

# The Washington State Department of Children, Youth, and Families Performance- Based Contracting Progress Report

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DECEMBER 2021



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# Executive Summary

With the passing of HB 1661 in 2017, the Washington state legislature created the Department of Children, Youth, and Families (DCYF), combining the functions of child welfare, early learning, and juvenile rehabilitation into one agency. As part of this legislation, the legislature required DCYF to implement performance-based contracts across its entire portfolio of contracted client services. This report documents the process DCYF has undertaken to shift to an outcomes-oriented performance-based contracting (PBC) approach, as well as initial outcomes and lessons learned from this large-scale, system reform initiative.

DCYF developed a set of PBC standards detailing how contracted client services should be evaluated for quality and outcomes. Contract groups were formed to organize which contracts would be reviewed together. DCYF provided a set of consistent guidelines to develop robust quality and outcome metrics for each contract group that are evidence-based and build on engagement with service providers. DCYF also set out expectations requiring groups to identify and address racial disproportionality and disparities in services or outcomes. Each group receives ongoing support from the Office of Innovation, Alignment, and Accountability (OIAA). OIAA and data partners provide support to each contract group to conduct analysis of past data, understand data constraints, and create data dashboards to report on and understand contract performance data and client outcomes.

DCYF created several key agency structures that have contributed to the initiative’s success. A 17-member cross-agency steering committee was formed, including leaders from OIAA, Contracts, Programs, Finance, Information Technology (IT), Tribal Relations, Office of Racial Equity & Social Justice, Government Relations, Communications, and Change Management. DCYF also formed a similar cross-agency support team to develop and implement PBC policies at an operational level. DCYF created several capacity-building structures, including a PBC Learning Community and PBC Library, for DCYF staff to share knowledge and insights as they implement PBC and find resources that would help them craft meaningful performance measures and track client outcomes.

Initiative Success	Initiative Challenges
<ul style="list-style-type: none"><li>• PBC is becoming embedded within DCYF structures and culture.</li><li>• Contract groups that have adopted effective quality and outcome metrics, and created continuous improvement processes to examine and improve contractor performance measures and ultimately client outcomes.</li><li>• DCYF engaged key stakeholders, including providers to understand population service needs and create outcome goals and measures aligned with community needs.</li></ul>	<ul style="list-style-type: none"><li>• Multiple data and Continuous Quality Improvement (CQI) contract groups faced data infrastructure challenges that delayed PBC implementation.</li><li>• Need to build the capacity of DCYF program managers to interpret outcome data and use it for performance analysis and improvement.</li><li>• Some contract groups struggled to identify outcomes due to concerns that establishing performance expectations might lead to unintended consequences.</li><li>• Unprecedented disruption in services as a result of COVID-19 and subsequent reprioritization of staff time.</li></ul>

DCYF’s PBC initiative also faces some ongoing challenges. There is substantial variation across DCYF data and CQI and contract agencies in the level of infrastructure and support to implement PBC, particularly regarding data, which requires additional resources to address. To improve client outcomes, PBC needs to continue to build on principles of racial equity and continue to focus on reducing disparities in services and outcomes.

# Section 1: Introduction

In June 2017, the legislature enacted HB 1661, which created a new agency, DCYF. The intent of creating this new agency was to improve the delivery of services and outcomes for children, youth, and families; to lead the ongoing work to minimize or eliminate systemic barriers to effective, integrated services across state programs; and to help create an evidence-informed environment in which there are aligned outcomes for Washington children and shared accountability for those outcomes. The work necessary to create a new agency, including joining three agencies that had been part of separate departments, and prioritizing equity in service delivery and outcomes achievement, was substantial.

**Included in HB 1661 was the requirement that all DCYF client services contracts be performance-based. The goals of DCYF’s outcomes-oriented PBC initiative are to:**

- Ensure state resources are directed toward high-performing contractors;
- Support all contractors to continuously improve performance;
- Use PBC as a tool to increase equity; and
- Develop and use partnerships with key stakeholders at each step of the process.

With more than 1,000 client service contracts totaling approximately \$1 billion each biennium, contracted client services are a significant portion of the annual DCYF budget.

The legislature’s role in requiring that DCYF create an evidence-informed environment with aligned outcomes and shared accountability and that client services be performance-based is important because it helps ensure the work endures as administrations change. At the same time, the legislature balanced its mandate with flexibility, and DCYF as an agency has been able to shape the ongoing development of PBC. This effort to change how Washington operates programs for children is not a short-term initiative, and in some ways, DCYF’s work to adopt meaningful performance measures for client services contracts is ongoing and will never be “done.” PBC and other continuous improvement efforts have been and will continue to be essential components of DCYF’s ongoing focus to improve outcomes for Washington’s children, youth, and families.

DCYF’s implementation of its outcomes-oriented PBC initiative represents a substantial system change from previous contracting practices. Three years into the new agency, the initiative has achieved initial installation and has impacted contract groups in all major divisions of DCYF. While the initiative has accomplished and learned a great deal, much work remains to be done. As DCYF adopts its first five-year Strategic and Racial Equity Plan, the PBC initiative is poised to further support the agency’s priorities.

**This report describes the ways in which DCYF has implemented this initiative during its initial three years, discusses the challenges faced and the progress being made, details key lessons that have emerged, and looks to the future.**

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**“As a former legislator, I know how important it is to get enabling legislation right. As the Secretary charged with implementing HB 1661, which created DCYF and required that contracts be performance-based, having close alignment between the goals of legislative and executive branches was very important to my ability to effectively lead this effort.”**

**– DCYF Secretary Ross Hunter**

**Third Sector Capital Partners (Third Sector) is a nonprofit organization with the mission to transform public systems to advance improved and equitable outcomes. From 2018–2021, with philanthropic support from the Ballmer Group, Third Sector provided technical assistance to support DCYF in the implementation of PBC. Third Sector played a key role in the following areas:**

- ➔ Developing governance structures for agencywide implementation of PBC and the PBC standards;
- ➔ Developing resources and strategic communications to support the agencywide transition to PBC, including a training curriculum for DCYF staff; and
- ➔ Providing project management and facilitation support for the first cohorts of contract groups to adopt PBC, including support for quantitative data analysis, stakeholder engagement, creation of performance targets and incentive structures, and building out continuous improvement processes.

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**The Institute for Public Procurement defines PBC as “a results-oriented contracting method that focuses on the outputs, quality, or outcomes that may tie at least a portion of a contractor’s payment, contract extensions, or contract renewals to the achievement of specific, measurable performance standards and requirements. These contracts may include both monetary and nonmonetary incentives and disincentives.”**

The Urban Institute is a social and economic policy research center that has done a great deal of research on PBC. Their 2019 document titled [Incentivizing Performance: Contracting for Outcomes in Social Services Procurement](https://www.urban.org/sites/default/files/publication/100450/incentivizing_results_contracting_for_outcomes_in_social_services_procurement_1.pdf)<sup>1</sup> states:

“Most government contracts with social service organizations focus on those organizations’ activities, outputs, and costs, not the goals or outcomes of interest that necessitated the service. Rarely do contracts link payment to achievement of desired outcomes or require organizations to demonstrate that their services caused changes in outcomes. This creates a disconnect between what stakeholders are interested in and what gets measured and accounted for in social service contracts.”

While numerous federal, state, and local systems around the country have implemented some version of PBC, we believe that DCYF’s system-wide application of PBC is the broadest in the nation.

<sup>1</sup> [https://www.urban.org/sites/default/files/publication/100450/incentivizing\\_results\\_contracting\\_for\\_outcomes\\_in\\_social\\_service\\_delivery\\_0.pdf](https://www.urban.org/sites/default/files/publication/100450/incentivizing_results_contracting_for_outcomes_in_social_service_delivery_0.pdf)

# Section 2: Performance-Based Contracting

## - Where are we now?

With clarification from agency leadership as to direction and scope, and support from a team of Third Sector consultants, DCYF created operating principles focused on robust data collection, outcomes-focused PBC, partnership with providers, and centering questions of racial equity. The agency determined that PBC would prioritize continuous improvement as a mechanism to improve outcomes over (and in addition to) the use of traditional performance management tools, such as financial incentives.

### DCYF's implementation of the PBC initiative included multiple key steps:

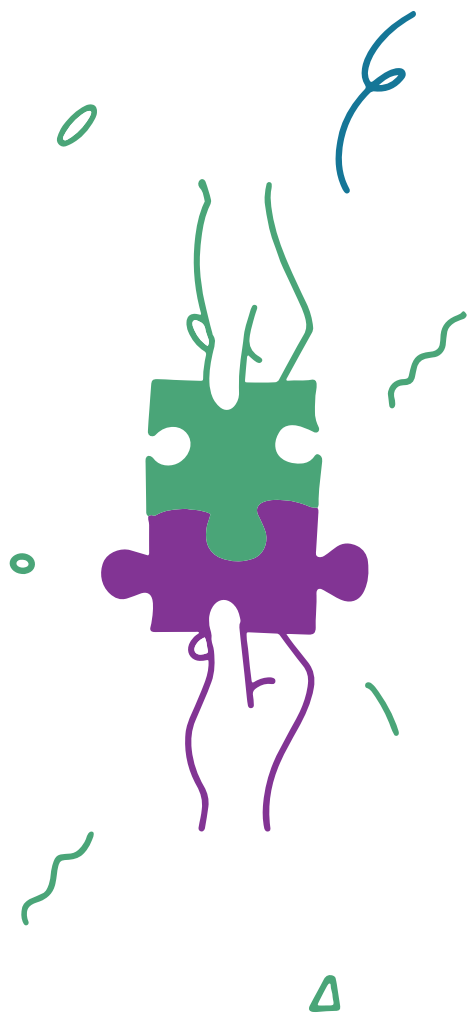
- 🔑 Creation of PBC governance structures;
- 🔑 Creation of PBC standards;
- 🔑 Support of contract groups; and
- 🔑 Integration with other DCYF initiatives.

#### 🔑 Creation of Governance Structures

One of the first actions taken by DCYF leadership was creating governance structures to lead and guide the initiative.

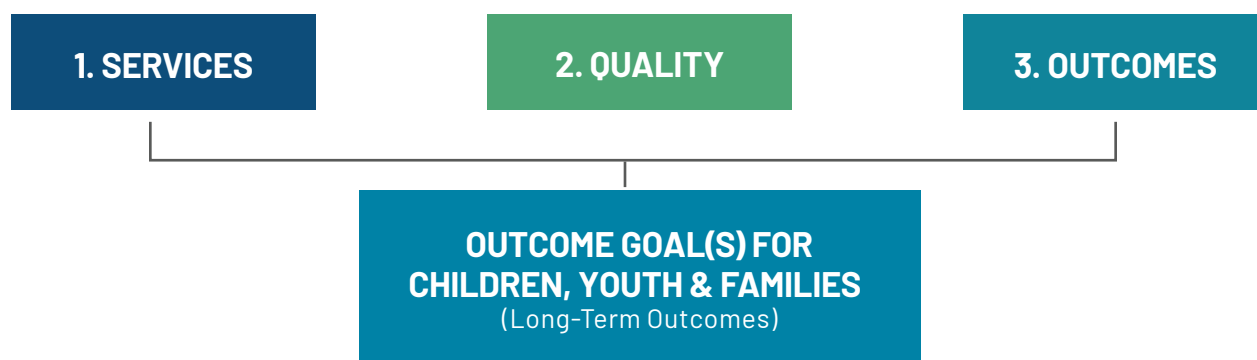
To guide the initiative at the highest level, DCYF created a steering committee. This 17-member leadership team focuses on policy and strategy development in order to ensure that the initiative is implemented well. Members include representatives from across the agency, including from OIAA, Contracts, Programs, Finance, IT, Tribal Relations, Government Relations, Communications, and Change Management. The steering committee is staffed by the OIAA PBC administrator.

In addition, DCYF created a PBC support team to develop and implement PBC policies at a more operational level. This team supports system-wide alignment of contracts for client services to PBC standards, including developing recommendations for the PBC steering committee and providing training and technical assistance to build capacity. Members also include representatives from across the agency. The support team is staffed by the OIAA PBC policy analyst.



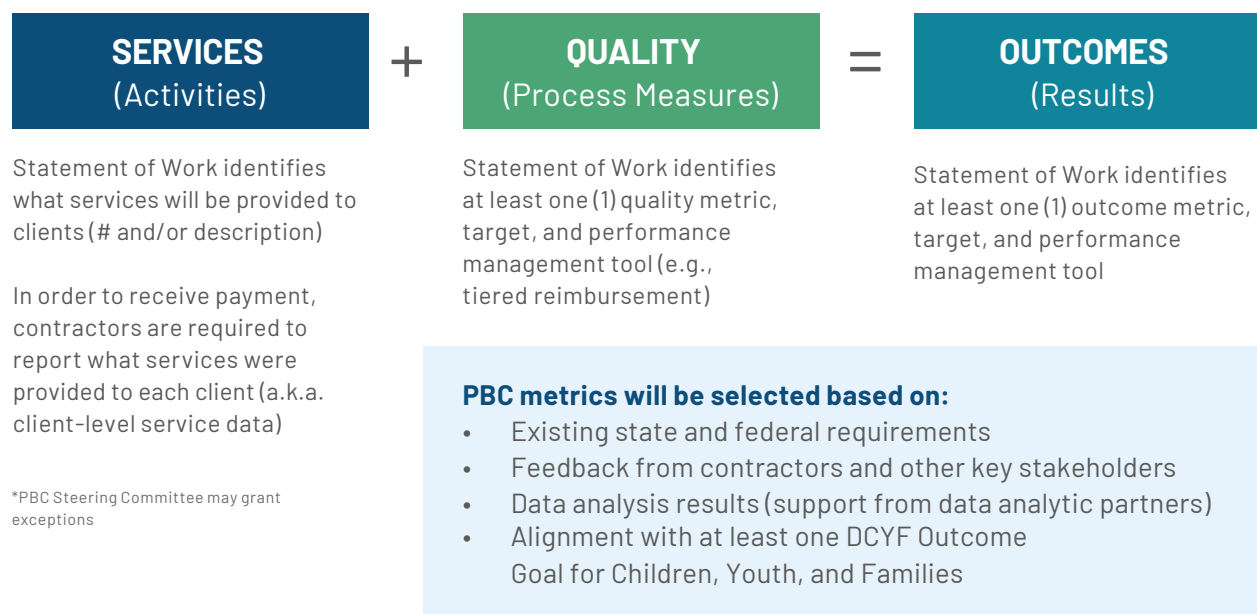
## Creation of Standards

With support from Third Sector, DCYF developed PBC standards across the three key areas of **1) Services**, **2) Quality**, and **3) Outcomes** to help achieve long-term child outcome goals. The standards also include a focus on building partnerships, using data to learn and improve, and advancing racial equity.



**Once the standards were agreed to, the steering committee then made the following decisions in order to implement them:**

- For the purposes of the PBC initiative, DCYF created contract groups, which are groups of contracts that could adopt unified quality or outcome measures based on similar services, populations served, and desired client outcomes.
- The steering committee determined that each contract group would identify which performance metrics to incorporate into contracts through a phased process. Contract groups would develop contract-specific quality and outcome metrics based on retrospective data analysis and in partnership with service providers and stakeholder input. Contract groups will also continue to use data to determine future metrics.



As described in greater detail in Section 3, there was substantial variation among individual agencies and contract groups in their readiness to implement the Services, Quality, and Outcomes. To address this variation, DCYF built mechanisms to provide some additional flexibility, outcomes, and corresponding definitions to measure progress:

**01 DCYF created a process to account for possible exceptions to the Service, Quality and Outcomes standards.** While DCYF required all contractors to collect client-level service data, the steering committee realized that some contracts are for short-term services not intended to help clients achieve an outcome, and it might not be reasonable to hold contractors accountable to the PBC Outcomes Standard. Program managers for those types of services are allowed to apply to the steering committee for exceptions as needed.

**02 DCYF determined that each contract group would have data analytic support from a data partner, including OIAA researchers or external partners such as Research Data Analysis (in the Department of Social and Health Services, Washington State Department of Health, or the Stanford Center on Poverty and Inequality).** The initiative created an expected list of data deliverables, including a literature review and retrospective data analysis, to ensure the contract groups had information on appropriate evidence-informed metrics as they made their selections.

**03 DCYF also set out minimum expectations for equity and stakeholder engagement.**

- **Equity:** Equity is a major goal of the PBC initiative. Currently and historically, DCYF has served children and families in the most vulnerable circumstances, who often face the most barriers to healthy, successful lives. With PBC, DCYF is aiming to have the data, stakeholder engagement, and regular review of data needed, to better determine and address racial disparities in terms of services offered and outcomes achieved.
- **Stakeholder engagement:** PBC builds on its equity commitment by focusing attention on stakeholder input, engagement, and feedback. Stakeholders are key to understanding the service needs of the populations served, equitable quality metrics, and improving outcomes. Stakeholder engagement can range from informing stakeholders of where the agency is heading to opportunities for collaboration. PBC will be utilizing a continuum of stakeholder engagement on many different levels (see diagram on pg. 18 for more information about the continuum). Each contract group identifies its stakeholders so that their voices are heard in the development of metrics.

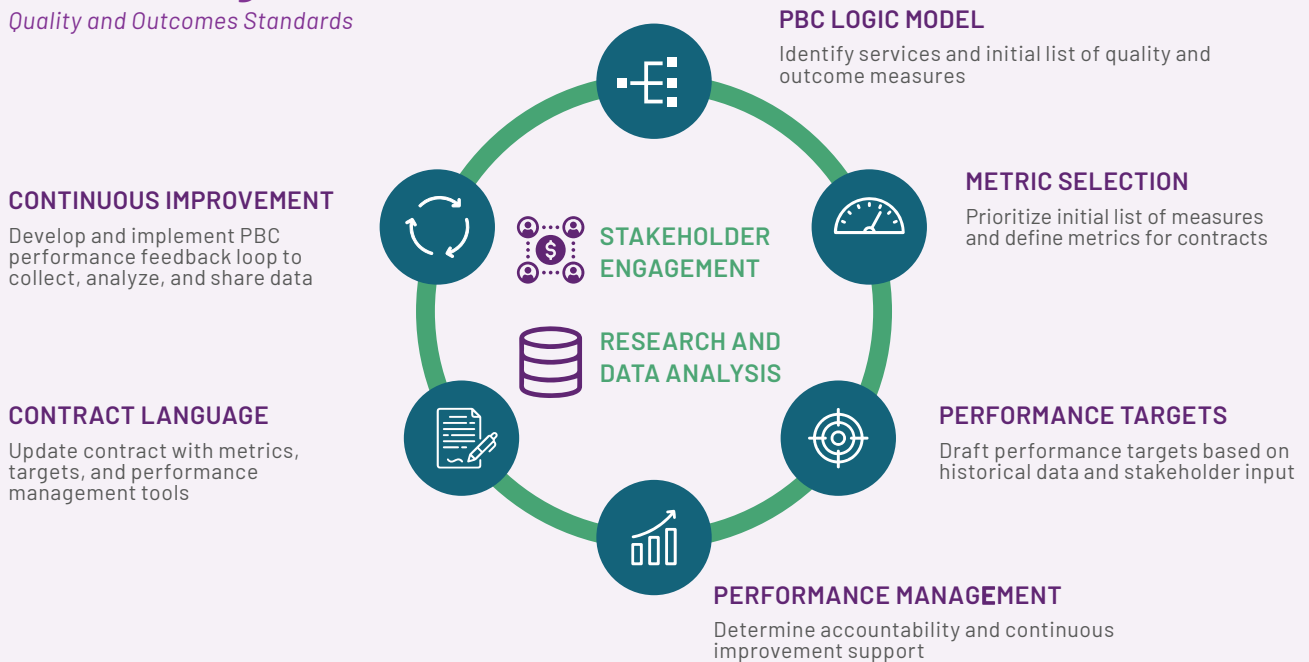


## Intensive Support to Contract Groups

DCYF, with support from Third Sector, designed and implemented training, intensive technical assistance, and ongoing support for contract groups. The initiative designed training modules to address the key components of the PBC process, as described in the diagram below.

### Performance-Based Contracting Process

*Quality and Outcomes Standards*



**“As a new Parents as Teachers supervisor, I appreciate being part of this workgroup and learning more about PBC work. I feel like I have a great background now going into the new year in this important work, thanks to you and your team!”**


**- Nancy Donato, Parents as Teachers Program Coordinator, Yakima Valley Farm Workers Clinic**


The training focused on change management, including helping participants prepare themselves for change as well as to lead others through change. In addition, Third Sector staff provided project management support throughout the process to ensure everything stayed on track and all the moving parts were aligned. Project management was particularly important early on in the process when the substantial change PBC required was becoming more apparent across DCYF.

## Integration of Performance-Based Contracts with Other Core Agency Functions and Initiatives


The PBC initiative created new system-wide elements and integrated with already existing DCYF functions.

- **DCYF created a PBC learning community and library to build a community of practices, document frameworks, and examples**


 The PBC learning community began in year one with just four contract groups. Over time it has grown significantly, currently including 19 active contract groups, and now serving as a forum where major revisions and adjustments to PBC are presented, discussed, and feedback is provided. It also hosts regular “deep dive” meetings that go into greater detail on specific issues.

 The PBC library is a DCYF intranet site that is used as a one-stop-shop or repository for PBC resources and templates. For example, if a program manager was interested in stakeholder engagement, they could go to the library to find a template for a stakeholder engagement plan as well as a filled-out example of a plan.

- **Collaboration with DCYF’s Contracts Office**

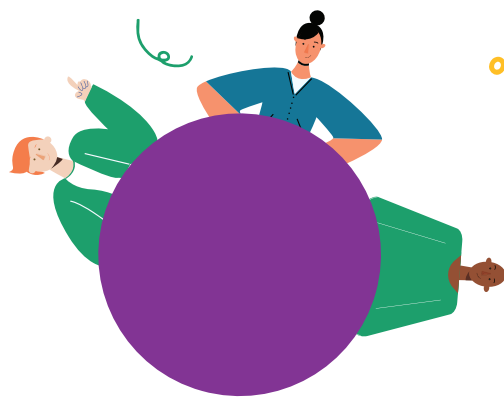
 The PBC team initially scanned all contracts to ensure they incorporated PBC language. The PBC team has since collaborated with the Contracts Office to identify ways to streamline the monitoring of PBC requirements in all contracts.

- **Collaboration with Program Management**

 The PBC team is collaborating with DCYF’s program management team to identify ways to support staff across the organization in building the skills and competencies needed to implement PBC. They are also working with them to incorporate PBC into new job descriptions when they are posted. For example, program manager position descriptions are being revised to incorporate PBC competencies, including data analysis, continuous improvement, engagement, and racial equity.

- **Collaboration with DCYF’s Office of Racial Equity and Social Justice (RESJ)**

- **Coordination with IT and OIAA’s digital innovation team to identify the need for new data collection infrastructure and reporting**



## DCYF's outcomes-oriented PBC initiative has seen strong accomplishments to date.



## Accomplishments

PBC is becoming embedded within DCYF structures and culture. A strong foundation has been created from which to continue building.

- ★ The steering committee and support team continue to provide vital direction and support to implement the initiative well. Strong and clear processes, procedures, and governance structures provide a way to ensure the project is implemented consistently.
- ★ The PBC team and contract groups continued PBC work even while COVID-19 caused huge disruptions for the agency. Some adjustments were made to accommodate the urgent needs of program staff and contractors who were busy figuring out how to move to virtual services.

**“In order to make lasting change, PBC had to be embedded across the entire agency. All of the DCYF staff who develop and manage contracts for client services needed to be involved, not just a few. We intentionally brought everyone to the table to help shape and support the initiative. One of our key principles is “it takes a village,” and we’ve found that to be true at every step of the process.”**

**- Stacey Gillette, PBC Administrator**

Individual contract groups have also made tremendous progress. As required by HB 1661, DCYF regularly reports the progress that is being made, including an annual status report that provides detailed updates.

**The research about PBC, which is sometimes referred to as outcome-based contracting or pay-for-success, is fairly limited, and much of it is dated. What research we have shows that when fully implemented, the efforts of DCYF appear to be the broadest application of PBC in the nation.**

[Results for America's](#)<sup>2</sup> 2020 State Standard of Excellence includes a section on [Contracting for Outcomes](#).<sup>3</sup> In it, they cite Rhode Island as a leading example of a state focused on contracting for outcomes across multiple agencies. Their Department of Children, Youth, and Families executed \$90 million in 116 results-driven contracts, and their Department of Labor and Training launched a \$14 million workforce program that uses performance-based metrics and active contract management. Arizona was cited for its work on supportive in-home preservation services, while Florida used active contract management practices to enhance coordination among child welfare providers in their SunCoast region.

Tennessee introduced PBC in 2016 using a model that includes performance bands. Providers are then paid for their performance on specific metrics. The final state profiled in the Contracting for Outcomes section was Washington's DCYF. The DCYF profile described the conversion of more than 1,000 contracts investing approximately \$1 billion each biennium. To conclude their description, Results for America wrote: "Once fully implemented, DCYF will become the first state agency to successfully implement outcomes-oriented contracts across its entire portfolio of programs."

**A study of [Performance-Based Contracts and Quality Assurance Systems](#)<sup>4</sup> conducted by the National Quality Improvement Center on the Privatization of Child Welfare Services reviewed the efforts of Florida, Missouri, and Illinois. These initiatives, though significant, were much narrower than Washington's. All of these PBC initiatives focused on children in foster care. In one of the states, it was implemented in a subset of the regions, and in another, the performance measures were all inputs (i.e., accuracy of data entry or conducting supervisory meetings) as opposed to outcomes. That said, some of their experiences align with those of DCYF.**

- Each site identified that a collaborative planning process was one of the most important factors in the success or failure of their efforts.
- Undertaking this level of systems change requires sufficient time to plan since it affects all levels of an organization or agency. Each site emphasized that sufficient time is needed to ensure that all parties understand the outcomes being measured, how they are measured, and how these contracts affect each side fiscally. Additionally, time is needed upfront to make sure the right data is available to measure each outcome or to make the necessary changes to guarantee accurate and reliable data to inform the system as a whole.
- Within all three sites, staff noted that emphasis shifted from compliance to developing a continuous quality improvement approach focused on outcome achievement.
- All sites indicated that successfully implementing PBC was an ongoing process rather than a static one-time change. Much of that evolution was in response to data generated by performance-based contracts.

<sup>2</sup> <https://results4america.org/>

<sup>3</sup> <https://2020state.results4america.org/state-standard-of-excellence/contracting-for-outcomes.html>

<sup>4</sup> <https://library.net/document/q2717r2y-national-quality-improvement-center-privatization-child-welfare-services.html>

## Home Visiting is one example of a contract group that adopted quality and outcome measures.

DCYF's Home Visiting Program, which is within the agency's Family Support division, includes 44 (direct service) contracts totaling \$15.5 million annually, serving more than 2,600 clients a year. With PBC, the contract group turned first to a set of 12 contracts that provide the Nurse Family Partnership model of home visiting. A workgroup, which included critical partners like the Department of Health, convened to identify PBC measures, identified multiple possible measures, and ultimately selected healthy birth weight as the outcome measure to monitor. The workgroup also determined that federal funds could be used to offer fiscal incentives to address disparities and reward positive client outcomes. Contractors can receive these incentives based on the number and characteristics of babies born with healthy birth weights. Home Visiting has been able to prioritize certain populations based on levels of risk. In implementing these incentives, the workgroup also determined it would be critical to carefully monitor for the emergence of potential unintended consequences.

Home Visiting adopted quality and outcomes measures and created bonuses for the achievement of certain outcomes, but this contract group is not only focused on fiscal rewards. Program staff report that PBC has led to a full circle of continuous improvement practice. The Home Visiting contract group also cites the importance of regular meetings and collaborative work that have led to strengthened relationships with partners like the Department of Health.



# Challenges

While the PBC initiative has made considerable strides in its development of quality and outcomes measures for client services contracts, it has also faced considerable implementation challenges:



**Data challenges:** The PBC initiative benefited from dedicated data partners who could help contract groups conduct retrospective data analysis, which enabled contract groups to select quality metrics clearly connected to client outcomes. At the same time, multiple contract groups faced challenges in terms of data infrastructure, and the need to address data infrastructure challenges is ongoing.



**New requirements for program managers required new skill sets:** Many program managers were more familiar with compliance data than outcomes data, and needed training to support them in interpreting outcomes data and using it for performance analysis and improvement.



**Concerns about unintended consequences:** Several of the workgroups struggled to identify outcome measures due to concerns on the part of staff and other stakeholders that assigning targets and consequences for outcomes might lead to unforeseen incentives for contractors. Concerns ranged from fears that contractors would be incentivized to “cherry-pick” those clients with the lowest levels of need to concerns about self-reported data.



**COVID-19:** As DCYF was implementing the PBC initiative, the agency was also confronted with the unprecedented disruption in services brought by the global pandemic. The need to respond to COVID-19 required many PBC participants to temporarily divert their attention from this project. In addition, the pandemic forced changes to services that resulted in the loss of some data needed for calculating particular performance metrics.


# Section 3: Key Findings and Lessons Learned

Since the passage of HB 1661 and the creation of the agency, DCYF leadership and staff have made significant strides in advancing performance-based contracts and creating an overall framework for outcomes improvement. This initiative involved multiple steps along the way and participants learned a number of lessons during the process.

- There is substantial variation across DCYF and contract agencies in the level of infrastructure and support to implement PBC, particularly regarding data, which requires additional resources to address.
- OIAA is an important resource in addressing the infrastructure, support, and coordination challenges of PBC.
- To improve client outcomes, DCYF needs to continue to focus on principles of racial equity in its administration of PBC.
- PBC requires addressing concerns about potential unintended consequences for children, youth, families, and DCYF contractors.
- An essential part of PBC implementation is supporting changes in behaviors and mindsets, both within DCYF and in the provider community.

## **1. There is substantial variation across DCYF and contract agencies in the level of infrastructure and support to implement PBC, particularly regarding data, which requires additional resources to address.**

As DCYF began to implement PBC, it became apparent early on that some parts of the system had more resources, infrastructure, or experiences than others to support the transition to PBC. The shift to outcomes-oriented contracts, which places greater emphasis on the quality and result of a service, not just whether it was delivered, meant that DCYF and contractor staff needed new skill sets, competencies, and supports to ensure success within the PBC framework.



## One of the key lessons learned has been the substantial challenges around data collection, extraction, reporting, and analysis.





- At the start of the new agency, not all programs had data collection systems sufficient to track even basic service delivery, much less measures of quality and outcomes. Many programs had developed labor-intensive workarounds to this problem, which were not sustainable at baseline and not readily transferable to the more intensive need for data to support outcomes-oriented PBC.
- OIAA anticipated the need to extract and link data from outside the source systems, especially for analyzing and reporting outcomes. But the lack of program data collection systems and available service-level data stalled some of these plans, requiring additional manual workarounds that were also not sustainable.
- When it came to analysis of the data, many program managers were more familiar with compliance data, and needed training to support them in interpreting outcomes data and using it for performance analysis and improvement.
- PBC meant that contractors were often being asked to do more with data – more data collection, different data collection, and more data management. There was substantial variation in their capacity to do that. For example, some contractors have more limited organizational infrastructure than others. Though they bring other strengths and advantages to the table (e.g., they may be closer to the community), smaller organizations are less likely than larger ones to have capacity in data collection, management, and analysis; quality assurance (QA); and CQI.





Some contract groups were quick to begin to address data challenges. For example, Combined In-Home Services (CIHS) contractors in child welfare were very interested in sharing their concerns about data collection for a client assessment that is essential to the service planning process (the Child and Adolescent Needs and Services (CANS)). And as a result of their work with DCYF on performance management through PBC, CIHS contractors were excited to implement electronic CANS data collection. Another example of a change in data capacity was when Independent Living Services (ILS) programs had to enter information in a new component that was created within the existing data system.

While there is more work to be done, DCYF has made progress in data collection, management, and analysis, and is continuing to work to sustain these advancements. The advancements include:

- 01**  **Retrospective analysis of existing data to inform the choice of quality and outcome measures;**
- 02**  **Assessing existing data collection systems and advising on the need for new transactional data collection systems;**
- 03**  **Providing more training for providers and program managers on how to collect high-quality data and use consistent methods to clean data; and**
- 04**  **Providing dedicated research support from internal and external partners. For example, within the Early Childhood Education and Assistance Program (ECEAP), Washington State’s publicly funded preschool program, the program manager and OIAA’s senior early learning researcher were able to publish new levels of analysis about contractor and subcontractor performance, including client outcomes on six domains of kindergarten readiness.**

In addition to data collection, analysis, and management, other areas where new skill sets, competencies, and supports are needed include:

- ✔ **Project Management:** to effectively lead the implementation of PBC standards and ongoing performance monitoring after standards are incorporated.
- ✔ **Oversight:** to monitor performance so that DCYF resources are directed toward high-performing contractors.
- ✔ **Continuous Improvement:** to implement the PBC performance feedback loop (see pg. 28) and work collaboratively with contractors to continually improve outcomes for children, youth, and families.
- ✔ **Racial Equity:** to develop and apply a racial equity mindset to all aspects of PBC implementation, including data analysis, contract development, stakeholder engagement, and service delivery.
- ✔ **Engagement:** to involve DCYF staff and external stakeholders that manage, deliver, or receive the contracted services. This ensures PBC implementation is intentionally centered on the experience of all communities impacted. There are a number of different levels at which DCYF engages with stakeholders as part of the PBC process, with an effort to move along the continuum described below.

## Engaging stakeholders at the appropriate level

		Increasing Impact on Decision-Making and Implementation				
		INFORM	CONSULT	INVOLVE	COLLABORATE	SHARE LEADERSHIP
METHODS/ EXAMPLES	STYLE	Stakeholders kept informed with timely updates	Stakeholders leaned on for feedback and advice	Stakeholders invited to decision-making conversations	Stakeholders help lead decision-making conversations	Stakeholders are decision makers
		Stakeholders receive information through fact sheets, newsletters, websites, updates during regional meetings	Stakeholders provide feedback through surveys, focus groups, and webinars	Stakeholders listen and participate in PBC workgroup	Stakeholders develop agendas and lead discussions in PBC workgroup	Stakeholders co-write and approve contract language; decisions cannot be made without their consent

Engagement tiers follow the Home Visiting Applied Research Collaborative (HVAR) Model for participatory engagement

## 2. OIAA is an important resource in addressing the infrastructure, support, and coordination challenges of PBC.

OIAA is charged in HB 1661 with building agency capacity to make evidence-informed decisions, continuously learn and improve, and successfully enact systems reform. The office plays various important roles in DCYF's reform efforts, including:

- Conducting research and evaluation and producing reports on DCYF programs and services;
- Managing an analytic data platform, integrating data, and building dashboard solutions;
- Managing external data sharing, agency Institutional Review Board (IRB) reviews, and the agencywide Data Governance Plan; and
- Supporting PBC and continuous improvement.



OIAA had a key role in supporting the foundation and purpose of the new agency in 2018. What is unique about this office is that it brings all of the innovation, alignment, and accountability functions that are often scattered across large agencies like DCYF under one roof.

At the outset of the new agency, OIAA was tasked with developing child outcome goals and an analytic framework that were adopted by agency leadership. The purpose of identifying these goals was to give the agency a snapshot of what tools, skills, and resources children need to grow up healthy and thriving. OIAA also conducted baseline performance assessments to help DCYF understand areas where it was succeeding and areas where improvements were needed. While setting these goals and assessing performance, OIAA pays particular attention to the ways in which race, ethnicity, and poverty impact a child's opportunity for success.

As DCYF has now adopted its first five-year [Strategic and Racial Equity Plan](#),<sup>5</sup> it has more specifically operationalized priorities that it intends to implement to achieve its overarching child outcome goals.

The DCYF outcomes-oriented PBC initiative is another important component of OIAA's reform work. The PBC administrator and PBC policy analysts are housed within OIAA. In addition, researchers within OIAA were assigned to some of the contract groups to provide data analysis support. And perhaps most importantly, OIAA Director Dr. Vickie Ybarra led the PBC initiative as a key member of DCYF's executive leadership team.

<sup>5</sup> [https://www.dcyf.wa.gov/sites/default/files/pubs/COMM\\_0058%20DCYF\\_Strategic\\_Priorities\\_2021-2026.pdf](https://www.dcyf.wa.gov/sites/default/files/pubs/COMM_0058%20DCYF_Strategic_Priorities_2021-2026.pdf)

## What's different about OIAA?

In its experience working on public sector change management and performance improvement across the country, Third Sector is not aware of structures and processes that are as comprehensive as those of OIAA:

1. Embedding continuous improvement with accountability for specific agency outcomes, aligning top-down leadership and creating space for employee-driven improvements for outcomes;
2. Focusing on racial equity and community engagement as part of the continuous improvement feedback loop;
3. Building capacity in-house to continuously manage improved and equitable outcomes and creating a performance feedback loop. OIAA is doing the work alongside program managers and other staff, not just training other staff to do the work; and
4. Designing and implementing outcomes-oriented performance-based contracts.

There are examples of efforts from across the country that include different components of what is contained within OIAA, but not all of them together.

- There is movement in some sectors toward the creation of [chief performance officers](#)<sup>6</sup> and [chief innovation officers](#),<sup>7</sup> but those often have a more top-down approach (as opposed to combining top-down and engagement approaches), are more internally facing and efficiency-focused (as opposed to both internally and externally facing and outcomes-focused), and don't include performance-based contracts.
- There are also [employee-driven process improvement](#)<sup>8</sup> efforts, mainly at the municipal level, which are designed to give frontline staff and managers the tools and ownership to make government more efficient and customer-friendly. Denver, San Diego, and Philadelphia have each implemented academies to train staff on Lean management strategies (normally applied to manufacturing and business) to make government better by "eliminating waste, basing decisions off data, and delivering better value for customers." By design, these efforts tend to be more bottom-up, but that means they are not necessarily connected to agency strategy and may not employ a racial equity lens (OIAA and PBC are both top-down and bottom-up, connect to agency strategy, and employ a racial equity focus).
- Hundreds of states and municipalities across the country have developed [performance stat](#)<sup>9</sup> data dashboards processes. These are a set of administrative routines for collecting, analyzing, deciding, and acting upon performance information on a regular basis and involving top organizational leaders, but they tend not to engage the community in the process, nor do they employ performance-based contracts.
- There are external centers that work on systems reform and services integration, but not as divisions within government agencies themselves. The [Future Services Institute](#)<sup>10</sup> at the Humphrey School of Public Affairs at the University of Minnesota and Harvard's [Government Performance Lab](#)<sup>11</sup> are both examples of this model. And there are also a lot of individuals and small teams scattered throughout government, as inspector generals, special assistants, researchers, and trainers, who are, in their siloed ways, doing different aspects of the more comprehensive and integrated work conducted by OIAA.

<sup>6</sup> [bscpcenter.org/resources/publications/solutions\\_issue\\_3\\_chief\\_performance\\_officer-2.pdf](https://bscpcenter.org/resources/publications/solutions_issue_3_chief_performance_officer-2.pdf)  
<sup>7</sup> <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/2/06/chief-innovation-officers-do-they-deliver>

<sup>8</sup> <https://ash.harvard.edu/innovations-government>

<sup>9</sup> <https://www.businessofgovernment.org/report/practitioner%E2%80%99s-framework-measuring-results-using-%E2%80%9Cstat%E2%80%9D-colorado-department-human-services>

<sup>10</sup> <http://futureservicesinstitute.org>

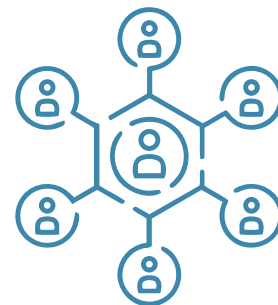
<sup>11</sup> <https://govlab.hks.harvard.edu/>

The importance of bringing these functions together as OIAA does is detailed in the Pew-MacArthur Results First Initiative report, [“The Role of Outcome Monitoring in Evidence-Based Policymaking”](#).<sup>12</sup> In it they state:

**“Although nearly every state has some type of outcome monitoring system in place, many face challenges in using them to inform decision-making. State agencies frequently spend significant resources to collect and report performance data that may not always be useful to decision-makers. At the same time, policymakers may lack information they need to make important policy and funding decisions. States also face challenges in coordinating these systems with other performance-related capacities. For example, many states have staff dedicated to research and evaluation, policy analysis, and other initiatives aimed at streamlining government processes that could be used together to make better decisions but are often fragmented.”**

Initiatives highlighted in the Pew-McArthur report include: 1) Colorado’s Department of Human Services, which tracks more than 75 performance measures across five divisions through their C-Stat performance management system; 2) Minnesota’s statewide dashboard tracks 40 key indicators across eight priority areas, ranging from strong and stable families to efficient and accountable government services, and 3) Results Washington, which brings together leaders from multiple agencies and partners from outside of government to use performance data to frame problem-solving discussions.

Third Sector believes that placing the PBC initiative within OIAA has enhanced effectiveness of the initiative and allows for continued connection to DCYF’s overall continuous improvement efforts.



<sup>12</sup> [www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/08/the-role-of-outcome-monitoring-in-evidence-based-policymaking](http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/08/the-role-of-outcome-monitoring-in-evidence-based-policymaking)

### 3. To improve client outcomes, DCYF needs to continue to focus on principles of racial equity in its administration of PBC.

HB 1661 emphasizes that the mission and vision of DCYF should center on the goal of promoting equity across the services and programs overseen by the agency and related outcomes for children, youth, and families. PBC supports DCYF’s commitment to equity through a focus on:



**Accessibility:** clients have equitable access to needed contracted services.



**Cultural Responsiveness:** contracted services are culturally responsive.



**Racial and Ethnic Disparities:** race and ethnicity are not predictors of success.

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OIAA is charged with helping facilitate efforts that promote equity across the agency through its ongoing commitment to better data collection, development of meaningful metrics for accurate reporting, more in-depth inquiry, and well-designed mechanisms for feedback and accountability. To accomplish this charge, OIAA:

- ✔ Helps create an evidence-informed environment in which there are aligned outcomes and shared accountability for achieving those outcomes;
- ✔ Develops processes for examining and reporting on agencywide engagement, resource utilization, and outcomes for clients receiving agency services;
- ✔ Reports data by race, ethnicity, and geography whenever possible;
- ✔ Identifies areas of focus to advance equity and inform agency strategies designed to ensure that all children, youth, and families are thriving; and
- ✔ Develops meaningful metrics detailing progress toward eliminating racial disparities and disproportionalities.

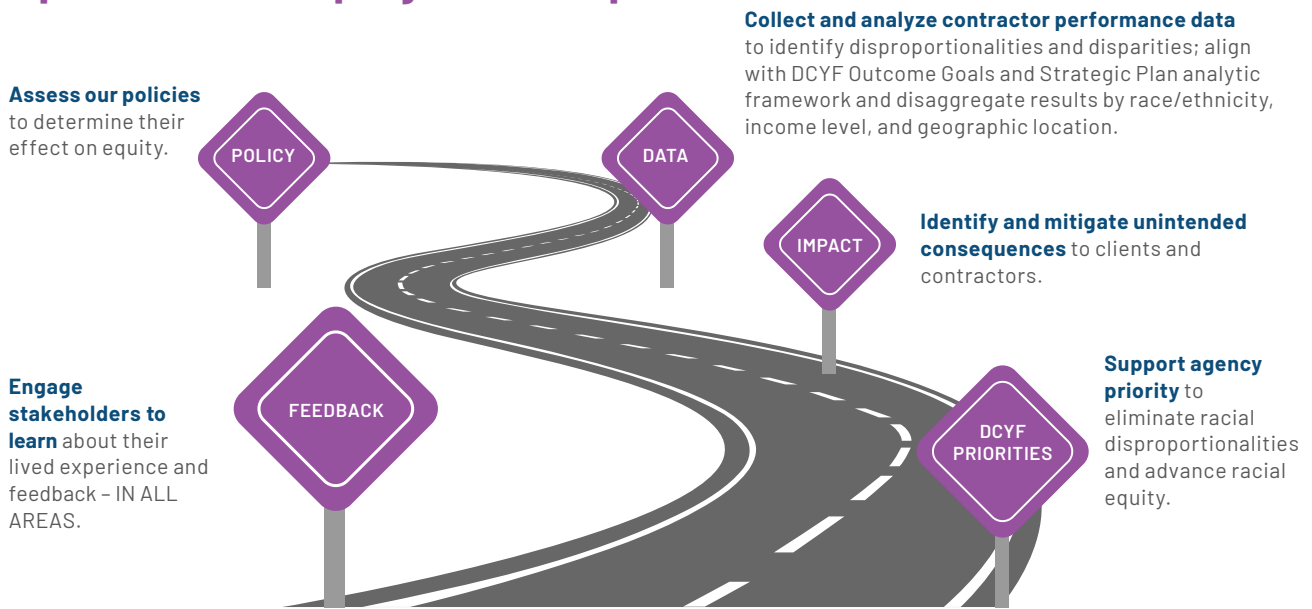
More information about OIAA’s efforts to use data in DCYF to advance racial equity can be found at: [www.dcyf.wa.gov/sites/default/files/pdf/reports/OIAAEquityData2021.pdf](http://www.dcyf.wa.gov/sites/default/files/pdf/reports/OIAAEquityData2021.pdf).

In addition, DCYF has also created an agencywide racial equity and social justice framework. This framework offers a shared approach to building systems that support every child, young person, and family, no matter their race, ethnicity, or background. It includes principles, definitions, and key concepts to help DCYF and its partners understand and address the root causes and underlying drivers of racial inequities.

Addressing racial equity has also been one of the key areas of focus for the PBC steering committee. In 2020, the steering committee chartered an equity workgroup to delve deeper into opportunities to advance racial equity through PBC. This included contracting for a racial equity landscape analysis by the Harvard Government Performance Lab. Recommendations from the equity workgroup were submitted to the PBC steering committee for consideration. In May 2021, the steering committee approved an updated PBC equity road map (see image below), as well as the following priorities:

- **Stakeholder Engagement:** Utilize a five-stage approach (see diagram on pg. 18) to enhance stakeholder engagement. DCYF will develop a process to select the appropriate stage based on the needs of the stakeholder engagement for the task. This will allow for more deliberate stakeholder engagement and direct communication on the purpose of each engagement.
- **Service Population Metric:** A requirement that all data management and data collection systems have the ability to collect and analyze service population data in the categories of Race/Ethnicity, Income Level, and Geographic Location. Data that determines eligibility for, referral to, enrollment in, and completion of the program should be used to report on disparities and disproportionality within the service metric.

## Updated PBC Equity Road Map



## 4. PBC requires addressing concerns about potential unintended consequences for children, youth, families, and DCYF contractors.

When contracts shift from a focus on inputs to a focus on improved outcomes through PBC, one of the concerns is the risk of unintended negative consequences that might result from changing the incentives within the contracts. This concern can manifest itself in a number of ways:

- ❓ **Disproportionality:** Do performance metrics account for differences in population that could intensify inequities?
- ❓ **Cherry Picking/Skimming:** Does PBC shift contractor behavior to focus on populations that are more likely to achieve the outcomes?
- ❓ **Uneven structural advantages:** Do contractor characteristics help or hinder achieving performance goals? For example, if timeliness of visits is a goal, might contractors in very rural areas with significant travel times between clients be disadvantaged? Another example is whether an agency is advantaged or disadvantaged based on its size.
- ❓ **Misreported Data:** Is there an opportunity or incentive to misreport data, leading to inaccurate results or unfair rewards?

### Through the PBC process, DCYF and its contractors addressed these issues head-on.

Defining appropriate outcomes measures (performance metrics) is one of the main ways to address concerns about unintended consequences. The framework Third Sector helped DCYF develop to select performance metrics is conceptually quite straightforward – the data must be available, and the goals must be achievable and aligned with what is important to DCYF, contractors, and clients. But while that was generally agreed to, it requires balance, nuance, and ongoing discussion and analysis as to what factors might increase the level of performance and decrease the variance between different providers and how to accomplish improvements without triggering unintended consequences.

## 5. An essential part of PBC implementation is supporting changes in behaviors and mindsets, both within the agency and with the provider community.

With a large reform effort that has both the scope and the scale of PBC, there were bound to be both technical and adaptive challenges. According to Heifetz & Linsky,<sup>13</sup> PBC upended entrenched practices, resulting in some instability and uncertainty. Adaptive change stimulates resistance because it challenges people's habits, beliefs, and sense of competence. People do not resist change

per se, they resist loss—loss of stability, competencies, expertise, and ways of doing their work. Already busy staff often view these changes as an additional project or task, at least initially, and it takes time to see and incorporate as a new way of doing work.

<sup>13</sup> Heifetz, Ronald A., and Martin Linsky. Leadership on the Line: Staying Alive through the Dangers of Leading. Boston, MA: Harvard Business Review, 2017.



As part of their change management process, DCYF and Third Sector built a PBC learning community and had numerous training sessions to address these challenges. The DCYF Office of Change Management utilizes the ADKAR model (created by the change management firm Prosci) as its framework to drive change throughout the organization. Third Sector used this framework as part of one of its training modules. **ADKAR** stands for:



The **awareness** of the need for change came primarily from the passage of HB 1661, its creation of the new agency, the requirement to implement PBC, and the requirement to report back to the legislature about the establishment of and progress toward outcomes measure goals on an annual basis.

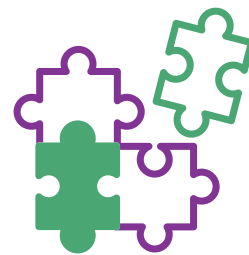
The **desire** to participate and support the change started at the top, with a committed leadership team, the creation of OIAA, and the felt need to deliver on outcomes and equity goals. DCYF leadership, the PBC steering committee, and the PBC support team then worked to infuse that desire throughout the organization and contractors. As with any significant change, there were those—both inside and outside DCYF—who were more interested in being early adopters, while there were others who were more hesitant or sometimes even resistant.

The **knowledge** on how to change is essential because the DCYF outcomes-oriented PBC initiative is a big shift that requires different ways of working, and it remains a work in progress. The reinforcement of new knowledge and behavior happened both internally and externally. As is often the case in change management, DCYF realized that it needed to support staff differently in order for them to be effective in driving the changes externally. One of the linchpins of PBC is the program managers, so there has been significant investment in developing their skill sets to perform their new tasks.

The **ability** to implement the change depends on building the infrastructure needed to support it. That has taken numerous forms, particularly improving DCYF’s capacity to collect, manage, and analyze the data that form the basis for performance measurement and performance-based contracts. It also requires new management and monitoring structures, target setting, and incentives. Again, this work is ongoing.

It is also imperative that there be **reinforcement** to sustain the change. That reinforcement comes from influencers at every level. A key finding from communications research is that the messenger often matters as much or more than the message. It is for that reason that leaders from all levels of DCYF took on different aspects of the communications responsibilities so that different audiences would hear reinforcing messages from the messenger who would be most meaningful to them.

1. DCYF communication created a [video](#)<sup>14</sup> with Secretary Ross Hunter and PBC Administrator Stacey Gillette explaining the basics of PBC and calling for staff to become involved.
2. The members of the support team model and support the development of key program manager competencies.
3. Program managers participate in and present to the PBC learning community to model behavior.



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It is important to note that the implementation of the PBC initiative has been taking place at the same time that staff from three agencies are coming together to form the new culture of the new agency. PBC contributes to a new evidence-informed culture focused on outcomes. For instance, the PBC learning community involves representatives from programs, research partners, and the Contracts Office, which provides opportunities to build relationships and develop a shared understanding of the importance of focusing on client outcomes. Increasingly, PBC staff have come to understand that this initiative, focused on outcomes of contracted services, needs to be knit closer to other agencywide efforts to improve client outcomes

**“DCYF’s outcomes-oriented PBC initiative is, at its core, an agencywide, system-wide, continuous performance improvement effort. The initiative serves as a platform from which we move the system to improve performance in large, ongoing, and impactful ways.” - Dr. Vickie Ybarra, OIAA Director**

<sup>14</sup> <https://www.youtube.com/watch?v=-PATjfeVsn0>

# Section 4: The Road Ahead – Implementing Continuous Improvement

Over the past three years of initial implementation, the outcomes-oriented PBC initiative has matured to the point that its leaders can now pivot from ensuring it is being implemented well, to ensuring it is accomplishing what it should: improved and equitable outcomes for Washington’s kids and families. The adoption of the agency’s first five-year Strategic and Racial Equity Plan provides an opportunity to operationalize that pivot and focus on the specific priorities embedded in the plan.

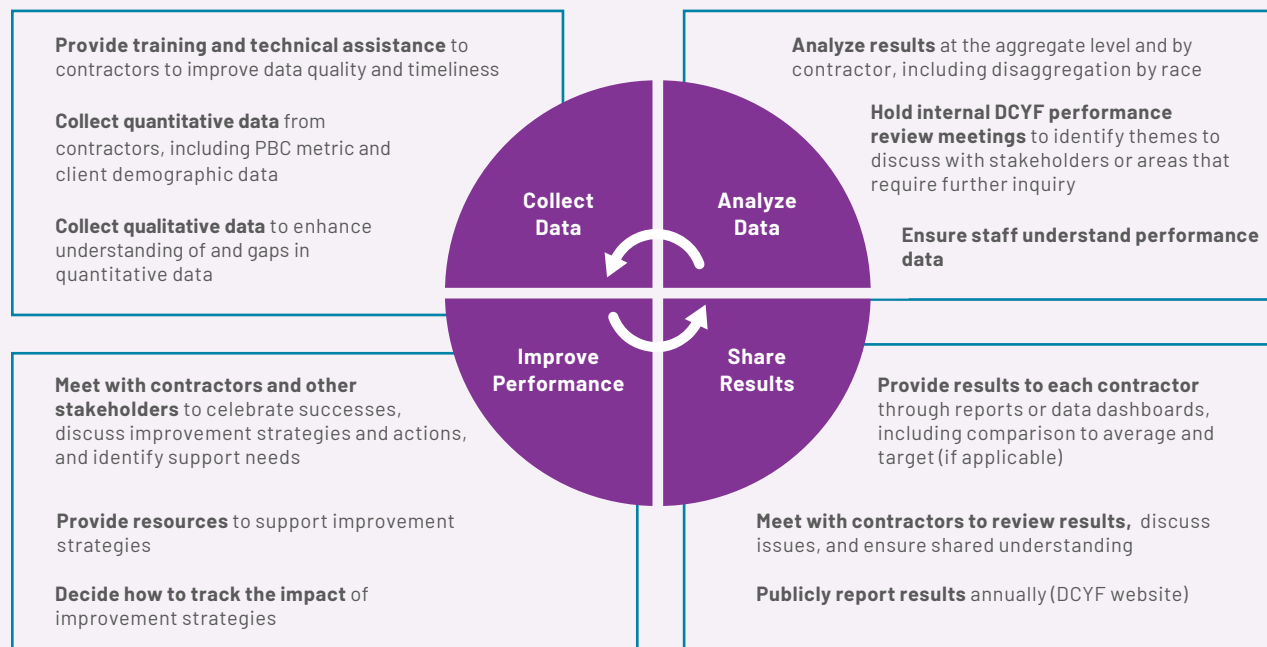
This pivot is an exciting moment for the agency to begin to demonstrate how system changes within government can result in improved lives in communities. Yet, part of DCYF's work to ensure PBC continues to be implemented well is to maintain an appropriate level of focus on the fundamental approaches and infrastructure required. The foundational components below have already been built by DCYF and will need to be resourced in an ongoing way to ensure the system delivers better outcomes.

- **Structure and culture:** DCYF must maintain the necessary infrastructure within OIAA as well as within divisions of finance, contracts, research, and HR to ensure it is advancing outcomes as it implements PBC. It must hold all parts of the DCYF system, including internal staff and external contractors, accountable for continuously improving outcomes for children, youth, and families.
- **Stakeholder engagement:** Continuing to prioritize Washington’s kids and families and the providers that serve them ensures PBC implementation is intentionally centered on the experience of all communities impacted. DCYF has developed an engagement continuum and will continue its efforts to more effectively engage stakeholders and move from providing input on policies and programs toward shared leadership.
- **Racial equity:** PBC has prioritized racial equity from the beginning and needs to continue deepening its racial equity practice by prioritizing trusting relationships with diverse communities and utilizing data in ongoing ways to uncover and address disparities in services and outcomes.
- **Data management:** DCYF has made progress in defining the data required to manage to achieve outcomes, yet continued resources are necessary to ensure the entire system is able to build and have ongoing access to functional data infrastructure that reports on outcomes performance data. Timely access to data for staff and providers across programs, as well as skills to interpret the data and implement necessary changes, are essential to continually improve services that result in better outcomes for Washington’s children and families.

The ongoing work of DCYF’s outcomes-oriented PBC initiative is encapsulated by the PBC performance feedback loop. The work of PBC is designed to build an upwards spiral of improved performance as each loop is completed. OIAA plays an essential role in supporting DCYF contract groups to navigate each stage of the performance feedback loop. The following diagram encapsulates the ongoing work of PBC.

## PBC Performance Feedback Loop

After working collaboratively with contractors, partners, and other key stakeholders to identify and incorporate PBC metrics into contracts, **DCYF contract groups will engage in the following activities to support continuous improvement:**



In addition to maintaining and strengthening the foundational components of PBC implementation, OIAA and DCYF leadership are aligning PBC with other initiatives driving systems change across the state and the agency. Within state government, PBC and its data and outcomes orientation are complementary to initiatives supported by both the legislature ([The Washington State Institute for Public Policy \(WSIPP\)](https://www.wsipp.wa.gov/)),<sup>15</sup> and the executive branch ([Results Washington](https://results.wa.gov/)).<sup>16</sup> Within DCYF, PBC is informing and aligning with two agencywide efforts: 1) continuous improvement processes and 2) the DCYF Strategic and Racial Equity Plan

<sup>15</sup> <https://www.wsipp.wa.gov/>

<sup>16</sup> <https://results.wa.gov/>

## Agencywide Continuous Improvement Processes

As shown in the PBC process diagram on pg. 9, continuous improvement is the final step in the PBC process. PBC supports DCYF's systems change efforts through its alignment with continuous improvement principles:

- **Prioritize Learning:** A learning mindset forms the foundation of any continuous improvement process. Learning requires humility, maintaining curiosity, and adapting when new information becomes available.
- **Trust and Shared Accountability:** Effective continuous improvement processes build trust and shared accountability around common goals. In the context of PBC, DCYF and contracted service providers are mutually accountable for enabling continuous improvement.
- **Racial Equity:** In addition to prioritizing learning, using a racial equity mindset is at the forefront of PBC continuous improvement processes, with the overarching goal to improve equitable outcomes. There is no set destination for racial equity, but an essential part of the path forward includes elevating diverse perspectives, particularly from those whose lives are being impacted by the system.
- **Human-centered:** Keeping children and families at the center of continuous improvement initiatives increases the likelihood that improvement efforts produce changes that are relevant and valuable to them. Human-centered design ensures users see their experiences reflected and their needs met in the solutions that are created.

Embedding these principles internally throughout the agency, as well as externally with contractors and other partners, is an important part of the road ahead for DCYF. Their use of PBC focuses on the contractors who provide client services and the responsibility to deliver better outcomes for those clients. While that ties a great deal of DCYF's budget to results, it is not the only application of continuous improvement. Other important systems actors, such as courts and DCYF staff, play crucial roles in delivering improved outcomes for children, youth, and families, and the entirety of DCYF has agency-level responsibility for delivering long-term outcomes for clients.



The IBM Center for the Business of Government recently released a [research announcement](#)<sup>17</sup> with a section titled “Attaining Effective Outcomes: Supporting Program Performance and Performance Management Strategies.” In it they say:

**“Recent government improvement initiatives seek to achieve effective outcomes against a set of strategic imperatives and core mission functions. Whether through provision of services, benefits, or care, outcomes-based approaches rise in priority across government agencies charged with converting policy and programs to outcomes.**

**Effective agencies no longer solely focus on the busy work of throughput, but rather on whether throughput assures an organization’s desired outcomes. To this end, performance management is a vital and necessary element for attaining intended outcomes. Performance management links individual goals to program priorities and program priorities to agency strategy. The most successful organizations achieve desired outcomes via outcome-driven process redesign, optimal technology platforms, effective talent and performance management, and efficient and orderly governance.”**

What this document describes is essentially what HB 1661 launched through the creation of DCYF, OIAA, and the requirement for performance-based contracts. This has then engendered agency-wide and systems-wide continuous performance improvement to turn that intent into reality. It is important to note that this is not a “project” that ends at some point. Rather, it is part of a continuous improvement process that never ends and must become the way DCYF works from here on out.

## **DCYF Strategic and Racial Equity Plan**

DCYF leadership is also aligning the work of PBC with the recently released [DCYF Strategic and Racial Equity Plan](#),<sup>18</sup> embedding the PBC orientation deeper into the fabric of the agency.

### **The strategic priorities of the plan are:**

- Eliminate racial disproportionality and advance racial equity;
- Safely reduce the number/rate of children in out-of-home care by half;
- Create successful transitions to adulthood for youth;
- Create higher quality integrated B-8 system;
- Improve quality and intention of practice; and
- Improve quality and availability of provider services (PBC).

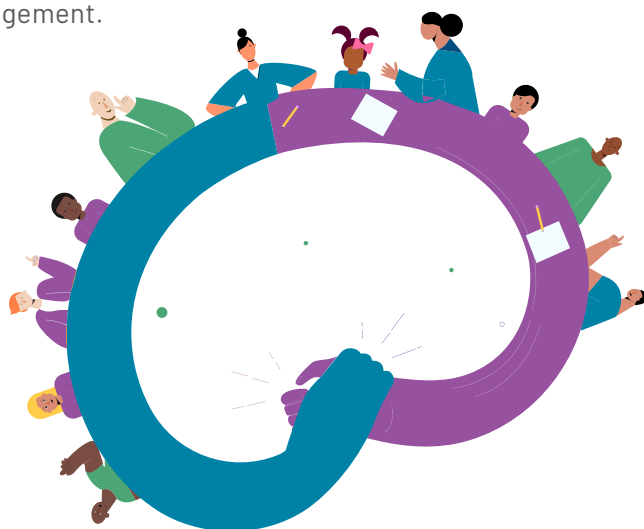
**PBC is not just one of the priorities on this list; it also helps drive forward all of the other priorities.**

<sup>17</sup> <https://www.businessofgovernment.org/sites/default/files/Research%20Announcement%202021.pdf>  
<sup>18</sup> [www.dcyf.wa.gov/sites/default/files/pubs/COMM\\_0058%20DCYF\\_Strategic\\_Priorities\\_2021-2026.pdf](http://www.dcyf.wa.gov/sites/default/files/pubs/COMM_0058%20DCYF_Strategic_Priorities_2021-2026.pdf)

In addition, DCYF’s senior leadership team recently approved building on the PBC steering committee to form one of the DCYF Strategic and Racial Equity Plan’s accountability groups to “improve quality and availability of provider services,” including:

- Agencywide implementation of PBC;
- Expand equitable access to effective and needed services;
- Enhance service matching at individual and population levels; and
- Identify opportunities to integrate contracts and management.

The circle diagram and metaphor contained in the PBC process and the PBC feedback loop can be applied more broadly because, in many ways, the systems reform work DCYF is engaged in, with PBC as a primary contributor, is ongoing work that will never be “done.” This report is about progress being made through PBC, which is an important tool in DCYF’s systems reform toolbox. PBC and systems reform through continuous improvement have been and will continue to be essential components of DCYF’s ongoing efforts to improve service delivery and outcomes for the children, youth, and families of Washington State.



**“We are not aware of anyone else in the country taking an outcomes-focused approach to all of its client services contracts. I am very proud of the progress we have made on this groundbreaking effort. Washington’s children, youth, and families deserve no less than our relentless focus on supporting their development, improving outcomes, and achieving equity. PBC and continuous improvement are essential tools to make that a reality and hold the entire system accountable for doing so.”**

**– DCYF Secretary Ross Hunter**