaboration with other community organizations* part of their “normal way of doing business,” through: general collaboration with other community agencies and organizations; shared funding of waiver-related projects; and Family Group Conferencing, (see Exhibit 1.7). 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. In two counties, agencies reported that other organizations had contributed to their waiver-related activities.

Exhibit 1.4. Title IV-E Waiver New In-house Services

County	New In-house Services							Attorneys/ legal services for TPR/ adoption
	Family Support	Assessment	Adoption	Post- placement/post- adoption	Substance abuse services	Mental health	Family reunification	
Alamance								
Brunswick								
Buncombe	X	X	X	X			X	X
Burke								
Caldwell								
Cleveland								
Durham	X	X	X	X		X	X	
Edgecombe								
Forsyth								
Haywood		X	X		X	X		X
Johnston	X							
Pasquotank								
Rockingham	X	X			X	X	X	X
Scotland								
Union	X						X	X
Wake	X		X					X
Wayne				X				
Yadkin	X	X		X	X	X		
Yancey								
Total	7	5	4	4	3	4	4	5

Note: X = self-reported spending of IV-E money for this service (source: 19-County Survey). Blank = one of three conditions: didn't do it, did it using other funding, or did not answer the question.

Exhibit 1.5. Title IV-E Waiver Resources Used to Enhance Support for Resource Families

County	Enhanced support for resource families		
	Foster/ adoptive family recruitment & training	Foster/ adoptive family support and retention	Support for foster parent associations
Alamance			
Brunswick			
Buncombe	X	X	
Burke			
Caldwell			
Cleveland			
Durham	X	X	
Edgecombe			
Forsyth			
Haywood	X	X	
Johnston			
Pasquotank			
Rockingham		X	
Scotland			
Union	X		X
Wake	X		
Wayne	X		
Yadkin	X	X	X
Yancey			
Total	7	5	2

Note: X = self-reported spending of IV-E money for this service (source: 19-County Survey).

Blank = one of three conditions: didn't do it, did it using other funding, or did not answer the question.

Exhibit 1.6. Organizational Changes—Counties that Have Made this Procedure “Our Normal Way of Doing Business” within the Waiver Period³

County	Organizational Changes			
	SW training on prevention and permanency	Supervisor training to access flexible funds	Social worker training to access flexible funds	Reorganized teams and work structures
Alamance				
Brunswick	x	x	x	x
Buncombe		x	x	
Burke	x	x	x	x
Caldwell	x	x	x	
Cleveland	x	x	x	
Durham	x	x	x	x
Edgecombe	x			x
Forsyth	x			x
Haywood	x	x	x	
Johnston	x	x	x	x
Pasquotank				
Rockingham		x	x	
Scotland	x	x	x	x
Union	x	x	x	x
Wake		x	x	
Wayne		x	x	
Yadkin		x	x	
Yancey	x	x		
Total	12	16	13	8

³ Note: X=self-reported “We have made this new procedure our normal ‘way of doing business’.” (Source: 19-County Survey). Blank=one of four conditions: didn’t do it, were already doing it before the waiver started, tried it on a limited basis and discontinued it, or did not answer the question.

Exhibit 1.7. Community Collaboration Efforts as Part of Title IV-E Waiver Demonstration Activities

County	Miscellaneous Collaborative Activities		
	Collaborated with community agencies & organizations	Family Group Conferences	Other agencies contributed funding to waiver activities
Alamance			
Brunswick	X		
Buncombe		X	
Burke	X		
Caldwell		X	
Cleveland	X		
Durham			
Edgecombe			
Forsyth			
Haywood		X	
Johnston	X	X	
Pasquotank			
Rockingham	X		
Scotland			
Union	X	X	X
Wake		X	X
Wayne			
Yadkin			
Yancey	X	X	
Total	7	7	2

Note: X = agency self-report: "We have made this new procedure our normal 'way of doing business'." (source: 19-County Survey). Blank = one of four conditions: didn't do it, were already doing it before the waiver started, tried it on a limited basis and discontinued it, or did not answer the question.

Agencies in 15 counties reported that their efforts in improving working relationships and coordinating functions with the court system was an important part of their work toward achieving waiver goals, even though these activities did not necessarily involve expenditures of waiver funds (see Exhibit 1.8). These efforts included a variety of different kinds of pre-hearing ("day-1 like") conferences, working with judges to reduce lengths of stay, and addressing other barriers that

delayed permanency. In 11 counties agencies used pre-hearing conferences. Agencies in 11 counties also worked with judges to shorten children’s’ time in placement authority. In 10 counties agencies worked with the courts to address other barriers. The typical county did only one of these activities (median), but seven counties (37%) reported doing all three of these activities.

Exhibit 1.8. Court Reform Activities

County	Court Reform Activities		
	“Day 1-like” conferences	Worked with judges to shorten time in placement authority	Addressed other court barriers
Alamance	X		
Brunswick	X	X	X
Buncombe	X	X	
Burke	X	X	X
Caldwell	X	X	X
Cleveland			
Durham			
Edgecombe	X	X	X
Forsyth	X		
Haywood		X	
Johnston		X	X
Pasquotank			
Rockingham		X	X
Scotland	X	X	X
Union	X	X	X
Wake	X	X	X
Wayne	X		
Yadkin			
Yancey			X
Total	11	11	10

Note: X= agency self-report: “We have made this new procedure our normal ‘way of doing business’.”(source: 19-County Survey). Blank = one of four conditions: didn’t do it, were already doing it before the waiver started, tried it on a limited basis and discontinued it, or did not answer the question.

1.3.2 Changes in Policy and Practice at the State Level

State-level program coordinators developed policies and plans for implementing new systems in many different areas. They collaborated with NC-DSS data management staff to develop and implement automated data management, agency reporting, and financial payment procedures. By the third quarter, they were able to publish the first of the quarterly “Experiences Reports” by which counties could track key outcomes for children entering their care. The coordinators also worked to modify and refine policies for the use of reinvestment funds, ultimately publishing these guidelines in the third quarter of 1997. They also revised the state’s child placement handbook to reflect FFK goals and strategies and ultimately made the handbook available to counties on the Division’s website.

Division program coordinators also began to discuss the issuance of statewide contracts with private vendors to provide timely services that could be provided more efficiently outside the state social services system. They explored the possibility of having private mental health providers conduct mental health assessments and provide other therapeutic services for children and families that the local community mental health centers were unable to offer. They met with private child-caring agencies to discuss whether this arrangement would help to provide child and family assessments, primary counseling, and family interventions.

Following the guidelines set forth for the demonstration, new policies and procedures had to be developed to implement the assisted guardianship component of the waiver. Statewide task forces and *ad hoc* committees were used to develop assessment tools for kinship care and the policies and practice guidelines for implementing this new form of guardianship. During the fourth quarter of 1997, drafts of the guidelines were distributed to the counties for comment and suggestions for revisions.

County agency staff participated in training to learn the new skills and procedures they would need to implement system reforms. NC-DSS staff conducted regional training sessions and site visits to inform county staff about new treatment approaches that fit the FFK goals, concurrent permanency planning, negotiating community collaboratives, and ways to improve the functioning of community performance teams. The FFK county coordinators who also were involved in the waiver provided mentoring to peers in the non-FFK demonstration counties about how to implement FFK strategies. State staff met and held conference calls with county directors and fiscal administrators to clarify changes in reimbursement procedures. They conducted site visits to instruct staff on the new coding procedures needed to access waiver funds.

Within each county, agencies conducted backlog reviews and spent time discussing how they could find permanent homes for children more quickly. They also explored whether and how they would reconfigure their social work staff into casework teams.

1.4 Overview of the Evaluation

The broad issue of concern to policy-makers, researchers, and practitioners involved in the waiver demonstration is the extent to which the costs of out-of-home placement can be reduced while maintaining or improving outcomes for children and families involved in the child welfare system. In the demonstration, it was assumed that the linkage of funding to outcomes would have positive effects on service delivery and system performance. With the implementation of new financing strategies, the 19 counties operating under the waiver sought to demonstrate the effectiveness of a comprehensive outcome-based approach to managing child welfare services. The specific outcomes expected from these efforts were significant decreases in: (1) the rate of initial entry into foster care (number of children in the system); and (2) the amount of time that children spend in out-of-home care, especially the rate at which children experience particularly long lengths of stay. The achievement of these goals also had to be balanced against possible increases in the rates of re-entry to care and subsequent reports of child abuse, neglect, and dependency.

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, as described above, it sought to give county managers and staff the flexibility to tailor services and supports that would prevent placement and reduce lengths of stay without the influence of funding regulations that favor out-of-home placement. The resulting programmatic and practice changes were quite broad and did not involve a single service intervention in the traditional sense. This perspective guided the demonstration and was specifically and consistently articulated by state child welfare officials, but each of the counties chosen to participate decided on its own specific strategies. While earlier efforts under the FFK initiative provided a basic foundation for the reform and encouraged particular approaches (e.g., community assessment teams), 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 those designated as comparison counties.⁴

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

⁴ The group of comparison counties selected by the evaluation team were never identified.

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 enabled us to address the key outcomes of interest to local, state, and federal stakeholders.

1.4.1 Evaluation Design

The evaluation was conducted in several stages and utilized a variety of research methods. During the first year of the demonstration, the evaluation team concentrated on (1) constructing and updating an analytical database that contains information on children's experiences in out-of-home placements; (2) providing county and state administrators with information necessary to implement successful programs; and (3) providing assistance with county planning efforts. In subsequent years of the demonstration, the evaluation team efforts focused on:

- expanding the analytical database to include information about services provided to children;
- conducting analysis of the results of the first year of program implementation;
- assessing changes in practice and policy;
- gathering information about the uses of flexible funding under the demonstration; and
- assessing the initial stages of implementation of the assisted guardianship component.

The core analysis relies on 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 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 changes in policy and practice on the outcomes experienced by children.

1.4.2 Randomization and Sample Selection

Comparison counties were selected in several stages to ensure that the comparison group matched key characteristics of the demonstration group. Initially, all 19 demonstration counties were stratified on the basis of their participation in the FFK initiative and by DSS level (basically a classification system based on size of operations). Next, a group of “volunteer-like” counties was identified (“volunteer-like” means that a county had volunteered for child and family initiatives in the past and was pursuing a reform agenda in these areas). A total of 32 counties that had participated in three or more of these initiatives were characterized as volunteer-like.

To select 19 counties for the comparison group, the group of 32 volunteer-like counties was first stratified by DSS level (a designation based primarily on caseload size) and participation in FFK. Individual counties were then matched with demonstration counties according to their growth in Title IV-E maintenance costs, specifically, the quartile ranking for percent change in the total federal share of Title IV-E administrative and maintenance costs from SFY92 (state fiscal year 1992, July 1, 1991 to June 30, 1992) to SFY96. When more than one eligible choice was available for a matching county, a random selection was made using the Microsoft Excel® random number generator. A random number was produced and the county whose county identification number was closest to the random number was selected. Based on the domains defined by these criteria, Exhibit 1.9 describes the allocation of demonstration and comparison counties.

Exhibit 1.9. Number of Counties by Group and Sampling Domain

Groups	DSS Level 1	DSS Level 2	DSS Level 3
<i>Demonstration Group (n = 19)</i>			
FFK Counties	0	3	1
Non-FFK Counties	4	8	3
<i>Comparison Group (n = 19)</i>			
FFK Counties	1	1	2
Non-FFK Counties	3	10	2

Exhibit 1.10 summarizes the comparability of the demonstration and comparison groups. The average median days in care for the demonstration and comparison groups are very similar. The demonstration group experienced a slower growth rate in Title IV-E expenditures during the past five years, but had greater actual expenditures in the SFY96. What became apparent after the evaluation team linked reports of abuse and neglect with placement data was that the waiver counties, as a group, were more likely to place children in out-of-home care than other counties. Fortunately, the sampling process resulted in the selection of comparison counties that were quite similar in this respect.⁵ Therefore, the test of the waiver occurred among the counties that could benefit most from it, but for whom it probably posed greater challenges to prevailing practice.

⁵ This is discussed in more detail in Chapter 2.

Exhibit 1.10. Characteristics of Demonstration and Comparison Counties

Cost and Other Characteristics	Demonstration Counties (n = 19)	Comparison Counties (n = 19)
Cumulative Total Maintenance Costs SFY 91/92 - 95/96	Mean: \$1,677,173 Median: \$787,028 Sum: \$31,866,283	Mean: \$1,655,697 Median: \$838,724 Sum: \$31,458,245
Percent of Total Costs Expended by Child-Caring Agencies	Mean: 23% Median: 22%	Mean: 27% Median: 26%
Median Days in Care	225	236

1.4.3 Process Evaluation. The aim of the process evaluation was to describe how specific components of the demonstration were implemented. Evaluation team members monitored changes in social, economic, and political factors that affected waiver counties’ ability to plan and implement service innovations. The team also tracked the extent to which agencies were able to implement those plans and how they modified their organizational structures and processes to support programmatic changes. The process evaluation drew on multiple data sources including:

- ongoing contacts with state DSS staff;
- operational data on agency operations routinely collected by DSS;
- monthly meetings with all waiver representatives;
- site visits in all the counties (October 1999 and June 2000);
- a survey to collect systematic data on waiver implementation in all 19 counties (December 2001);
- focus groups in four counties to obtain insights from DSS staff on the unique contributions of the waiver to system reform (spring 2002); and
- focus groups in one county to explore DSS staff and guardian viewpoints on assisted guardianship (spring 2002).

The appendix contains a more extensive description of the process evaluation data collection methods and analytic strategies.

1.4.4 Outcome Evaluation

Outcome data for all children entering out-of-home care in North Carolina prior to and during the demonstration period was tracked using a longitudinal database developed and maintained by the evaluation team. The experiences of successive annual cohorts of children entering out-of-home care in demonstration and comparison counties were compared across a pre-waiver baseline beginning in 1993 and extending throughout implementation of the waiver. This database makes it possible to track the experiences of individual children from the initial date of custody to their initial placement in out-of-home care through all subsequent placements and, for most children, to their exit from the child welfare system. The database also includes re-entries into custody authority subsequent to the initial period of out-of-home care. In essence, the database provides a statistical case history for each child reported for abuse and neglect in the years prior to and during the waiver demonstration.

To assess the impact of the Title IV-E waiver, it is critical to depict the experiences of *all* children who experienced out-of-home care in the waiver counties and the comparison counties. To accomplish this, the evaluation relies on comparisons of a series of cohorts of children who entered out-of-home care for the first time in their lives during specific time periods that encompass pre- and post-waiver time frames. By following these cohorts of children, we can identify changes in the experiences of children with substantiated reports of abuse or neglect or who entered out-of-home care in waiver counties and the comparison counties from one cohort to another. Throughout the waiver period, updates to the database extended the follow-up time for earlier cohorts and added a new entry cohort each year. Baseline data include information on children who entered placement authority prior to the implementation of the waiver from July 1, 1993, through June 30, 1997. Post-implementation data were collected for children who came into out-of-home placement through December 2001.

1.4.5 Cost Analysis

The cost analysis presented in this report examines how the cost experiences of the waiver counties are related to changes in outcomes during the demonstration period. Costs are measured in terms of dollars spent for out-of-home care and in administration of the program and will be tracked for the duration of the demonstration. The experience of counties involved in the demonstration are assessed in comparison to changes in Title IV-E costs among the comparison counties. To the extent that IV-E costs are reduced in the demonstration counties, as opposed to the

comparison counties, the waiver demonstration could be considered successful in terms of cost neutrality. Determining whether it is cost effective, of course, hinges on whether outcomes for families and children are maintained or improved.

1.5 Overview of the Report

The next chapter assesses changes in outcomes for children in waiver counties, comparison counties, and other counties in North Carolina. Given our conclusion that significant improvements in some outcomes actually occurred for children in at least some waiver counties, the analysis in the third chapter attempts to isolate the changes in policy and practice associated with these improvements. The fourth chapter discusses waiver counties' experiences with assisted guardianships and attempts to explain why it was not used more extensively by more counties. The fifth chapter describes the cost experiences of waiver, comparison, and other counties.

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